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A Housing Construction Economic Kickstart

Purpose

Use the huge economic multiplier of the construction industry to help get the economy moving again.

Challenge

Housing construction risks being a drag on economic recovery, not a driver of it.

While industry, governments and workers have ensured that current construction projects have continued, the pipeline beyond this is dwindling alarmingly.

Real demand for new housing construction is set to 'fall off a cliff' in the face of economic uncertainty, the leap in unemployment and population declines.

Housing construction represents a powerful economic multiplier. The Australian Bureau of Statistics has established that every \$1 of residential construction generates \$3 activity across the broader economy.¹ Conversely, the Commonwealth Bank estimated that every \$1 million reduction in spending on residential construction cuts seven jobs on a full-time equivalent basis.²

Creating new homes, apartments and retirement living units together constitute one of the most powerful job keepers and job multipliers in the Australian economy.

The Plan

1.1 Introduce a \$50,000 'New Home Boost' as a demand stimulus to kickstart construction and the economy. Key proposed design features are:

- \$50,000 grant to all purchasers of newly constructed dwellings only, not existing housing.
- Potential to stimulate the construction of 50,000 new dwellings, supporting 200,000+ jobs.
- Grant scheme limited to the first 50,000 purchasers, including lessees of new retirement living units, with these to be geographically spread.
- Approximately \$2.5 billion of Federal funding required to stimulate.
- No pricing cap – the aim is to bring forward all possible market demand and stimulate the greatest economic response.
- Scheme would require commencement on site between 1 July 2020 and 30 June 2021 only.
- Scheme to be reviewed on 1 December 2020.

1.2 States and territories to initiate additional demand stimulus, which could include first home buyer assistance, new housing stamp duty relief and relief on foreign investor surcharges.

1.3 Unlock the \$1 billion Housing Infrastructure Facility managed by the National Housing Finance and Investment Corporation to facilitate new housing projects, by revising some scheme requirements.