

**Urban Development Institute of Australia NSW Annual State Conference
Urban Development Institute of Australia**

**Thursday, 12 October 2017
Sofitel Sydney, Darling Harbour**

Purpose

Mr Scot MacDonald MLC, Parliamentary Secretary for Planning, the Central Coast and the Hunter will represent the Premier and speak for 10 to 15 minutes.

Speaking notes – 10 to 15 minutes

I begin by acknowledging the traditional custodians of the land we meet on today.
I pay my respects to their Elders, past, present and future.

Good morning.

It's my great pleasure to be here today representing the Premier of NSW, the Hon Gladys Berejiklian.

Parliament is sitting and the Premier was unable to join you. She gives her Apologies. I am very pleased to represent her.

State of the NSW economy

It is absolutely no overstatement to say that NSW is Australia's economic powerhouse.

The most recent CommSec State of the States report [released 24 July 2017] ...
... once again ranked NSW number one among all Australian jurisdictions.
That means that we've had the best performing economy for 12 consecutive quarters.

CommSec found that NSW is ...once again ... one of the strongest performers in Australia ...

... and that our overall economic performance is streets ahead of anyone else.
We are leading the country across a range of economic measures, including ...
... unemployment ...
... construction ...
... business investment and ...
...overall economic growth.

We have successfully capitalised on recent trends ...

... like the falling exchange rates and historically low interest rates.

The waning mining boom has also worked in NSW's favour ...

... with our strong services-led economy.

The great news is that this strong economic momentum is forecast to continue.

In 2014/15, NSW became the first half trillion dollar economy in Australia ...

... and we are on track to become the first trillion dollar economy in the nation.

This success is not a matter of coincidence or good luck.

It is the result of this government's foresight, sound financial management and fiscal discipline.

This government delivered a budget surplus of \$4.5 billion in the last financial year.

And we are on track for a budget surplus of \$2.7 billion in 2017/18.

It doesn't stop there ...

... average surpluses of \$2 billion are forecast over the next four years.

Here in NSW, we have no government debt.

In fact, we are cash positive in the billions ...

... and we are funding a once in a generation infrastructure investment program

...

... an investment of \$73 billion over four years.

... South Australia has committed \$9 billion over 4 years

... Commonwealth has committed \$75 billion over 10 years

This record investment will help support our growing population ...

... with access to transport, health care and education ...

...and, importantly, affordable housing.

A strong economy is only meaningful in the way it serves the community.

The Premier has been very clear that one of her main priorities is ensuring that people all across our state ...

... no matter where they live or what their circumstances are ...

... benefit from our economic prosperity.

And one of the key areas on which the NSW Government is focusing to ensure that equity ...

... is affordable housing.

Housing Affordability - background

To remain a great place to live and work ...

... NSW needs housing supply in liveable neighbourhoods within reach of jobs and infrastructure.

Housing affordability in Sydney is a significant challenge and it involves many factors like ...

... strong population growth and low interest rates ...

... the attractiveness of Sydney as home for Australians and new migrants ...

... Commonwealth policy settings such as capital gains tax and negative gearing and ...

... State policy settings, including planning.

This is why NSW has continued to progress planning system reform to improve housing supply.

We have been actively rezoning priority growth areas and precincts to allow for residential build.

We are also taking a more coordinated and strategic approach to long-term planning with the newly established Greater Sydney Commission.

Right now in NSW, building activity is at record levels.

Dwelling approvals reached around 71,700 in the year to the June quarter 2017.

Importantly, approvals are translating into completions.

These reached around 65,000 units in the year to the March quarter 2017.

Addressing undersupply

Low dwelling completion numbers between 2006 and 2012 ...

... has led to an accumulated undersupply of around 100,000 units. [as of 2015 according to NSW Treasury's 2016 Intergenerational Report]

In the 20 years to the mid-2000s completions averaged over 42,000 per year.

However, in the seven years from 2005 ...
... housing completions averaged fewer than 30,000 per year.

This has been a major contributing factor to homes becoming less affordable. Between 1991 and 2015, median house prices in Sydney grew by 338 per cent ...
... or 136 per cent in real terms, when inflation is taken into account. Comparing these figures to real growth of 51 per cent in median disposable household income over the same period ...
... really puts the challenge of getting a foot in the door of the housing market into perspective.

Making housing more affordable has been identified as one of the Premier's top 12 Priorities.
Under the Premier's Priorities ...
... we have set a goal of delivering 61,000 housing completions on average every year to 2021.
We want to make sure enough homes are built to meet the needs of our growing population.
Boosting supply is still the most effective way for a state government to make housing more affordable.

