

Committee Secretary
Senate Economics Committee
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Via e-mail: economics.sen@aph.gov.au

Dear Sir/Madam

**Inquiry into the Australian Business Investment Partnership Bill 2009 and the
Australian Business Investment Partnership (Consequential Amendment) Bill 2009**

The Urban Development Institute of Australia (National) welcomes the opportunity to provide this Submission to the Senate Economic Committee's Inquiry into the *Australian Business Investment Partnership Bill 2009* and related legislation.

The Urban Development Institute of Australia (UDIA) is the peak body representing the property development industry throughout Australia. Established at a state level in 1963, the Institute evolved to become a national body with a number of state-based divisions in 1970.

UDIA aims to secure the economic prosperity and future of the development industry in Australia, recognising that national prosperity is dependent on our success in housing our communities and building and rebuilding cities for future generations.

Our members cover a wide range of specialist and industry fields, including: Developers, Valuers, Planners, Engineers, Architects, Marketers, Researchers, Project Managers, Surveyors, Landscape Architects, Community Consultants, Environmental Consultants, Lawyers, Sales and Marketing Professionals, Financial Institutions, State and Local Government Authorities, and Product Suppliers.

UDIA supports the Australian Business Investment Partnership (ABIP) legislation.

UDIA believes the ABIP is a sound and proactive initiative that will address the risk of a funding gap emerging in the property development sector. The Australian development industry is currently suffering from an increasing withdrawal of refinancing capital from financial institutions as a result of the global economic crisis.

The Property Council of Australia's (PCA) submission to this inquiry outlines in detail the issues the industry is currently facing in relation to commercial property, and UDIA endorses the PCA submission.

However the funding issues that impact on the commercial sector are also significantly impacting upon the residential development sector, and UDIA's only major concern with the ABIP legislation is that it remains limited to commercial property investment and fails to acknowledge the funding constraints that also plague the residential sector.

The latest ABS figures the month of February 2009 show a dramatic reduction in new construction finance since December 2008, with lending is down more than 43 percent on the same period last year, and down more than 65 percent on July 2008.

The funding impasse for the property sector is becoming a serious problem for the Australian economy. It has become clear that lenders are winding back their exposure to investment in Australia and the impacts are being felt most heavily in the property sector.

Many developers have commercially viable projects that will deliver thousands of new jobs that simply cannot secure new capital to get out of the ground. Further, the lending conditions are prohibitive for the majority of projects. The banks are seeking very conservative loan to value ratios and practically prohibitive pre-sale commitments that have resulted in very few projects getting out off the ground.

The lack of available credit for new projects is having a significant impact on employment in the development sector. Instead of creating jobs, developers are shedding staff because capital is just not available to invest in new projects.

UDIA believes that the ABIP Legislation could be improved by extending the charter of the ABIP to include residential development projects that meet the existing specific criteria applied by the legislation to commercial property assets, and have had financiers withdraw due to the global economic crisis.

UDIA believes that this extension of the ABIP's charter would provide recognition of the robust fundamentals of market demand in the sector, strong links to job creation, and the opportunity for economic stability for Australian families through home ownership.

UDIA has asked the Federal Government to extend the charter of the ABIP legislation to include residential projects. Whilst the proposed legislation does not include the residential sector, we do not support any delay to the passage of the legislation.

Yours sincerely



Stephen Holmes

NATIONAL PRESIDENT

15 April 2009