

Housing for the future and the contribution of the timber industry

Post-
pandemic



Summary Report of the FWPA
Statistics & Economics Program Webinar Series
Prepared by Erick Hansnata Ph.D. July 2024



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Executive Summary

The FWPA **Statistics & Economics Program** Webinar Series is part of a suite of research programs that provide the timber industry with information and insights on key issues. This Webinar Series, held in May and June 2024, focused on housing affordability and housing supply issues, and how the construction and timber industries are addressing them.

The timber industry is well-known for its association with housing construction. Recent data on ABS building activities and FWPA timber sales volume showed that there was a linear relationship between housing completion and sales of timber products.¹

Housing affordability worsened post-pandemic in 2023 when interest rates rose, on average, by 125 basis points. It affected all stakeholders, including mortgage holders, first-home buyers, renters and builders.

Rebalancing supply and demand requires coherent and strategic steps from all stakeholders. The webinars aimed to discuss these issues from the perspectives of the property market, demography, the timber industry and relevant associations.

In Webinar 1, key aspects of the discussion covered the housing crisis as a result of the long-term imbalance between supply and demand, the trend in dwelling supply related to migration intake and population projection, and the capacity and constraint of relevant industries (construction and timber) to address the supply issue.

Webinar 2 covered contributions and innovations from the timber industry to build more houses by providing a technological approach to housing and low- and mid-rise residential constructions.

Webinar 3 discussed housing issues from the perspective of stakeholders (timber and housing associations, policy experts). The discussion reviewed current housing programs, including potential barriers and incentives for the timber industry to support the programs.

¹ *Lagged-model estimations of 12 to 24 months period*



Key Takeaways

Webinar 1 - Australia's Future Housing Affordability:

- House and residential unit median prices have continued to climb in major cities and regional areas. With the current economic indicators, the supply of new residential houses and units will remain an issue.
- Annual population growth from natural increases is declining. Some key factors include the high life expectancy and the ongoing trend to smaller household sizes (people living longer but with fewer children). This creates a trajectory of population growth below the replacement rate. The annual migration intake plays a crucial role in balancing the population and providing the required skilled workforce to maintain economic growth and housing supply.
- Social housing needs to increase, including public and community housing provided and managed by government and non-government organisations. The strategy to address future housing affordability involves all instruments related to housing, including market approach and government interventions.

Webinar 2 - Timber Supply Chain Challenges and Opportunities in the Future of Sustainable Housing:

- The timber market heavily relies on the housing sector, and the timber industry closely examines dynamic factors that influence demand, such as immigration, rental stock and household size.
- The timber industry has the capacity to build more homes, aligning with the planned increase of 1.2 million houses in the next five years.
- The timber and construction industries have followed best practices in applying modern methods of construction (MMC). This process is proven to be efficient, cost-effective and sustainable for building houses and low or mid-rise residential buildings.
- The timber industry has actively responded to housing construction demand for innovation in frame and truss portfolios.
- A range of residential building projects using engineering wood products (EWP) has shown the effectiveness of using timber products that are faster, cheaper and more sustainable than those used in conventional projects. including market approach and government interventions.

Webinar 3 - Bridging the Housing Issues and the Timber Industry:

- Affordability and household tenure have changed over the past three decades. Factors include declining outright ownership, a slowing increase in mortgage owners, increasing private renter households, declining social housing, and increasing income and wealth inequality.
- A pluralistic approach is required to recognise the complexity of construction and timber industries and market interventions from governments.
- From the stakeholder's perspective (housing association), skilled worker reform is needed to build 1.2 million houses.
- To support the realisation of additional houses, a greater take-up of modular and prefabricated timber dwellings must be encouraged with the specifications allowing faster building approval.

Overview

The FWPA Statistics & Economics Program Webinar Series is part of a suite of research programs that provide the timber industry with information and insights on key issues. In the first half of 2024, the Webinar Series highlighted the ongoing housing affordability issues and how the supply side, particularly the construction and timber industries, is addressing them.

The primary reason for worsening affordability over the past decade is the property market's inability to supply sufficient housing to meet the population's needs.² ABS building activities data showed that there was a transition period in 2010-2012 where the number of house completions was lower than the number of approvals and commencements³, suggesting a residential pipeline that needs to be completed (Figure 1). This indicates that the supply chain's capacity is below the market demand for housing.

Housing affordability worsened post-pandemic in 2023 when interest rates rose, on average, by 125 basis points. It affected all parties, including mortgage holders, first-home buyers, renters (especially vulnerable groups such as low-income households) and builders. The RBA Financial Stability report in March 2024 stated that business insolvencies in the construction industry increased above normal levels between 2020 and 2023.

The timber industry is well-known for its association with housing construction. FWPA data series of timber sales volume was increased following the high demand for housing (Figure 2).

While many disruptions in the supply chain have been resolved after the pandemic years, some capacity constraints remain binding in the housing market, especially given the lack of skilled workers in the construction industry.⁴

The Federal and State Governments introduced some initiatives (e.g. the National Housing Accord, the Housing Future Funds, the Housing Support Program, Social Housing Program) to address housing supply and affordability issues. One key plan under the National Housing Accord is to build 1.2 million houses in the next five years, which will require 240,000 new houses each year, a target that Australia's housing market has never achieved.

Rebalancing supply and demand requires coherent and strategic steps from all stakeholders (related industries, governments, and consumers), but it will not be solved quickly. The webinars aimed to discuss these issues from the perspectives of the property market, demography, the timber industry and relevant associations. This summary provides insights to better understand current housing issues.

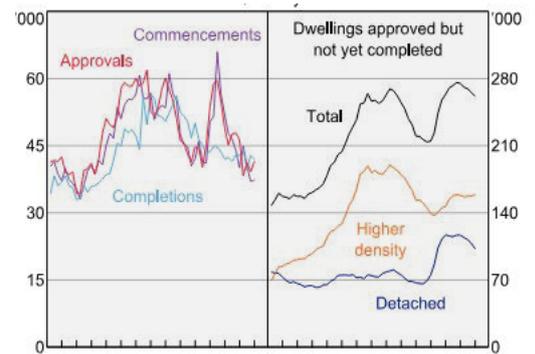


Figure 1: The transition and residential pipeline

Sources: ABS Building Activities data, RBA Housing Market Cycles and Fundamentals May 2024

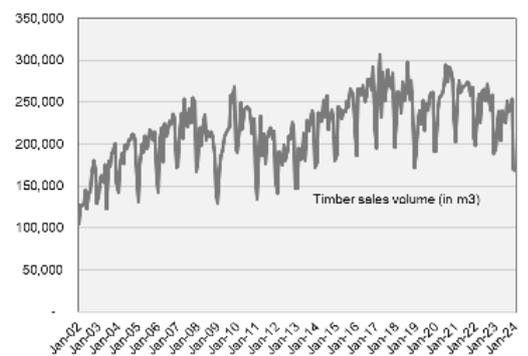
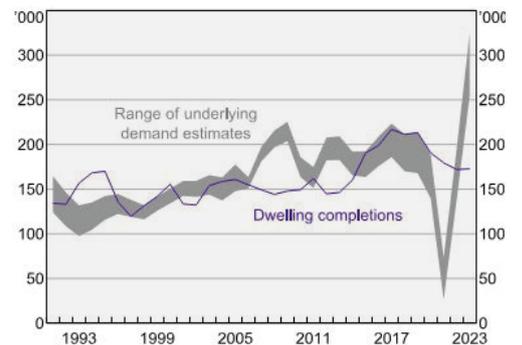


Figure 2: Trend of house supply and demand versus timber sales

Sources: ABS Building Activities data, RBA Housing Market Cycles and Fundamentals May 2024, FWPA Data Series

² National Housing Supply and Affordability Council, 2024, "State of the Housing System", Commonwealth of Australia.

³ ABS building activities data, <https://www.abs.gov.au/statistics/industry/building-and-construction/building-activity-australia/dec-2023>

⁴ Reserve Bank Australia, May 2024, "Housing Market Cycles and Fundamentals", Assistant Governor (Economic) speech at the Real Estate Industry Association (REIA) Centennial Congress.

