



1 March 2023

Hon Julie Collins MP  
Minister for Housing; Homelessness; Small Business  
PO Box 6022  
House of Representatives  
Parliament House  
Canberra ACT 2600

Dear Minister

### **Extend HomeBuilder Program to prevent housing supply defaults**

UDIA National is a strong and vocal supporter of the Government's housing initiatives including the Housing Australia Future Fund (**HAFF**), and we are aware there is a developing problem with Homebuilder that will undermine supply of housing if it is not addressed.

In summary, the supply chain delays, COVID 19 shutdowns, and construction company failures have pushed timelines past the completion deadline for Homebuilder dependent projects. This will mean many purchasers are facing default on purchases, if they do not have access to the Homebuilder grant they were eligible to receive. The further complication is that these defaults may, in some cases impede projects that are supplying housing to other Australians.

The solution is simple and does not involve any additional expense to Government. Our members request a 12-month extension of the 30 April 2023 deadline for submission of all required qualifying documentation. The 12-month extension aligns with the 12-month construction commencement extension provided during the COVID pandemic.

This extension simply recognises that the challenges experienced by the construction industry and ordinary Australian's have been outside anyone's ability to control and unfairly impact housing supply. The extension will ensure Australian's will not be further impacted financially, nor lose their family home aspirations all together.

Those who purchased during the unprecedented and extremely uncertain COVID pandemic, assisted Australia's economic recovery. By creating their own new home they have helped make grouped dwellings, townhouses and apartment projects viable - supporting creation of other housing supply.

It would be unfair for these Australian home buyers (who were eligible for this program and have arranged borrowings on that basis), to be financially penalised through no fault of their own. Further, the potential failure of these settlements will exacerbate impacts on developers and deepen construction industry concerns, as lenders impose higher funding barriers and housing stocks decline further.

With the HomeBuilder grant taken up by the more affordable market segment, the negative impact to purchasers is significant. One member confirmed that for eligible purchasers, the \$25,000 grant

comprises 6% of the average purchase price, or one third of their deposit. A failure to receive the grants will jeopardise purchaser's ability to settle.

## HomeBuilder

As you are aware, the HomeBuilder program was introduced on 4 June 2020, and is administered by the respective State Revenue Offices. It provides eligible owner-occupiers with a grant to build a new home, substantially renovate an existing home or purchase a new home off-the-plan. Eligible owner-occupiers are entitled to grants of:

- \$25,000 for a contract signed between 4 June and 31 December 2020.
- \$15,000 for a contract signed between 1 January and 31 March 2021.

Amongst various other criteria, to qualify a purchaser is required to:

- Enter into a contract to purchase the land between 4 June 2020 and 31 March 2021;
- Submit their application by 14 April 2021; and
- Submit their supporting documents by 30 April 2023, including submission of a certificate of title showing the purchaser as a registered proprietor of the relevant land.

The intent of the HomeBuilder program was to drive economic activity, support jobs in the residential construction sector during the COVID-19 pandemic, create new homes, boost confidence in the sector, and financially assist eligible owner-occupiers.

The success of the program is evidenced by the fact that as at 26 June 2022, there were a total of 100,214 successful grant recipients, equating to approximately \$2.3 billion in total grant funding. This significantly exceeded Commonwealth Treasury's initial forecasts of approximately 27,000 grants nationwide, resulting in approximately \$678.3 million in total grant funding being administered<sup>1</sup>.

## Challenges impacting industry

Across Australia, the construction industry has suffered significant challenges since the commencement of the COVID-19 pandemic, including:

- **Material and supply chain issues –**
  - Global supply chain disruptions and increased costs of shipping have significantly delayed delivery of necessary goods and equipment, resulting in construction delays impacting all parts of the industry.
  - According to the ABS Producer Price Index series, input costs to house building have grown by 14.2% in the 12 months to December 2022. While the pace of cost increases moderated

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<sup>1</sup> KPMG (31 October 2022) "HomeBuilder National Partnership Agreement Review". Retrieved from <https://federalfinancialrelations.gov.au/sites/federalfinancialrelations.gov.au/files/2022-11/HomeBuilder-npa-review-report.pdf>.

in the December quarter, overall building material costs have elevated by 30% compared to the pre-COVID level, with all categories of building materials recording significant price increases.

