



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Mrs Elizabeth Kikkert MLA (Chair), Mr Michael Pettersson MLA (Deputy Chair),  
Mr Andrew Braddock MLA

## Submission Cover Sheet

Inquiry into Auditor-General Report: 4/2020 –  
Residential Land Supply and Release

**Submission Number: 01**

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Standing Committee on Public Accounts  
ACT Legislative Assembly  
GPO Box 1020  
Canberra ACT 2601  
Via Email: LCommitteePA@parliament.act.gov.au

Dear Committee Chair,

### **Inquiry into Auditor-General's Report: 4/2020 – Residential Land Supply and Release**

Thank you for the opportunity to make this submission to the Inquiry into Auditor-General Report: 4/2020 – Residential Land Supply and Release.

Members of the Master Builders Association of the ACT (**MBA**) are greatly impacted by the ACT Government land release program. Our members rely upon a steady supply of land to sustain their construction businesses and to satisfy demand from their clients. The Government's land release program helps support around 20,000 construction jobs, both in site-based construction roles and design, consulting, and support office-based roles.

Frustrations with the slow and inefficient land release program is often reported to the MBA by our members. We will elaborate on these frustrations in this submission.

In summary, our comments on the Residential Land Supply and Release report are:

- An inquiry into a report on land release covering the period up to 2020 is of limited relevance today, given the substantial change in market conditions, namely increased demand and constrained supply for residential land.
- The Auditor-General's report highlights performance issues which have persisted for years, and in our view result from structural failures in the ACT's land release system, not necessary faults of individual Directorates responsible for implementing the program.
- The ACT Government's failure to provide adequate supply of residential land has caused a significant impact on the ACT community and has led to a failure to achieve other priorities of Government, including supply of public and affordable housing, building quality, and supporting local industry.

These issues are addressed in more detail below.

## Timeframe for Review

The Auditor-General's report was released in June 2020 and reviewed the three prior financial years from 2016-17 to 2018-19. During that period, new dwelling approvals in the ACT were declining. In April 2019, according to ABS data new detached house approvals fell to a 6-year low nationally.

Based on feedback from MBA members throughout most of the three-year period reviewed, residential land supply failed to meet demand. Then, as detached house approvals declined in 2019, stocks of residential land in the ACT mounted leading to a point where industry was concerned about potential over-supply and resulting price decreases.

Economic stimulus introduced following the COVID-19 pandemic in 2020 led to a significant investment in new land purchases, new building approvals and home construction. The introduction of programs like the Federal Government's HomeBuilder program meant existing land stocks were quickly absorbed, moving the ACT back to a position of a land supply deficit.

Since the completion of the Auditor-General's report, demand for new residential land has continued to be strong, with sales of new residential land falling significantly short of demand. Delays with construction of new estates has been exacerbated by ACT Government directed COVID lockdowns, supply chain disruptions, and labour shortages. The combination of all of these issues mean the gap between demand and supply for residential land in the ACT is growing.

**We recommend the ACT Audit Office maintain a focus on reviewing residential land supply and development. If the Legislative Assembly undertakes committee inquiries into the Audit-Office report we request that these inquiries occur as quickly as possible after the release of the report, so that the relevant Government Directorates can implement any recommendations in a more timely way.**

## Structural Failures

While not specifically reviewed by the Auditor-General the structure established by the ACT Government to release residential land should be reviewed by the Committee.

The ACT Government's tight control, dominance, and active role as a land developer is unique in Australia. The ACT Government has a financial interest in all greenfield residential land in the ACT, except for one major land estate. No other State or Territory of Australia has established a system where the dominant land developer is the Government.

The ACT system means the Government undertakes the strategic role of zoning, setting housing policy, and determining a land release program, while also playing the role of land developer, including designing new suburbs, seeking development approval, engaging contractors to construct new suburbs, and completing the marketing and sales process for new land. Importantly, the ACT Government sets the price of new residential land. It does this by creating legislation which establishes a process used by the Suburban Land Agency to set land price. This Agency then actually sets the prices according to the Government's legislation. Because of the ACT Government's dominance in the residential land market, the price set by the ACT

Government for land it sells effectively becomes the market price which other developers follow.

This structure is fundamentally flawed.

The ACT's system has created a situation where the ACT now has the second-highest average housing price in Australia.

The efficiency (or lack) of this process means Government is too slow to respond to changing market conditions. In 2019, this meant the ACT Government risked over-supplying the market, and from 2020 onwards (and prior to 2019) the ACT Government has under-supplied the market.

**We recommend the ACT Government undertake an external independent review of the structure of land release in the ACT. This review should identify ways the ACT Government can add value to the land release program (such as concentrating on release of public and affordable housing, or demonstration housing), and areas where the private sector can add value to the land release program (such as greater involvement in land development, release and sales).**

#### Social and Community Impact

The Auditor-General's report states *targets for affordable housing were not met in 2017-18 and 2018-19*. The failure to release residential land to meet community demand also has broader social and community impacts. Most significantly, Canberrans are denied the opportunity to purchase their first home or the opportunity to upgrade their house.

The size of this missed opportunity is illustrated by recent land releases, including Taylor which attracted 7,500 registrations to buy 115 blocks in late 2021, or Macnamara where 8,700 applications were made for 71 blocks.

Severe supply constraints don't only push up the price of land, but also lead to higher rental prices. According to CoreLogic, rents increased in Canberra by 2.1% in the last quarter, which is the second highest increase in the country. CoreLogic states that Canberra remains the most expensive capital city rental market, with typical dwellings renting for \$651 per week.

#### Other Comments

##### *Performance of Directorates*

Our submission does not seek to make comment on the performance of individual Directorates of Government involved in the land release program. However, we note that from 1 July 2017 the former Land Development Agency was replaced by the Suburban Land Agency and City Renewal Authority. Responsibility for development of the land release program is with the Environment, Planning and Sustainable Development Directorate.

Based on feedback from our members, this change has not resulted in any improvements in supply residential land to meet community demand.

### *Land Speculation*

The Audit-Office report doesn't address the practice of land speculation by purchasers of residential land. This occurs because of the significant under supply of new land. Land can be purchased by individuals with no intention of building a new home. These individuals can re-sell (with Ministerial approval) prior to settlement and make a windfall-gain. This practice puts further upward pressure on land prices, and denies genuine purchasers the opportunity to purchase residential land in the ACT. We note that while legislative steps were taken to make this process more difficult in 2021, but feedback received from MBA members indicates this continues to happen.

### *Doesn't Support Local Builders*

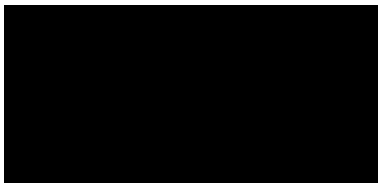
As stated earlier in this submission, the supply of new residential land helps sustain the local building industry. Land is generally released in the ACT with little to no control over who the land is sold to. In the case of land being purchased by builders, there is little to no assessment of a builder's financial capacity to settle on the purchase, capacity to deliver a quality finished house, or whether the company is a local builder.

**Given the ACT Government has set priorities to improve building quality, support local contractors, and support the local economy, we recommend that the land sales process should be reviewed to ensure these policies of Government are implemented through the land release program.**

### Conclusion

We thank the Committee for the opportunity to make this submission and would be happy to appear before the Committee hearings or provide more information if required.

Yours sincerely,



Michael Hopkins  
Chief Executive Officer