Part 1

Australia's Future Housing Affordability

Click here
to view
Webinar 1

Webinar 1⁵ discussed Australia's future housing affordability. Some key aspects of the discussion included:

- The housing crisis is a result of the long-term imbalance between supply and demand in the housing market⁶.
- Based on the ABS residential completion data, the supply of new homes will be at the lowest level in the next two years compared to the trend in the past five years .
- Dwelling supply trends do not align with migration intake and population trends.
- Building more homes should consider the capacity and constraints of the housing market supply chain. This includes the construction and the timber industry.

Following is a summary of the speakers' contributions to Webinar 1.



Nerida Conissbe (Chief Economist at Ray White)

Nerida is Ray White's chief economist and one of Australia's leading property experts. She is the Construction Forecasting Council Chair and a member of the Australian Taxation Office's Foreign Investment Stakeholder Group. She also provides updates on property market conditions to major Government bodies. Nerida has more than 20 years property research experience throughout Asia Pacific and has held senior positions within commercial agencies and major consulting firms. Nerida holds a Bachelor of Commerce with Honours and Masters of Commerce, majoring in Econometrics, from the University of Melbourne.



Dr Liz Allen (Demographer and Senior Lecturer at the Australian National University)

Liz is a demographer and lecturer at the ANU Centre for Social Research and Methods. Liz previously held various roles across several agencies and departments in the Australian public service. She served as Secretary and subsequently Vice President of the Australian Population Association. She is a member of the National Foundation of Australian Women Social Policy Committee, advising on housing. She was named among the ABC Top 5 Humanities and Social Sciences academics in Australia in 2018. Liz has a Bachelor in Social Science from Macquarie University and Master of Social Research and Doctor of Philosophy from the ANU.



Dr Tom Alves (Head of Development at the Australian Housing and Urban Research Institute AHURI)

Tom leads the Professional Services and Strategic Initiatives components of AHURI's business. As Head of Development, he works with AHURI's University partners, Australian governments, industry, the community sector and other stakeholders to deliver responsive, high-quality professional services and to develop AHURI's standing as an authoritative voice in international housing and urban policy discussion. Tom has a PhD in Housing and Urban Studies and has held positions at RMIT University and The University of Melbourne in the disciplines of Property, Architecture and Urban Planning.

⁵ Access Webinar 1 recording via FWPA website: <https://fwpa.com.au/webinar-video/webinar-1-australias-future-housing-affordability/>

1.1 The trend in the property market

- In the 2023/24 financial year, Australian house prices increased 10.4%, with the median price around \$870,000 (Figure 3). The key drivers for the growth rate were the strong demand for housing and a shortage of properties for sale. Other factors include population growth, migration intake, fluctuating raw material costs, and a lack of skilled workers.
- House and residential unit median prices continued to climb in the past 12 months. Of the capital cities, Perth had the highest growth rate of 20.1% for houses and 13% for residential units, followed by Adelaide (12.1% and 12.3% respectively) and Brisbane (12% and 12.6% respectively).
- Sydney, Melbourne and Canberra median house prices were above \$1 million and are expected to increase strongly in the next 12 months.
- The trend is similar for regional areas. Regional South Australia (SA), Regional Western Australia (WA), and Regional Queensland (Qld) are the top three for median price growth for houses and residential units in 2023/24.
- The median weekly rent in Australia, both for houses and units, grew at record rates in the past two years and will continue to increase for the next 12 months, assuming that no significant supply increases.
- As property prices are strongly associated with interest rates, the current cash rate of 4.35% is likely to remain for longer. The increasing monthly inflation figure in May 2024 may increase the interest rate.
- Although the construction cost index has eased in the past 12 months, the growth of the house price index remains below the construction index (Figure 4). This highlights that the construction industry has little incentive to build houses. There was an indication in the market that home buyers tended to buy existing houses rather than new ones, as for similar types of houses, the price of the new houses was higher than the existing ones.
- The current trend shows that the National Housing Plan target to build 1.2 million homes in the next five years is far above the industry's capacity to deliver without effective interventions at the State and National levels. Figure 5 shows the current trend of housing completion in 5-year rolling totals.

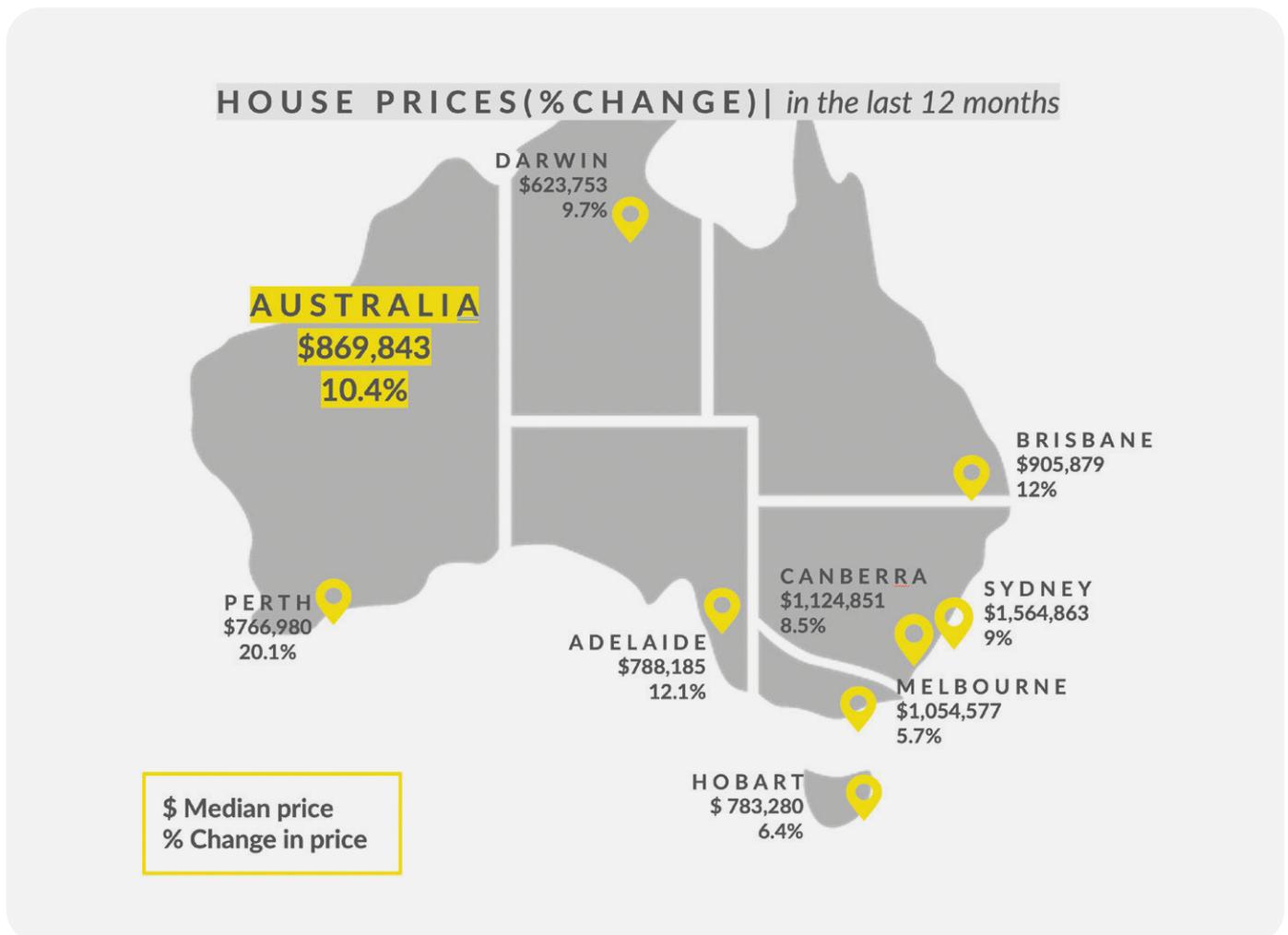


Figure 3: House price changes (%) by capital city and at the national level

Source: ABS, Nerida Conisbee presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