- **Labour and skills shortages –**
  - Border closures, while effective in protecting us during the pandemic, added to the skills and labour challenges that were already being experienced in the construction industry in Australia. Since late 2019, construction vacancies have risen by 80% according to the 2022 Arcadis Construction Costs Index Report, with an acute shortage of bricklayers, carpenters, and roofers in recent times.
  - With a significant amount of construction activity happening across the country, boosted by Commonwealth and State investment, and compounded by border closures, the typical labour movement experienced between the east and west coasts did not occur.
  - While there has been a ramping up of skilled visa arrivals into Australia across the last year, the most recent ABS data shows that the volume of permanent skilled workers arrivals for November 2022 (24,100) was 19% below the long-term average and 46% below the pre-pandemic level. Temporary skilled visa holders were also down 29% on the long run average.
- **A shrinking pool of builders –**
  - Due to the issues encountered, we have seen numerous building firms and developers struggling and collapsing, including Caydon, Probuild, ABG Group, Langford Jones, Snowden Developments, Jaxon Construction, New Sensation Homes, Home Innovation Builders, Pivotal Homes, Probuild, Condev Construction, Waterford Homes, Privium and Pindan Group.
  - It is likely that shutdowns have contributed to construction company failures, where works could not be undertaken, and revenues generated. For example, in some states, work stopped on development projects during the construction industry shutdown in the later months of 2021, as well as during additional restrictions imposed by the state Government's directions regarding COVID-19 safety plans.
  - Government directives around labour capacity on construction sites also had an impact. For example, in some states, capacity was reduced to 25% and then by 50% during October 2021.

## Impact on buyers

There are numerous examples of residential development project being delayed, and buyers being financially impacted without an extension, due to the issues outlined above.

A few such examples include:

- **Evoked Townhomes, South Morang, Melbourne** – A construction contract was entered into for the construction of 20 townhomes (Stage 2 of the 92 townhome project), to be completed

by 31 July 2022. A total of 17 sales contacts were entered into prior to 31 March 2021 and all 17 buyers submitted applications by 14 April 2021. However, following the builder going into administration, the construction contract was terminated, and the tender process recommenced.

A new contract for 55 townhomes (Stage 2 and 3) was entered into on 12 December 2021, to be completed by 24 April 2023. This has since been pushed out further due to COVID related market conditions and material availability.

All purchases will now not be eligible, losing out on the \$25,000 (a combined total of ~\$425,000) which would otherwise have covered approximately 5% of their acquisition cost. The Developer is aware that many of the purchasers will be unable to complete their purchase – putting the project under greater financial stress.

- **Due North, Preston, Melbourne** – A highrise apartment block of 107 apartments has 20 buyers eligible for Homebuilder – this, equates to 19% of the 107 apartments in this development.

Due to delays associated with the constructor going into liquidation, all 20 buyers face losing their purchase (on a combined total of ~\$500,000) unless there is an extension to allow it to complete with HomeBuilder grants. This represents a significant proportion of the pre-sales for the development and puts the project in jeopardy.

- **Highrise Apartment building Project, Gold Coast** – The project is an apartment building which were incredibly difficult to work into the scheme, but its right in the affordable range (\$500-\$600k) on the Gold Coast (almost unheard of currently). Sales were started on Nov 2020 and the first HomeBuilder contract was 16 November 2020. 29 contracts in total relying on HomeBuilder, were signed before 31 December for the \$25k grant. The Homebuilder purchases allowed the projects to hit its pre-sales and commence building.

The original completion date under build contract was October 2022 but between May 21 and October 23 the project lost 8 weeks to latent conditions, 9 weeks to weather and 2 weeks to covid manpower delays. An additional unexpected 2 week Xmas shutdown was required as well as other delays. With weather delays, material shortages and labour availability issues, the building won't meet project construction until April.

