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Property industry survival will take a team effort – but banks and councils need to come to the party

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Frank Bevacqua

Franco Bevacqua, Managing Director of the Charles Lloyd Property Group, writes that while the development industry has been more insulated to the economic chaos of COVID-19, it is only a matter of time before it starts to feel the pinch.

The property development sector has so far proven to be more insulated to the broader economic chaos caused by the COVID-19 pandemic, with developments pressing on where possible.

But the reality is it is only a matter of time before development itself starts to feel the pinch. Already, commercial construction activity is down 4.8 per cent to 3.7 per cent – its lowest level in nearly seven years according to the AiG Performance of Construction Index.

It's critical that developers and other industry stakeholders work together now to find mutually beneficial solutions that allow our industry to keep moving in these difficult times. If we don't work together now, we may not be able to work together at all in the future.

Put simply, 2020 has not been business as usual – and so responding to that takes equally non-business as usual solutions.

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The players in our sector rely on each other inherently – and so we need to pull through it together to ensure our collective recovery.

I applaud the Master Builders Association and the CFMEU in joining forces to lobby the Government to deem construction an essential service. So many jobs and livelihoods rely on it that the value cannot be understated.

This is one example of industry players innovating to work together in unusual times, but regulatory guidance can only go so far.

Another new approach is for developers and builders working together to consider the sources of their materials. A diverse supplier base may provide some insurance as global supply chains are disrupted.

We're also seeing signs that while developments continue, the pace is slower as a result of social distancing measures and other supply factors. Developers are working with builders, who in turn are working with sub-contractors to find solutions to contractual breaches and liquidated damages claims triggered by blown out deadlines.

This is not easy and it's not normal practice. But again – these are not easy times. These are positive steps that are in the right spirit of collective survival.

On the other hand, I'd like to see a lift in spirit from some of the bigger and most influential players in our industry.

The banks are unquestionably critical. And yes, we know the banks are offering to pause loan payments amid several other options to ease cashflow stress in the short term.

But the operative term there is indeed short term. The banks are simply not taking a hit for their customers. Interest payments will accrue and are still required at the set rate.

I'm certainly not suggesting the banks should be accepting loan defaults – far from it. But a little more flexibility in terms of payment structure and terms for eligible businesses and consumers might provide more fertile ground for growth – and management – in tough times.

Everyone is doing it tough, and just about everyone is a bank customer – so I urge the banks to help in terms of thinking outside the square in managing this crisis.

Just as important are planning approval authorities like local Councils. As supply chains become increasingly disrupted, materials that are critical to meet development compliance are becoming harder to acquire.

If compliance can't be met, and subdivisions are not completed then titles are not issued – stakeholders don't get paid and work ceases. It's a simple domino effect, and all parts of the industry will feel it.

Again, this requires innovative thinking to find a solution that works for all parties.

One idea would be to implement a sort of "remaining works schedule" – the idea being that any remaining works that that aren't complete, as a result of missing materials, can still be issued with an amended statement of compliance – this way settlements and payments keep moving and the industry keeps turning.

Again, it's not normal process – but again, these are not normal times.

If we don't rise to the challenge presented by this pandemic then we might not have an industry in the foreseeable future.

Yes, it's a difficult and grim situation – but there is always a silver lining and always a positive point of view. If we get this right, we may look back at 2020 and see it as the year that future opportunities presented themselves. At least that's the way I think we need to look at it.

Our industry has always been renowned for its innovation and agile thinking. It's needed now more than ever, and not in the traditional sense of finding a competitive edge.

That competitive edge is sometimes found by working collaboratively.

So here is to an industry all working together – and to 2021 and beyond.