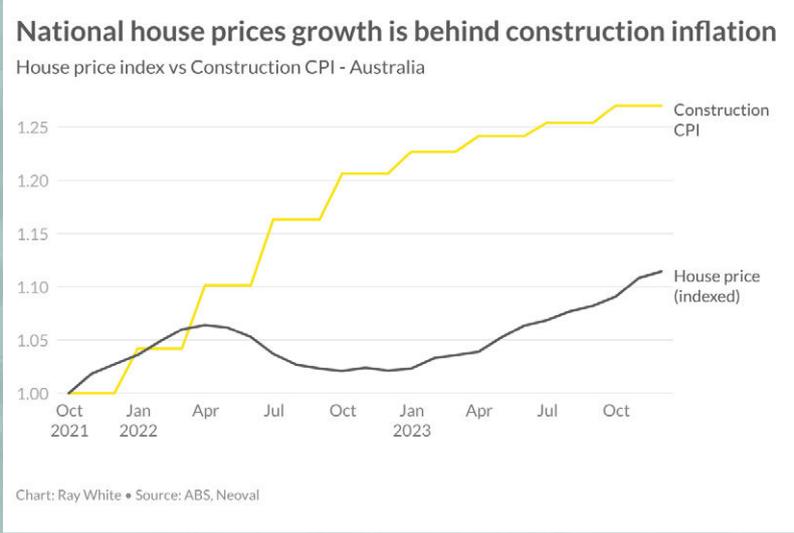
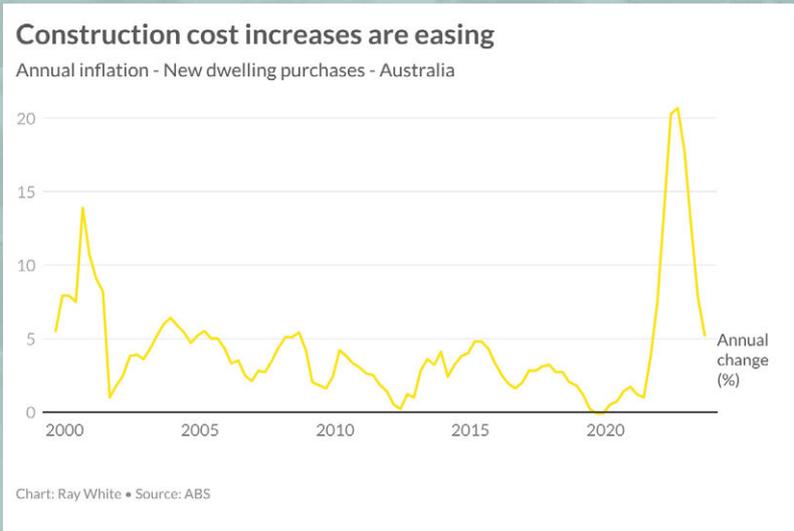


Figure 4: Construction cost index and house price index

Source: ABS, Nerida Conisbee presentation in the FWPA Webinar Series, 30 April 2024
 'Australia Property Market: April 2024'.

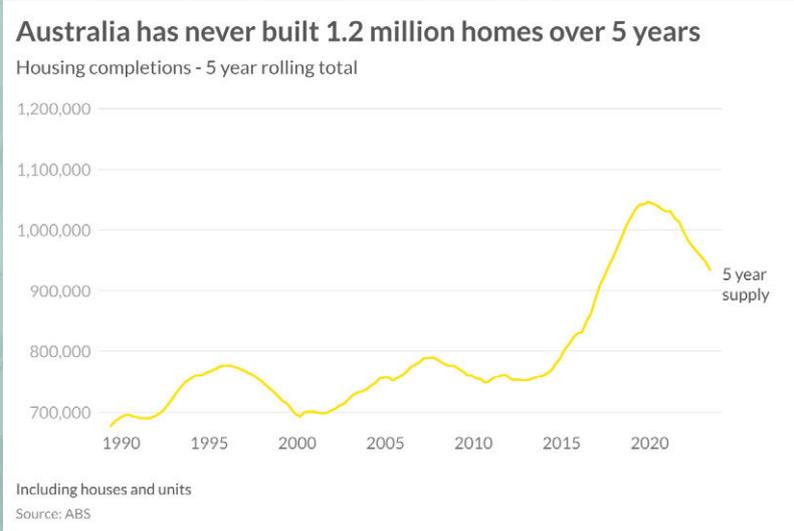


Figure 5: Housing completion 5-year rolling total (houses and units)

Source: ABS, Nerida Conisbee presentation in the FWPA Webinar Series, 30 April 2024
 'Australia Property Market: April 2024'.

1.2 Demography and migration

- The projection is that annual population growth from natural increases is declining. Some key factors include the ageing population, high life expectancy, and the ongoing trend of smaller household sizes (people living longer but with fewer children). This creates a trajectory of population growth below the replacement rate.
- The annual migration intake plays a crucial role in balancing the potential population decline (Figure 6).
- The number of one-person households has been slowly increasing over the past four decades (Figure 7), which is in line with the projected trend of population decline. As a result, small residential units and apartments are preferable to houses.
- The migration intake was estimated to be steady (long-term growth rate) as an instrument to balance the population composition. This will add pressure for more housing supply in the future than the current rate.
- The dynamic in demographic characteristics and housing affordability issues created a shifting in the living arrangement. The missing middle, defined as a range of multi-unit or clustered housing types that help meet the growing demand for urban living⁸, is likely growing and is preferred. These types provide diverse housing options along a spectrum of affordability, including duplexes and fourplexes, to support communities in locally serving retail and public transportation options (Figure 8).
- The ongoing housing affordability issue potentially reduces house ownership for younger age groups due to a longer period to accumulate savings for mortgages. A broad change and innovation are needed, and the solution will involve the general society, the government and the industry.

“Demography – alongside social and economic factors – will lead to shifts in the way Australians live, and change the future of housing. Changes in housing needs will be moderately paced, with climate and affordability more imminent challenges and opportunities.” Dr Liz Allen

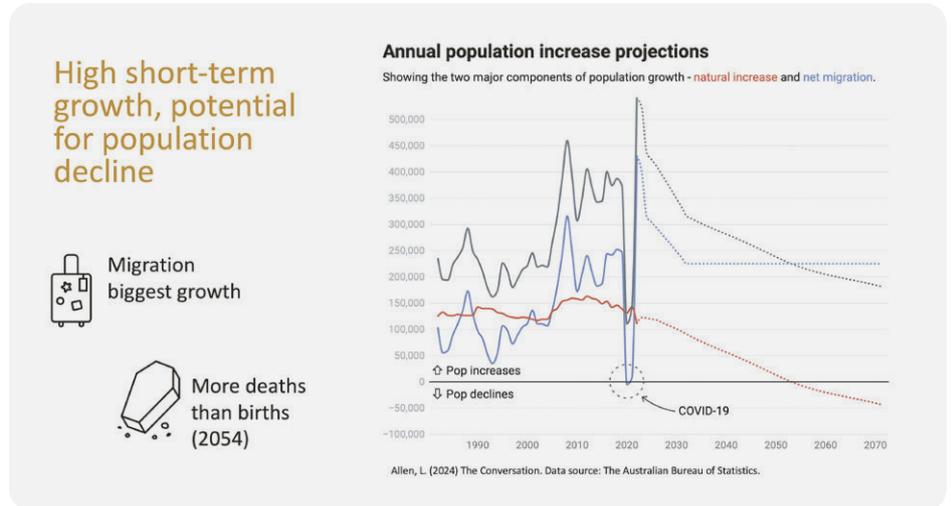


Figure 6: The population projection increase

Source: ABS, Dr Liz Allen presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

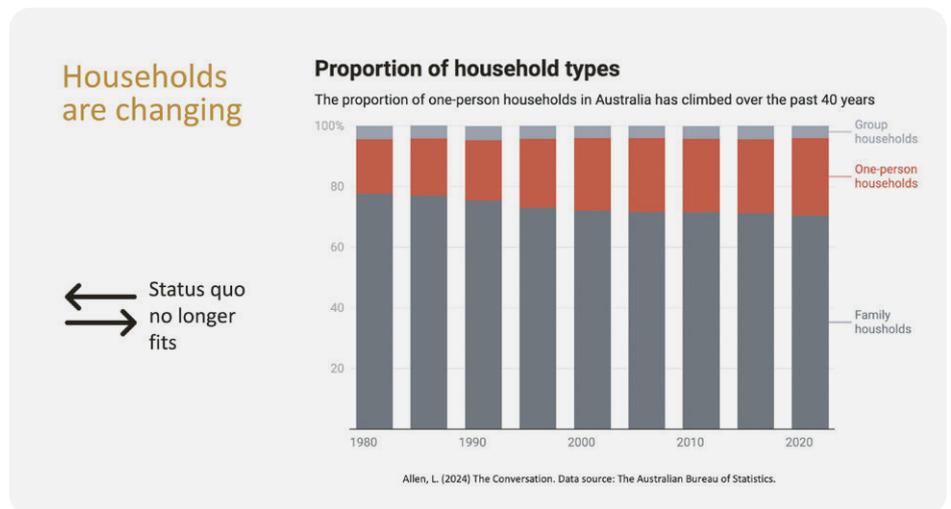


Figure 7: The trend of households sizes

Source: ABS, Dr Liz Allen presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.