The developer is seeking a three month extension to Homebuilder, to allow the building to be completed and titles issued. The developer is aware the 29 units may be unable to settle, without Homebuilder, given interest rate rises. Buyers may only be a matter of weeks off the required timeframe. Given that all the issues encountered were largely out of control of the builder, developer and the buyer, consideration should be given to a moderate extension to allow projects such as these to qualify and buyers get the grant.

- **Civic Heart, South Perth** – 8 buyers were eligible for Homebuilder, which equates to 13% of the sales at commencement of construction. This project has been impacted by the builder's

ability to access labour, contractors, specialist equipment, supply chain issues, inability for key consultants to physically visit site due to very restrictive interstate travel controls etc. These issues were exacerbated in Western Australia due to the nature of the Covid policy responses.

All 8 purchasers will lose their \$25,000 grant (on a combined total of \$200,000) and potentially be unable to purchase with the grant comprising on average 29% of a compliant 20% deposit with major financial institutions adhering to current macro-prudential controls. This puts further pressure on a major \$427M mixed use project, impacting cash flows where 60% of apartments have been sold to date.

- **Shenton Quarter, Shenton Park, Perth** – 29 buyers were eligible for Homebuilder, which equates to 18% of the 157 apartments. The project is under construction but have been delayed due to the current industry challenges and is now not due for completion until mid-year.

All 29 buyer will lose their \$25,000 (on a combined total of \$725,000) and may have difficulty purchasing unless there is a Homebuilder extension. This puts further pressure on the project.

- **The Brixton in East Victoria Park** – this 36-unit apartment building was delayed due to Pindan going into administration. 12 buyers were eligible for HomeBuilder grants (on an approximate total of \$4.8M) and may have difficulty purchasing unless there is a Homebuilder extension. This puts further pressure on the project. The builder has been working hard to accelerate building construction, but settlement is currently looking to be in mid-May.
- Recent media suggests there could be thousands of buyers across the country who will now miss out for reasons such as construction delays, including 1,400 people in South Australia alone<sup>2</sup>. While 100,214 grants had been successfully administered by 26 June 2022, Commonwealth Treasury data up to 11 February 2022 showed a total of 137,755 applications had been received. Although not all of these will have been deemed eligible, it suggests tens of thousands of people may be at risk of missing out<sup>3</sup>. The potential impact to a range of smaller developers and builders could severely impede capacity in the housing industry at a critical time.

The Commonwealth Government has itself previously recognised that the HomeBuilder qualification dates relating to completion of construction could cause unfairness due to unanticipated Covid-19

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<sup>2</sup> <https://www.abc.net.au/news/2023-02-13/hundreds-may-miss-out-on-home-builder-grants-inquiry-told/101968170>

<sup>3</sup> <https://treasury.gov.au/coronavirus/homebuilder>

delays around supply constraints, including delays in global supply chains and natural disasters<sup>4</sup>. In recognition of these issues, the Commonwealth Government extended the construction commencement qualification period by 12 months (from six to 18 months).

It would seem logical to extend the requirements associated with construction completion by 12 months. Without an extension applicants could potentially comply with a contract signed on the last day of 31 March 2021, had 18 months to commence by 30 September 2022, but then had only just over six months to have their name on title.

While we understand Commonwealth Treasury's current advice is that individual extensions will not be considered, given the far-reaching implications, we respectfully request your further consideration of a 12-month extension to the deadline associated with construction completion.

We are keen to discuss these reforms with you at your earliest convenience.

Please do not hesitate to contact the UDIA National Head of Policy and Government Relations - Andrew Mihno on 0406 454 549 to discuss any aspect of this submission further.

A handwritten signature in black ink, appearing to read 'Maxwell Shifman'.

**Maxwell Shifman**  
UDIA National President

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<sup>4</sup> The Hon Josh Frydenberg MP, Treasurer, 24 August 2018 to 23 May 2022 (17 April 2021), <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/homebuilder-extended-support-more-jobs>