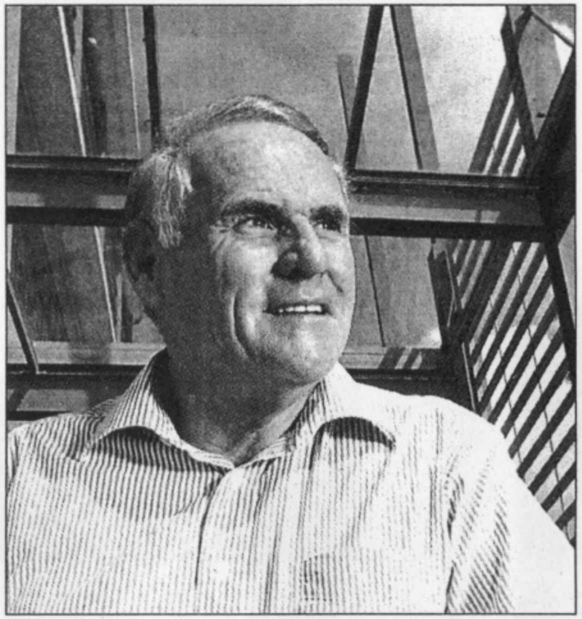
Affordability remains the burning issue

The next government, coalition or Labor, needs the support of Australia's developers to address the housing affordability crisis. **Robert Harley** talked to four of them about the issues and the policies.



Nigel Satterley, left, feels both parties have not addressed the affordability issue; but Lang Walker says Labor is more tuned in.

Lang Walker, Walker Corporation
Labor seems to be more attuned to issues of land affordability and land supply, says billionaire developer Lang Walker.

Walker controls an extensive land bank – enough for the development of 35,000 homes – many of them in western Sydney.

"When you look at the graphs on land shortage and population increase, it is pretty critical," he says.

"In outer Sydney, the [state and local] government is getting 35-45 per cent of the price. That is why you have a blockage.

"The states are pretty hamstrung, so they are passing on the costs. The federal government needs to be the body to step in and pay the infrastructure.

"Labor have got a real handle on the policy to get that shortage eased. The coalition were slow to take up the baton."

David Keir, Delfin Lend Lease
Housing affordability is a major issue, not just in Sydney but across all states, says the chief executive of Delfin Lend Lease, David Keir.

"It's a combination of lack of land; of the time frames to deliver land because of approval processes that are complicated and elongated; and of the contributions required of developers," he says.

Delfin Lend Lease has the largest housing pipeline in the country, controlling enough land for 85,000 residences.

One of its projects, Ropes Crossing in western Sydney, is on former Defence land. Ironically, given the coalition's determination to release Defence land, it took more than a decade to move from federal ownership to housing release.

Keir supports both parties' plans to spend $500 million on infrastructure.

But if the infrastructure cost is reduced, might the developers keep the price at the same level and increase their margin?

"It is possible," he says. "But our business is to sell things. All of us in the development industry want to make more sales."

Keir also welcomes the coalition land release policy. "The more land they can release the better," he says.

Nigel Satterley, Satterley Property Group
Neither party has addressed the immediate affordability needs of first-home buyers, and both have missed an opportunity to do so, according to the chief executive of Satterley Property Group, Nigel Satterley.

The Perth-based private Satterley Property Group has the third-largest land bank in the country, with the potential for more than 40,000 lots in Western Australia and Queensland.

Satterley says it is disappointing that the parties have not done more to assist first-home owners.

"Nothing proposed has knocked me over as a great idea," he says.

Satterley does have his own idea: he believes first-home owners should be given a five-year tax deduction on interest rate payments for purchases of less than $600,000.

But wouldn't that inflate prices? "In Perth there is a huge oversupply and Sydney is oversupplied. I thought it could be controlled so it did not over-stimulate the market." Satterley points out that the government would more than recoup the tax deductions from the sale of its own land and the $20 billion in GST that is stripped from residential development each year.

Bob Rose, Rose Property Group
Veteran property developer Bob Rose does not think it matters who is elected on Saturday because sooner or later both parties will have to address the key issue – putting blocks of land on the market at prices the market can afford.

"I think they will both come up with the same ideas at the end of the day," he said. "I know the coalition are conscious of it and will try to resolve the issue."

The Rose Property Group has close to $3 billion in projects in NSW and Rose has further honed his political skills as chairman of the NSW Urban Task Force.

"In western Sydney, the market will not accept paying more than about $300,000 for a block of land. But even with the new levies [the NSW Government has recently reduced its development levy in the growth centres] it will cost more than $300,000 to develop. So what is in it for us? Developers work on a margin like everyone else," he says.

"The policy [the Housing Affordability Fund] put forward by Rudd is for a $500 million contribution to infrastructure. But the infrastructure in the Sydney growth centres alone will cost $7.5 billion.

"The state and federal governments need to get together to remove these levies so the price of a block of land can be reduced. Sooner or later they have to get together and come to terms with a bit of reality. It will not make any difference who it is."