Figure 8: The shift in the living arrangement

Source: ABS, Dr Liz Allen presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

⁸Definition of the missing middle can be found in at <https://www.treehugger.com/missing-middle-another-model-providing-dense-family-housing-4853534>

1.3 Australia's future housing affordability

- Key features of the Australian housing system include market provision and allocation, high historical home ownership, the dominance of detached houses, and a residualised social housing sector. As homeownership has become increasingly unaffordable and social housing more scarce, fewer Australian households have access to secure, affordable and appropriate housing options.
- The critical issue of the housing system relies on affordability problems, high population growth and concentrated households in major cities, spatial polarisation of households by income and housing by type, and poor environmental performance.
- In the past two decades, there have been shortages in affordable private rental stock for people in Australia's lowest-income groups (Figure 9). As a result, unaffordable rentals are not only a market issue but also a social issue.
- Based on a study by Lawson et al. (2018), more than half a million new homes will be required to meet the demand for rental housing in the next decade (Figure 10).
- An important solution to address the unaffordable rental issue for low-income households is to increase social housing, including public and community housing provided and managed by government and non-government organisations.
- As the demand exceeds the supply of social housing allocation is based on prioritised waiting lists at State and Territory levels. In addition to the continuation of housing assistance programs significant additional supply of social and affordable housing is required to provide secure housing for low-income households.
- Policy and regulation at all government levels (local, state and federal) play important roles in addressing the planning and supply of social and private housing (Figure 11). Recent policy development and government investment are intended to begin increasing the supply of social and affordable housing.

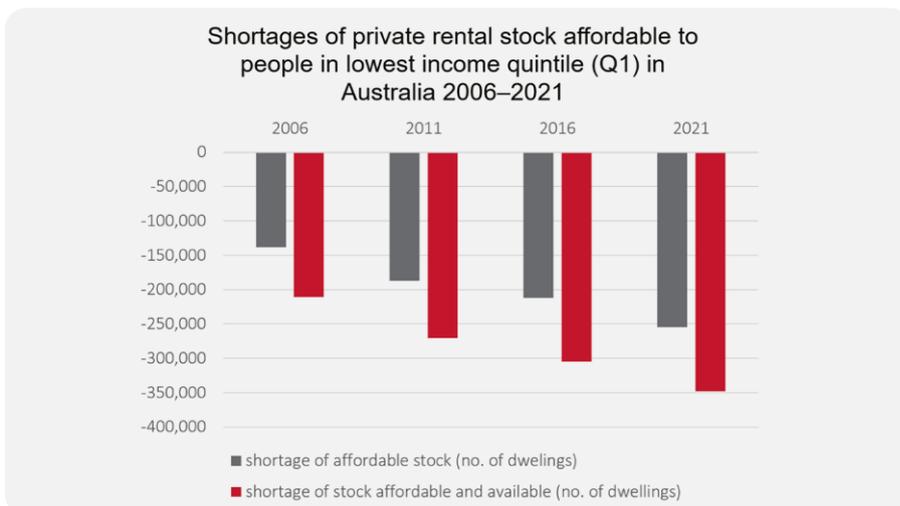


Figure 9: Shortages in affordable private rental stock

Source: AHURI, Dr Tom Alves presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

Affordable housing need in Australia to 2036

	Current (2016)	New need (2017–2036)	Total need (2036)
Met need – social rental	384,600		384,600
Additional need for social rental to maintain share		136,200	136,200
Homeless (manifest need)	46,600	18,100	64,700
Rental Stress (evident need)	386,800	139,700	526,500
Unmet Need	433,400	157,800	591,200
<i>Additional housing needed</i>			727,400
Total need	818,000	294,000	1,112,000

Figure 10: Affordable housing need in Australia to 2036

Source: AHURI, Dr. Tom Alves presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

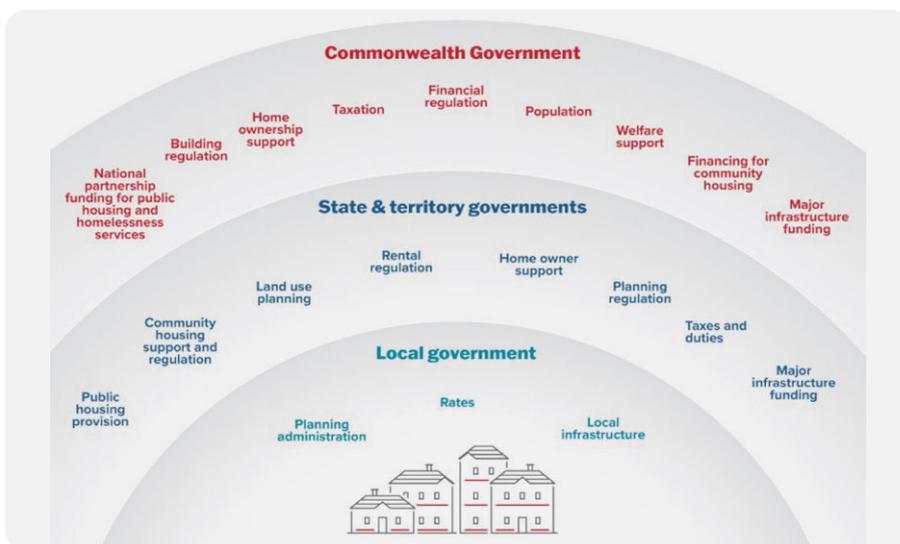


Figure 11: The housing policy levers at all government levels

Source: AHURI, Dr Tom Alves presentation in the FWPA Webinar Series, 30 April 2024 'Australia Property Market: April 2024'.

Part 2

Timber Supply Chain Challenges and Opportunities in the Future of Sustainable Housing

Click here
to view
Webinar 2

Webinar 2⁹ discussed timber supply chain challenges and opportunities in the future of sustainable housing. Some key aspects of the discussion are:

- The industry welcomes government plans to increase the housing supply by 1.2 million units in the next five years.
- The timber industry has the capacity to contribute to the solution by providing a technological approach to housing, and low- and mid-rise residential constructions (EWP, prefab, modular, etc).
- Potential market failures in the supply chain of dwelling constructions due to ineffective interventions are part of the issue.

Below is a summary of the speakers' contributions in Webinar 2.



Nathan Calder (QLD State Sales Manager at AKD Softwoods)

Nathan is an experienced sales leader with a track record in strategic business transformations, sales excellence and acquisition integration. He has nearly 20 years experience partnering with executives as part of senior management teams, focusing on delivering commercial outcomes and driving business performance. Nathan is also an expert at building simple and data-driven plans, building genuine relationships and executing to plan, which leads to greater customer satisfaction and commercial outcomes.



Karl-Heinz Weiss (Special Adviser for WoodSolutions and Director of Weiss Insights)

Karl-Heinz is a trained and qualified master cabinet maker and joiner, a timber engineer and industrial designer. He is globally recognised for his ground-breaking work in the application of engineered timber for construction as Co-founder of KLH UK, delivering landmark projects in the UK and Australia such as Kingsdale School in London, Library at the Dock in Melbourne, and Barangaroo in Sydney. In his executive leadership role as Head of Research and Development and Technical Director DfMA, Lendlease Digital, Karl-Heinz has been a key collaborator in the 'Future of Building' CRC Building 4.0 CRC. A collaborative research agenda represented a 'whole-of-system' approach to drive innovation in the entire construction value chain and unlock opportunities for growth and productivity. Recently, he established WeissInsights, providing consultancy services for the construction, development, and engineered timber sector. He is a Research Associate at the University of Melbourne - Infrastructure Engineering Department, a Professor of Practise of Architecture at Monash University, Arts Design and Architecture faculty, and an adviser to the FWPA's WoodSolutions team.



