



AUSTRALIAN CONSTRUCTION INSIGHTS  
Research powered by HIA Economics

# Construction Brief

22 May 2017

## Budget 2017/18: Housing is the name of the game

### Federal Budget 2017/18

**Update:** The 2017/18 federal Budget was keenly awaited and it didn't disappoint. It was easily the most Coalition's most colourful Budget since taking power back in 2013 – and contained a few surprises along with a raft of measures aimed at improving housing affordability. In terms of broad thrust, the Budget foresees a return to surplus by 2020/21 with this predicated on the economic growth rate reverting to 3 per cent annually by the end of the decade. Inflation is also expected to remain contained at around 2.5 per cent over the same period.

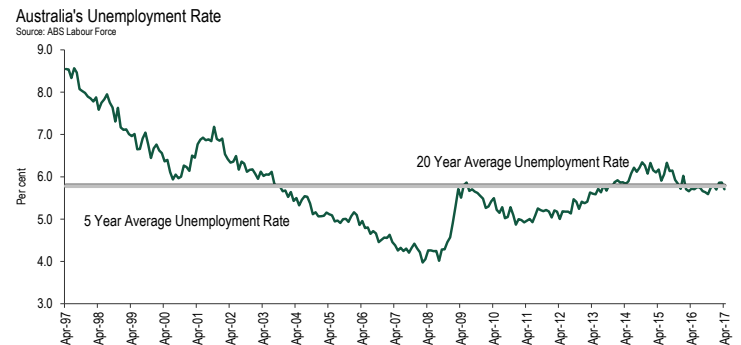
**Insight:** Where do we start? In terms of improving housing affordability, the Budget provides rich pickings. A National Housing Finance & Investment Corporation will be established, along with a \$1 billion National Housing Infrastructure Facility. A change to the GST treatment of new homes is to be introduced involving payment being made to the ATO at settlement. With respect to residential land, increased efforts will be made to identify Commonwealth lands suitable for new housing development. First Home Saver Accounts are to be established in order to allow for the speedier accumulation of deposits for home purchase. For those of older age, increased incentives for downsizing are to be provided for in order to try and free up under-utilised dwelling stock. Foreign investors are to take another hit, with greater restrictions being imposed and a heavier tax burden being applied. Domestic investors have also been targeted, with tighter restriction on allowable expenses relating to investment properties. However, investors in affordable housing are to be rewarded with a larger CGT discount on their gains. On the same vein, Managed Investment Trusts (MITs) are to be given greater encouragement to invest in affordable housing. A City Deals housing package targeted for Western Sydney is also included in the Budget. Perhaps the biggest surprise in the Budget was the decision to impose a levy of over \$6 billion annually on Australia's largest banks. It remains to be seen how the cost of this will be borne and to what degree it is passed on in the form of higher interest rates to mortgage customers.

The establishment of the National Housing Finance & Investment Corporation (NHFIC) represents the formalisation of the 'bond aggregator' model and will involve funding being made available to community housing providers at much lower cost by pooling the borrowings needs of the disparate organisations – they currently borrow on an individual basis much more expensively.

The \$1 billion Housing Infrastructure Facility will be used to provide more of the infrastructure needed to put new housing stock in place – the funding is provided over a

5-year period and administered by the NHFIC. It remains to be seen how much of all this will make its way through the legislature – and whether or not it's the first of a series of housing focussed budgets.

### Top of the charts: Unemployment dips in April



**Update:** Australia's unemployment rate fell again during April to 5.7 per cent from 5.9 per cent the previous month. The economy is continuing to add jobs at a good pace – total employment has increased by 1.6 per cent over the past 12 months, with 37,400 new jobs created in April alone.

**Insight:** The labour market has been holding up quite well for some time now – unemployment is a little on the high side, but the slack created by the mining downturn has been largely soaked up by job creation related to residential building and the economy's traded sectors. That said, there are a few concerns about the pattern of job creation: first, the majority of the new jobs created over the past year were part-time rather than full-time positions. Second, the geographic distribution is narrow with over 60 per cent of job creation confined to Victoria.

### Investor lending strengthens in March – can it last?

**Update:** Latest housing finance figures indicate that investor lending strengthened by 0.8 per cent to \$13.0 billion during March 2017. The number of owner occupier loans for the construction or purchase of newly built homes also experienced a lift, rising by 4.3 per cent during the month of March.

**Insight:** With APRA latest guidelines on interest-only loans being issued on 31 March, it remains to be seen how investor finance will be affected by their announcement and the housing finance figures for April and later months will provide a better indication of this. On both sides of the market, the continued flow of newly completed apartments will ensure that the overall level of new home lending is set to remain elevated over the coming months.

## The fortnight ahead – key releases

## Wednesday 24 May

ABS Construction Work Done, March 2017, 11:30am

## Sunday 28 May

HIA Population &amp; Residential Building Hotspots 2017, 11:00am

## Tuesday 30 May

ABS Building Approvals, April 2017, 11:30am

## Thursday 1 June

ABS Private New Capital Expenditure &amp; Expected Expenditure, March 2017, 11:30am

## Friday 2 June

HIA New Home Sales, April 2017, 11:00am

## Key Construction Indicators:

Housing Finance for Owner Occupiers by Loan Purpose							
		For construction of a new dwelling	For purchasing a new dwelling	Total loans for new dwellings	For purchasing established dwellings (excl. refinance)	Total for new and established dwellings (excl. refinance)	Total loans for all dwellings (incl. refinance)
NSW	3 months to Mar 2016	3,500	2,334	5,834	23,306	29,140	46,514
	Quarter on Quarter	2.0%	6.5%	3.8%	7.5%	6.7%	0.3%
Vic	3 months to Mar 2016	4,496	2,370	6,866	21,120	27,986	42,346
	Quarter on Quarter	8.8%	9.9%	9.2%	5.5%	6.4%	4.4%
QLD	3 months to Mar 2016	3,380	1,382	4,762	17,760	22,522	30,795
	Quarter on Quarter	9.9%	13.4%	10.9%	4.0%	5.4%	1.8%
SA	3 months to Mar 2016	1,135	406	1,541	5,661	7,202	11,004
	Quarter on Quarter	4.6%	12.2%	6.5%	6.4%	6.4%	3.2%
WA	3 months to Mar 2016	2,510	777	3,287	8,014	11,301	16,402
	Quarter on Quarter	-12.1%	10.7%	-7.6%	-1.3%	-3.2%	-9.9%
Tas	3 months to Mar 2016	248	133	381	1,876	2,257	3,033
	Quarter on Quarter	0.0%	35.7%	10.1%	20.8%	18.9%	17.1%
NT	3 months to Mar 2016	110	26	136	510	646	875
	Quarter on Quarter	-29.9%	-51.9%	-35.5%	8.3%	-5.3%	-4.5%
ACT	3 months to Mar 2016	196	285	481	1,658	2,139	2,975
	Quarter on Quarter	-27.9%	29.0%	-2.4%	9.1%	6.3%	3.6%

Source: ABS 5609.0

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