

The property sector's big players are spooked. Here's why



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Jul 6, 2023 – 5.00am

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Concern over the need for governments to tackle the national housing supply and affordability have surged to a record high in the property sector, according to the latest ANZ/Property Council Survey.

The supply crisis dwarfed all other issues, including tax reform and infrastructure delivery with 48 per cent of respondents nominating it as the most critical facing the federal government, [jumping 7 percentage points from the previous quarterly survey](#). At a state level, 49 per cent put it at the top of the agenda for governments to address, up six points.



Demand is not an issue for developers. It's the costs to fund, source materials and find labour that are holding projects back. **Glenn Hunt**

As population growth, boosted by immigration, rises and rents soar, housing supply issues have been caused by a combination of long-term planning red tape and current economic constraints, according to the ANZ and the Property Council.

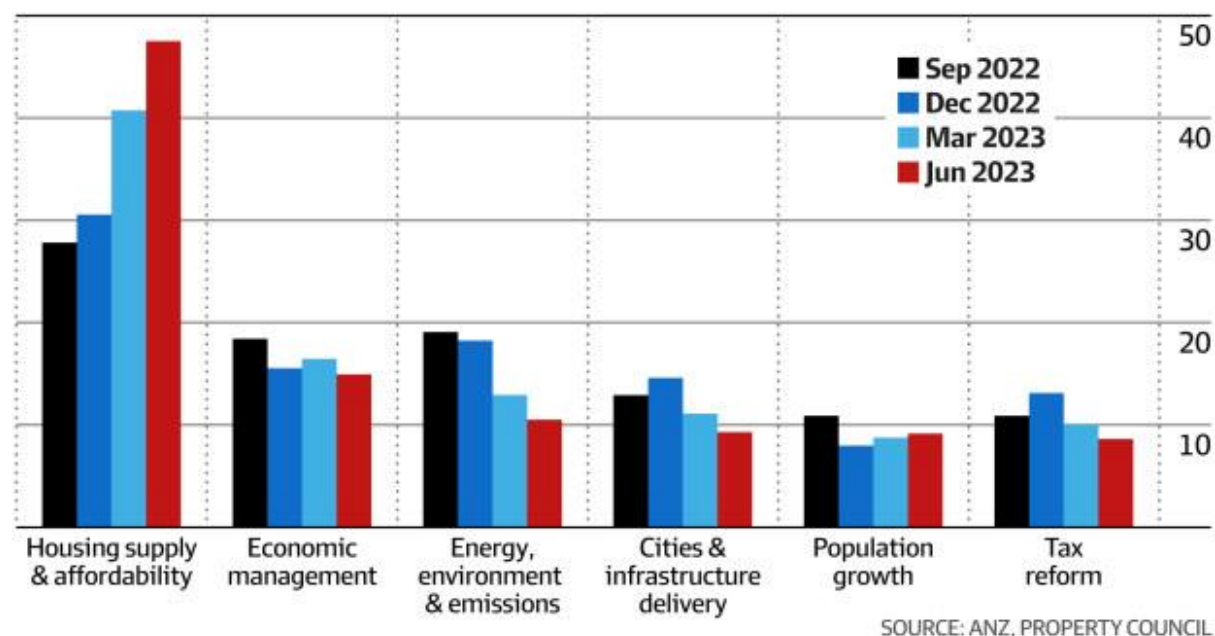
ANZ senior economist Adelaide Timbrell said developers were caught in a bind, where rising rates and cost pressures had put a brake on projects even though demand for housing was strong.

“The forward work schedule is not really an issue for developers. Demand is not really an issue. What is an issue is whether that demand can be serviced in a way that is reasonable on a risk basis, and reasonable on a profit basis as well,” Ms Timbrell told *The Australian Financial Review*.

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Large backlogs of work in the residential sector in a context of rising costs would put pressure on some projects, while sourcing materials and labour for developments was still difficult, she said.

The property issues people want the federal govt to address (% respondents)



“The demand is there, but it’s just really hard to either make the maths work or to make the execution work because of those shortages.”

Overall confidence remained steady, increasing one point to 114 points, with a score of 100 points is considered neutral. The quarterly report surveyed 744 property professionals across a range of topics from staffing levels, to forward work expectations and access to finance.

Interest rate expectations improved slightly as the anticipated end of the rate hiking cycle nears, although the outlook on rates as a whole remains very pessimistic, the survey shows. [Notwithstanding this week’s pause in](#)

[cash rate hikes](#), the ANZ expects the cash rate to peak at 4.6 per cent this year, with any decline unlikely before late 2024.

Property Council chief executive Mike Zorbas said inadequate planning systems were also a barrier to creating more supply, noting an extra 1.3 million homes could have been delivered over the past 20 years, but for costly zoning, planning and building red tape, [according to recent analysis by former Reserve Bank of Australia economist Tony Richards](#).

Mr Zorbas also flagged recent NSW Productivity Commission analysis that a 10 per cent increase in supply [generally leads to a 25 per cent reduction in housing costs](#).

“State, territory, and local governments need to be accountable for increasing their run rate in providing housing across all market segments including social and affordable housing,” he said.

“We need national housing and planning improvement targets and we need [the Australian government’s Housing Australia Future Fund to pass the Senate](#).”

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Nick Lenaghan edits the property section, which covers all aspects, from residential real estate and housing and construction to commercial property – office, retail, industrial – and major ASX-listed developers and real estate investment trusts. *Connect with Nick on [Twitter](#). Email Nick at nlenaghan@afr.com*