Craig Kay (National Product Engineer at Tilling Timber)

Craig is an expert in engineered wood products with more than 30 years experience in the industry. He developed and designed SmartFrame application to provide quick and convenient access to engineered verified span tables. The app also provides complete design and installation guides. He is a registered building practitioner and holds Diploma in Civil Engineering from RMIT and Monash and Post Graduate Diploma in Municipal Engineering from Deakin University.



Andrew Dunn (CEO Timber Development Association)

Andrew has represented the timber industry on numerous committees, including Australian Standards and building industry, government, and timber industry boards and panels. He has extensive knowledge in fire and sound timber technology and has been more recently involved in the introduction of cross-laminated timber and mid-rise timber building systems. Andrew has a Civil/Structural Engineering degree from the University of Sydney and a Master of Timber Engineering from Central Queensland University. He has 33 years' experience in the building industry, with the past 27 years within the timber sector, and 17 years as CEO of Timber Development Association (TDA).

⁹Access Webinar 2 recording via FWPA website: <https://fwpa.com.au/webinar-video/webinar-2-timber-supply-chain-challenges-opportunities-in-the-future-of-housing/>

2.1 Current demand and supply of timber products

- The timber market heavily relies on the housing sector, and the industry closely examines dynamic factors that influence demand, such as immigration, rental stock, and household size.
- The industry acknowledges the ongoing issue over the past decade of low residential approval, commencement and completion numbers of housing and other residential units. These factors are associated with the domestic supply of softwood over the period of pre- and post-pandemic years (Figure 12).
- Other relevant factors contribute to timber market supply and demand. These include the increase in interest rates, the decline in consumer confidence and borrowing capacity, and the increase in insolvency in the construction sector.

- The current state of the market indicates that a significant number of housing construction projects are in the pipeline, and they require expansion to meet the expected future growth.
- The pandemic years created disruptions in the construction sector's supply chain, including international trade activities (export and import) of timber products. This created price fluctuations and instability in the domestic timber market.
- From the industry perspective, the dynamics in export and import activities provide opportunities when the market can better manage the cycle to fill the supply gap.
- The plan to build 1.2 million houses in the next five years requires aspects to be considered from the industry perspective. These include the lack of skilled workers in the supply chain, declining productivity

from uncontrolled expansion, and unsustainable growth from the boom-bust narrative, especially in the long term.

- Another important aspect to consider in future housing construction is climate change. The timber industry promotes using timber products in residential construction as they reduce emissions.
- The industry has the capacity to build more homes. For example, AKD Softwoods has the capacity to build approximately 35,000 house frames annually, equal to 122,000 tonnes of carbon removed from the atmosphere.

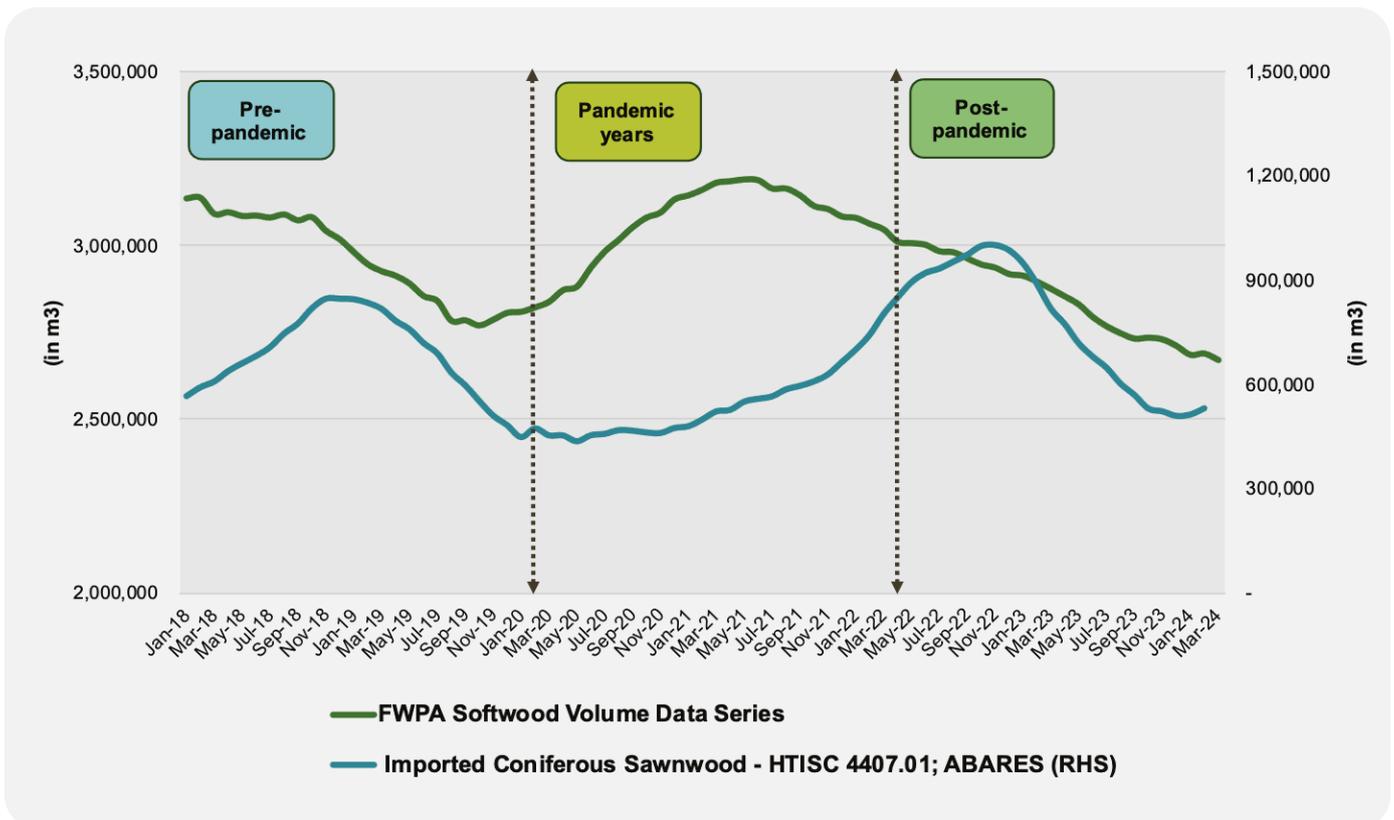


Figure 12: Domestic softwood supply and dwellings commenced

Source: ABS and FWPA Softwood Data

2.2 Efficiency in the timber industry for residential construction

- The timber and construction industries continue to advance towards following best practices in applying modern methods of construction (MMC). This process is proven to be efficient, cost-effective and sustainable for building houses, and low- and mid-rise residential buildings.
- The MMC concept uses prefab or modular buildings, potentially reducing the completion time for houses or other residential units (Figure 13).
- In addressing the plan to build 1.2 million houses in five years, the timber industry acknowledged that, based on a sample of residential construction projects in the past few years, about 60% to 70% of housing construction costs go to labour or workers. The plan must align with structural change to counteract the lack of skilled workers in the construction industry.
- The timber industry continually works with engineers, architects, builders and consumers to develop solutions and provide technical support for responsible supply chain positions. This includes following the National Construction Code (NCC) for building materials.
- Addressing the cost-effective approach in residential construction using timber products, the industry has actively responded to housing construction demand for innovation in frame and truss portfolios. These include innovation in floor mass-timber, floor cassette, roof and stairs cassettes, and closed or open panelised (Figure 14).

