Building the economy

By Fordham
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The Australian Construction industry generates over $360 billion in revenue, producing around 9% of Australia's Gross Domestic Product.

Keeping this industry moving will be critical to Australia's economic recovery. Fordham's own Property & Construction team are active members and advocates for the industry, driving

national policy through representation on association committees.

In July the UDIA's Tax & Finance Committee prepared modelling for 'The Hidden Cost of Housing' report released by the UDIA. According to the report, the government gets more money from every new home built than developers. This means approximately one third of homebuyer costs, up to 34%, consist of taxes and charges.

Our greenfield developers and residential home builders have been reporting a welcome uplift in sales since the introduction of the Homebuilder scheme. Enquiry levels in both Melbourne and Greater Geelong through May and June rose to levels not seen since the peak of early 2018, along with deposits reaching a long-term high in June. As a result our developer clients have been releasing land earlier than anticipated, with the flow on effect resulting in stronger sale pipelines for our residential builders. This now poses the question of will there be enough titled / to be titled lots in the market to satisfy demand? It is likely there may be a shortfall in meeting this demand in the short term.

On the commercial builder front, we have seen many businesses continue to outperform their prior year results even in the wake of COVID-19. As a result we have been busy seeking uplifts in their CSR pre-qualification levels and re-negotiating Bank Guarantee Facilities to allow for the increased turnover. In light of the economic headwinds, there has also been an increase in demand to establish regular board and/or management meetings to focus on the strategic goals of the business and hold key persons accountable to deliver these goals. The team has also been busy reviewing and implementing quality and timely reporting for our clients, as this has never been more relevant given the uncertain conditions and need to pivot the business around lockdown restrictions. During the last quarter the team welcomed several new clients seeking specialised advice in regard to Management Buy Outs and Employee Incentive & Retention Plans to secure talent and owner-proof the business.

While the banks are purporting to be open for business, there has been a noticeable downshift in their willingness to take on new clients in the sector or fund specific projects (such as building Childcare Centres), as they review their book risk profile and capital adequacy requirements in light of the COVID-19 impact.

Commercial rent relief has been a regular topic of conversation and at times a hotly disputed subject. The team has been working on both sides of the ledger, assisting both national retail clients and landlords to negotiate a fair outcome for all parties. This relief has been extended through to 31 December 2020, in addition Land Tax Relief for landlords has also been expanded through to 2021.

On the ATO front, their data matching systems are becoming increasingly sophisticated and we are noticing a rise in ATO queries on the GST and Income Tax treatment of property transactions. This highlights the importance of seeking advice prior to signing any property

contract or commencing a development – it will often save you the costly tax headache after the fact.

For further information please contact your Fordham Partner.

Talk to us today

Get in touch

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