Our commitment is paying off and supply has been steadily improving over the last five years.
The short-term outlook for housing construction is now strong.
Annual dwelling approvals exceeded 70,000 in 2015 ...
... the highest since data collection began in 1970.
On current projections, housing supply in NSW is set to grow by around 45,000 dwellings every year through to 2031.

These record levels of construction have the added benefit of strengthening the NSW economy.
The real value of NSW residential building construction work in the year to March 2017 was approximately \$22 billion.
This is a 19 per cent increase compared to the 12 months to March 2016 of around \$18 billion.

The Housing Affordability Package

The NSW Government's Housing Affordability Package is focused on increasing supply as one of the most effective policy levers we have at a state level to address affordability.
This comprehensive package focusses on supply-side initiatives like ...
... accelerating rezoning and assessment ...
... reducing development costs ...
... speeding up delivery through faster planning approvals using the Greenfield Housing Code and Medium Density Housing Code ...
... boosting supply at reasonable prices by encouraging smaller houses at lower prices, and ...
... funding infrastructure to enable residential development.

The NSW Government believes everyone should be able to aspire to own a home if they want one.
However, supply-side initiatives will take time to work.

That's why we are also directly supporting first-home buyers.

First Home Buyers Assistance Scheme

On 1 June 2017, the NSW Government announced its comprehensive First Homebuyers Assistance Scheme ...

... aimed at supporting first homebuyers more than ever before.

The Scheme came into effect on 1 July 2017.

The need to provide extra support to people trying to enter the housing market for the first time was clear.

Saving for a first home has always been difficult.

The added competition from investors and others already in the market is only adding to that stress.

Removing or reducing the amount of stamp duty first home buyers pay ...

... means at least one less hurdle they have to overcome.

Under the First Home Buyers Assistance Scheme we have ...

... abolished all stamp duty for first homebuyers on existing and new homes up to \$650,000 ...

... and discounted stamp duty on homes up to \$800,000.

This measure provides savings of up to \$24,740 for first homebuyers.

In addition to providing much needed support to first homebuyers, the Scheme also contains measures to ...

... boost housing supply and offer diverse types of housing.

The Scheme also abolishes insurance duty applied to lenders mortgage insurance.

This will result in savings of around \$2,900 on an \$800,000 property.

We have also increased the foreign investor surcharge to eight per cent [from 4%] on stamp duty ...

... and two per cent [from 0.75%] on land tax.

Finally, the package also sets aside around \$3 billion towards infrastructure aimed at unlocking housing supply ...

... delivering critical infrastructure to support growing communities.

Increasing housing supply as a means of making homes more affordable remains a key tenet of NSW Government housing affordability policy.

These measures have been well received by first home buyers.

Unfortunately, it is still too early to report on the uptake of the new first homebuyer assistance measures ...

... due to the lag between first homebuyers signing a contract and applying for the stamp duty concession.

I can assure you the Government will report the uptake of the new measures as data become available.

The aim of the First Homebuyers Assistance Scheme is to get more people into their first home.

I know concerns have been raised in some quarters that this will have a negative impact on house prices.

We have every reason to expect this impact to be negligible.

The first home buyer assistance schemes are very targeted and narrow in application.

The size of support offered through first home buyer assistance is small in the context of the annual housing turnover in NSW ...

... valued at over \$100 billion.

Other measures to boost supply – supporting Councils

Local communities and local government retain a significant role in determining the scale, shape and timing of housing growth.

That's why the NSW Government supports councils to update their plans in a measured and strategic way ...

... to accommodate the growth NSW needs consistent with their own local requirements.

This includes a commitment of \$369 million to the Local Infrastructure Growth Scheme.

We are also providing a 50 per cent discount on interest costs to Councils ...

... on up to \$500 million of concessional loans to support the delivery of local infrastructure.

Sydney and Wollongong Councils will now be required to have Independent Hearing & Assessment Panels to hear Development Applications from \$5 million to \$30 million

Conclusion

Expanding housing supply remains at the heart of the NSW Government's approach to addressing this important issue.

Not only does this help first home buyers get a foot in the housing market door...

... the activity it generates creates a virtuous cycle of activity across the economy.

Thank you once more for the opportunity to speak this morning.

I know housing affordability is just one of a number of key issues that you'll be exploring today.

On behalf of the Premier, I'd like to wish everyone here an interesting and successful Conference.