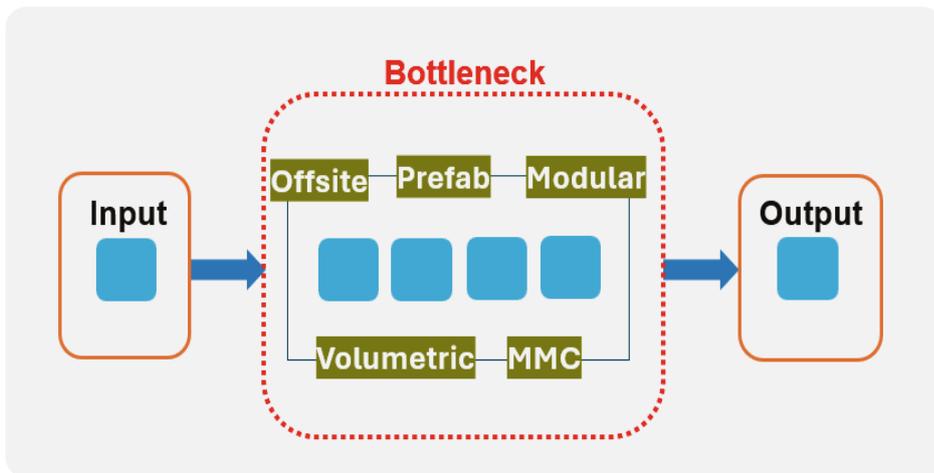


Figure 13: The modern methods of construction

Source: Weiss Insights, Karl-Heinz Weiss presentation in the FWPA Webinar Series, 7 May 2024 'Timber Supply Chain Challenges & Opportunities in the Future of Sustainable Housing'.



Figure 14: Innovation portfolios in timber products for housing and residential buildings

Source: FWPA, 2017, "Market Access: Enabling Prefabricated Timber Building Systems For Class 2 to 9 Buildings", prepared by Centre for Sustainable Architecture in Wood (CSAW).

2.3 Timber industry capacity to address housing target in the next five years

- The domestic supply of softwood has the capacity to contribute additional house frames and trusses above the current rate to accommodate the plan of 1.2 million houses in the next five years.
- The supply of engineering wood products (EWP) stabilised from shortage to overstock as the number of laminated veneer lumber (LVL) suppliers rose exponentially after the pandemic years (Figure 15).
- The general industry and associations continually expand a range of prescriptive solutions from houses to all building types. This includes updating codes and standards to deliver the solution.
- A range of residential building projects using EWP has shown the effectiveness of using timber products that are faster, cheaper, and more sustainable than the residential projects using conventional products (Figure 16).

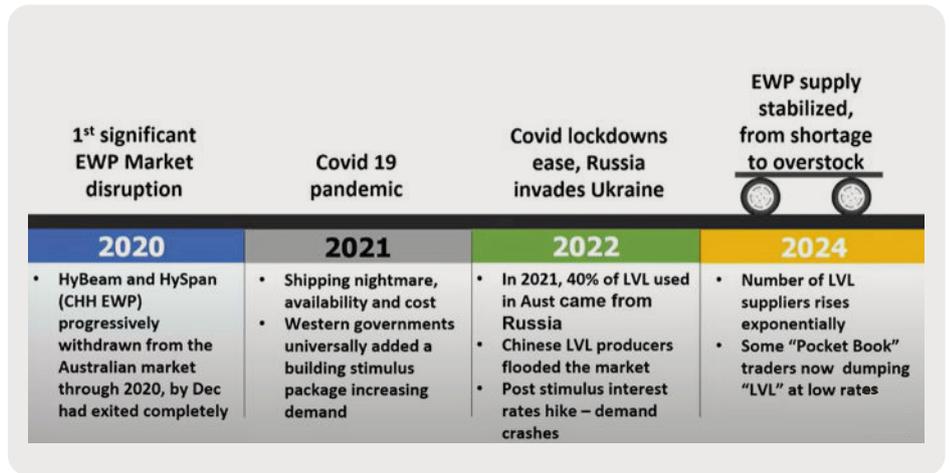


Figure 15: Recovery of EWP supply in Australia

Source: Craig Key presentation in the FWPA Webinar Series, 7 May 2024 'Timber Supply Chain Challenges & Opportunities in the Future of Sustainable Housing'.

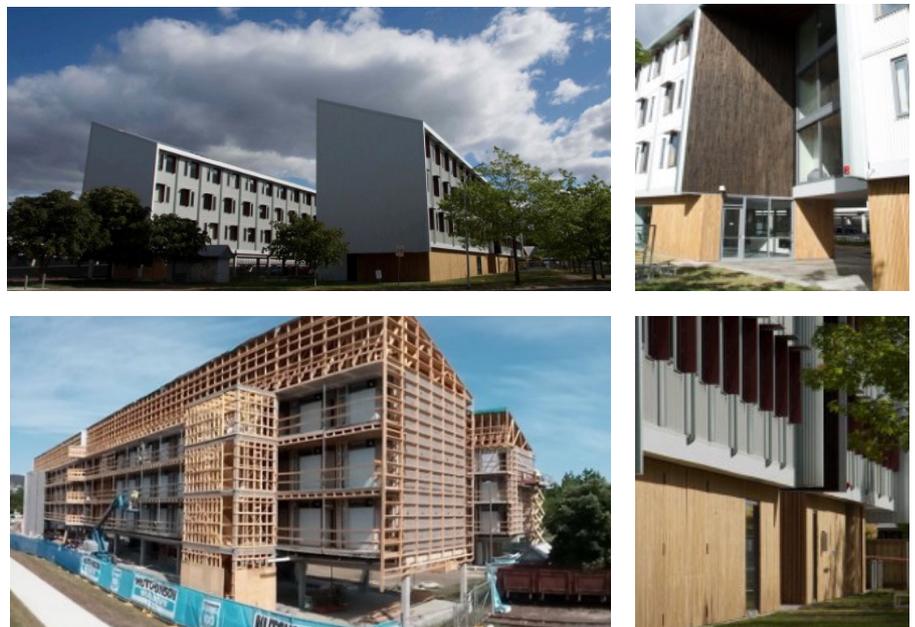


Figure 16: Residential projects using wood product and EWP

Source: FWPA, 2017, "Market Access: Enabling Prefabricated Timber Building Systems For Class 2 to 9 Buildings", prepared by Centre for Sustainable Architecture in Wood (CSAW).

Part 3

Bridging housing supply and affordability issues and the capacity of the timber industry: Stakeholders' perspective

Click here to view Webinar 3

Three speakers were invited from a range of peak bodies to discuss perspectives on the housing supply and affordability issues¹⁰. Some key aspects of the discussion are:

- Current housing programs and planning (Housing Future Funds, Housing Support Program, Social Housing, etc) and the supply chain capacity, including the construction and timber industry.
- Incentives for consumers and producers (materials, capital, and skilled workers).
- Innovation in the supply chain to anticipate the same cycle related to the housing crisis.



**Emeritus Professor Tony Dalton
(Centre for Urban Research RMIT)**

Tony's research focuses on changing housing markets and distributional outcomes in a period of social and economic restructuring. More recently he has developed a research interest in the issues that climate change poses for urban housing provision. Throughout his research, he has maintained a focus on the institutional context of policy so that we can better understand both policy outcomes and the way that different interests shape housing policy. Following appointments in senior leadership positions at RMIT, including Deputy Pro Vice-Chancellor of Research and Innovation in the College of Design and Social Context (2004-2010) and Chair of the Academic Board (2009-2010), Tony returned to research and teaching in 2011.



**Richard Hyett (Deputy CEO and
Director of Policy Australian Forest
Products Association)**

Richard Hyett joined the Australian Forest Products Association (AFPA) in early 2021 and has 20 years experience in Agricultural and Natural Resource advocacy. Before joining AFPA, Richard had more than a decade in government and the public service, including working for two Cabinet Ministers. Richard has a degree in politics and natural resource management from Monash University and has owned and run his own farm enterprise close to Echuca for 25 years.



**Simon Croft (Executive Director
Industry Policy Housing Industry
Association)**

Simon is responsible for overseeing policy and advocacy for at Housing Industry Association (HIA). He has extensive experience in relevant building codes, Standards, building regulations and energy and climate policy settings and broader building policy settings. Simon sits on a number government and industry advisory boards and committees, and international housing groups. He has also oversight for responses to governments on relevant building policy issues that affect residential building work and building practitioners.

¹⁰Access Webinar 3 recording via FWPA website: <https://fwpa.com.au/webinar-video/webinar-3-bridging-the-housing-issues-and-the-timber-industry-policy-perspective/>

3.1 Pluralistic approach in addressing the housing issue

- Affordability and household tenure have changed over the past three decades. Factors include declining outright ownership, a slowing increase in mortgage holders, increasing private renter households, declining social housing, and increasing income and wealth inequality. Figure 17 summarises these factors.
- Over the same period, socio-economic segregation has increased. Gentrification or redevelopment has increased the disparity of property prices between inner cities and outer suburbs.
- Inner redevelopment in major cities is connected with higher-paying jobs than in outer areas. Cities are becoming more segregated among socio-economic groups.

Figure 18 shows the redevelopment areas in the inner city of Melbourne and Sydney.

- Understanding building activities and the flow of materials is important, as each component in the supply chain has its own complexities and must move towards low carbon. Figure 19 shows the key role of forestry logging and timber manufacturing in the housing construction supply chain.
- Currently, the Australian land development industry is fragmented. It comprises two distinct industries: land development for houses and housing estates, and land development for multi-residential housing. In 2022-23, there were around 12,000 enterprises with an average of only two employees per company. The structure is considered volatile and has low innovation.

- A pluralistic approach is required to recognise the complexity of the industry and market interventions from the Government.
- Eleven aspects to address current housing affordability issues:
 - invest in social housing
 - reduce homelessness
 - improve rental market supply and demand
 - simplify land use and planning systems
 - boost construction sector capacity
 - improve data availability
 - build and expand regional-specific housing
 - improve First Nations housing outcomes
 - improve national housing target suitability
 - implement a taxation system supporting supply and affordability
 - recognise and add climate change and embodied carbon

Households by tenure type (%), 1994–95 to 2019–20
Australia

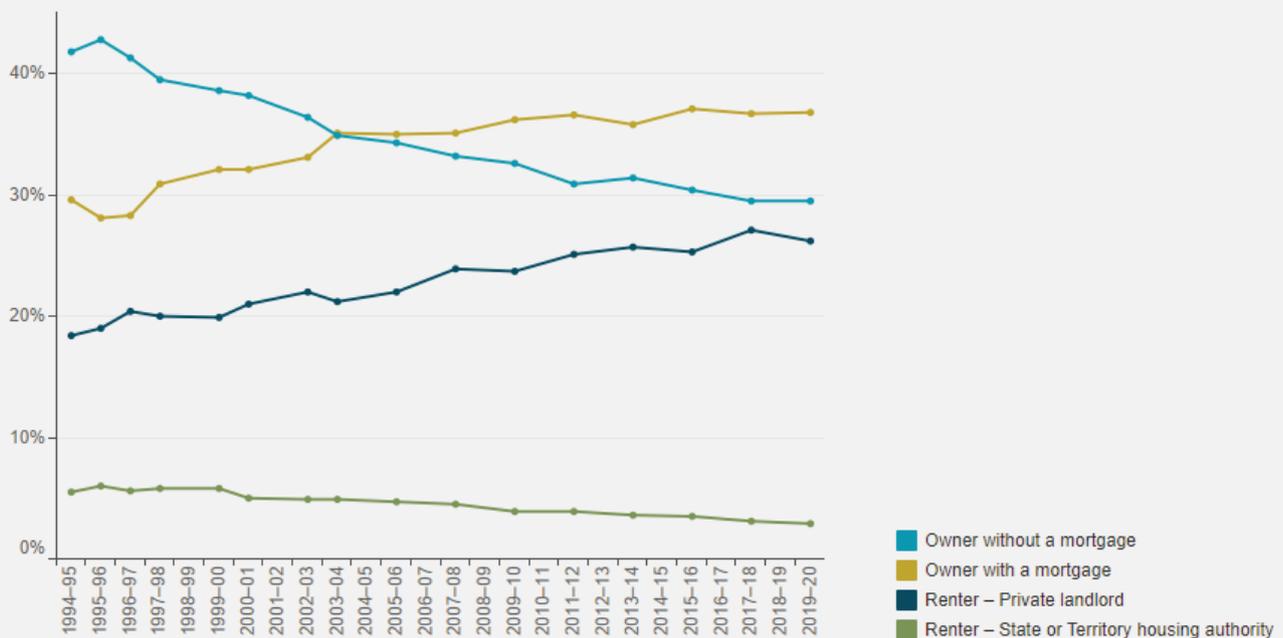


Figure 17: Declining ownership and increasing renters

Source: Professor Tony Dalton's presentation in the FWPA Webinar Series, 14 May 2024 'Bridging the housing issue and the timber industry: stakeholders' perspectives'.

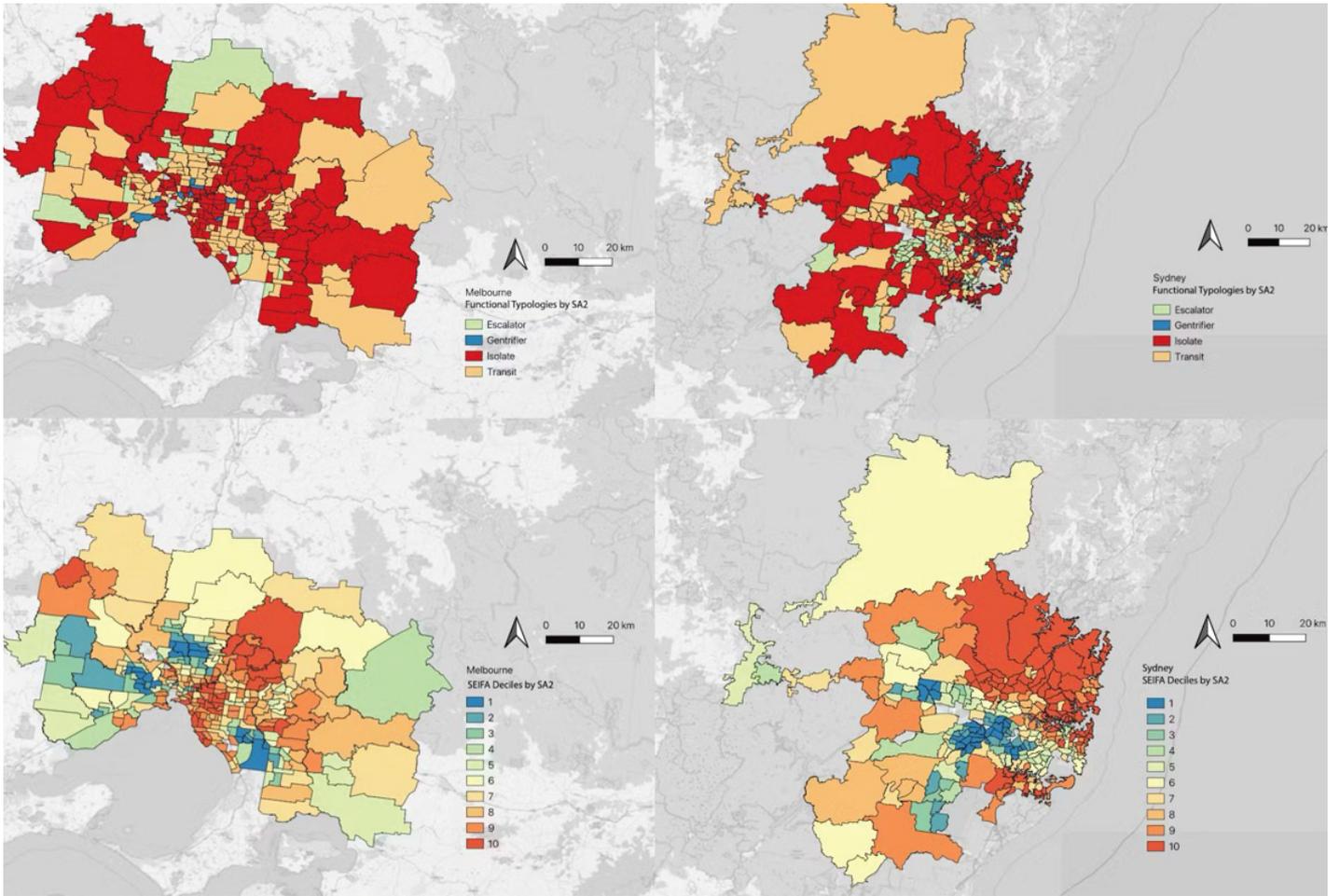


Figure 18: Redevelopment in Melbourne and Sydney create segregation

Source: Professor Tony Dalton presentation in the FWPA Webinar Series, 14 May 2024 'Bridging the housing issue and the timber industry: stakeholders' perspectives'.



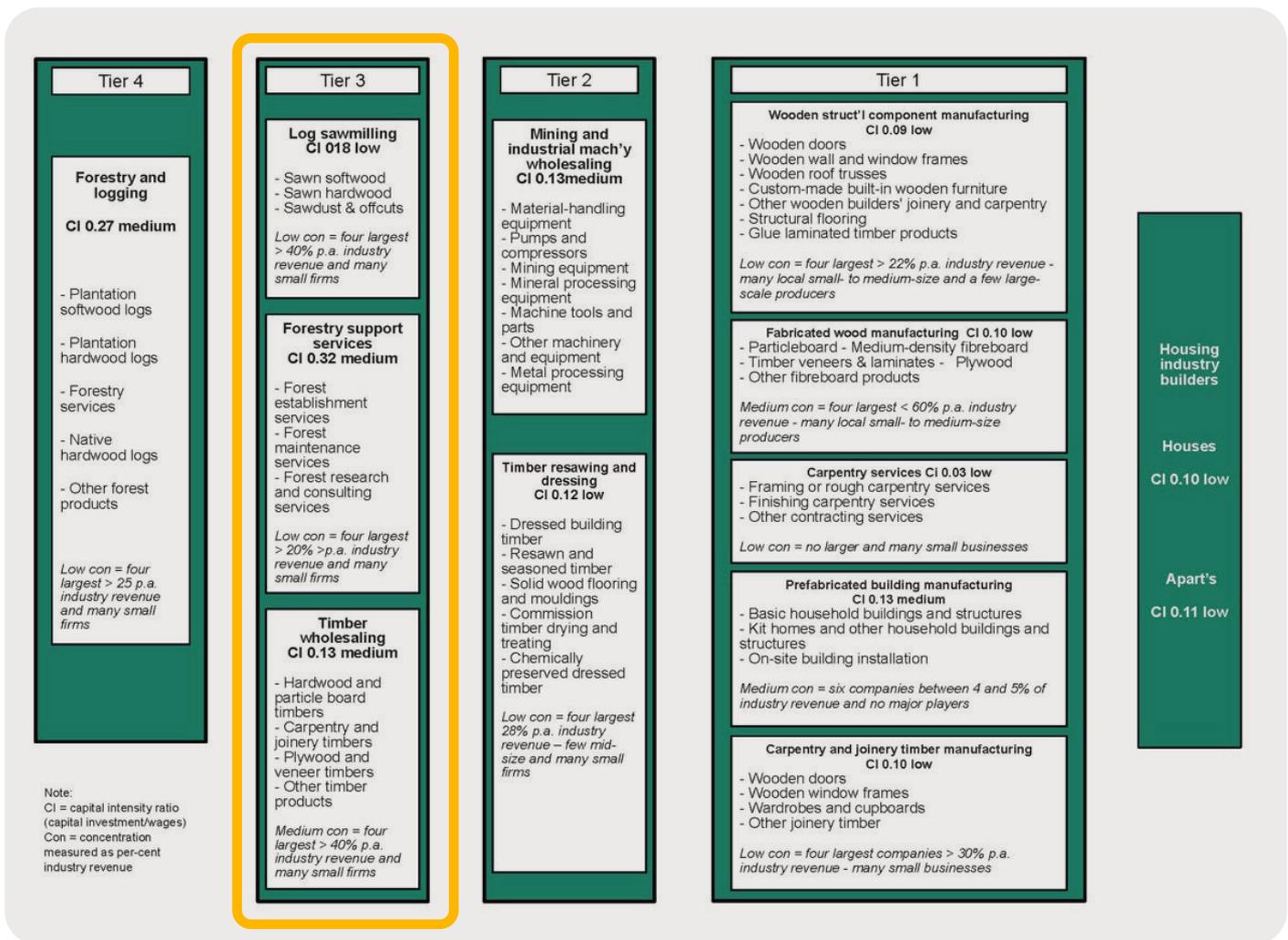


Figure 19: Timber industry in the supply chain of housing construction

Source: Professor Tony Dalton's presentation in the FWPA Webinar Series, 14 May 2024 'Bridging the housing issue and the timber industry: stakeholders' perspectives'.

3.2 Stakeholder perspective

- From the stakeholder perspective, skilled worker reform will help build 1.2 million houses. Opportunities include:
 - increase the number of construction workers
 - promote trades as a first-choice career option
 - increase the number of apprentices by increasing funding for hosts to take on an apprentice and tool rewards program for apprentices
 - promote traineeships and cadetships for other key construction professionals
 - simplify and create a trade-specific visa program.
- A greater take-up of modular and prefabricated timber dwellings must be encouraged with the specification allowing faster building approval.
- Timber products are economically viable sources of carbon capture and storage. Using timber in residential construction will address both the supply and climate change issues.

Summary

Strong demand for housing and a supply shortage are key drivers of the increasing house prices in the past 12 months (FY2023-24). Given relatively low numbers of house approval and house completion in the same period, the price trend was estimated to continue for the following year. This supply-side issue also creates a shortage in affordable private rental stock, especially for vulnerable groups such as low-income households.

From a demographic perspective, the proportion of one-person households has been slowly increasing over the past three decades, and the long-term projection is for migration intake to be steady. These factors add pressure for more housing supply in the future than the current rate.

The National Housing Accord proposed building 1.2 million houses in the next five years to help address this housing supply issue. The forest and wood products

industry, and the timber construction industry has the capacity to help meet this Government target through improved approaches to constructing detached houses, units, and low- and mid-rise residences while storing carbon. Improved adoption of modular construction methods, as well as expanded use of sawn timber and engineered wood products are just some of the opportunities our sector can assist with. Furthermore, large amounts of capacity currently exist in the domestic timber processing sector; timber is available.

The timber and construction industries also highlighted that they continue to advance towards following best practices in applying modern methods of construction (MMC), which is proven to be efficient, cost-effective and sustainable. Evidence from completed projects showed that the MMC approach using prefab and/or modular took less

time to build than the conventional approach.

From the stakeholders' perspective, a pluralistic approach is required to address the complexity of the issue. Benefits recognised by webinar speakers include; simplifying the land and planning system, improving rental market supply by increasing social housing managed by the governments, boosting construction sector capacity, and implementing a taxation system that supports affordability.

Skilled workers reform can also lead to increased housing supply. Stakeholder recommendations are increasing the number of construction workers by promoting these occupations as a first-choice career option, increasing the number of apprentices by increasing the funding to host and to provide reward programs, and simplifying a trade-specific visa program.

About FWPA and our Statistics and Economics Program

FWPA is a not-for-profit industry services company – sometimes referred to as an RDC (Rural Research and Development Corporation) – funded by the Federal Government, member levies and research grants.

We collaborate with government and industry stakeholders to determine strategy, invest in effective and relevant R&D and deliver programs designed to grow the market for forest and wood products, increase productivity and profitability across the value chain and ensure positive environmental and social outcomes.

The Statistics and Economics Program is focused on providing reliable industry data to support stakeholder decision-making and business planning. Our public data portal serves as a dynamic hub, granting direct access to an extensive repository of both international and domestic data, all of which is publicly available.

We also provide exclusive access for FWPA members to our proprietary data at higher levels, delivering a comprehensive perspective that empowers decision-makers and stakeholders across the industry.

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FWPA Statistics & Economics Program Webinar Series | *Webinar 1: Australia's Future Housing Affordability*, held Tuesday 30 April 2024: <https://fwpa.com.au/webinar-video/webinar-1-australias-future-housing-affordability/>

FWPA Statistics & Economics Program Webinar Series | *Webinar 2: Timber Supply Chain Challenges & Opportunities in the Future of Housing*, held Tuesday 7 May 2024: <https://fwpa.com.au/webinar-video/webinar-2-timber-supply-chain-challenges-opportunities-in-the-future-of-housing/>

FWPA Statistics & Economics Program Webinar Series | *Webinar 3: Bridging the Housing Issues and the Timber Industry: A Policy Perspective*, held Tuesday 14 May 2024: <https://fwpa.com.au/webinar-video/webinar-3-bridging-the-housing-issues-and-the-timber-industry-policy-perspective/>



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