

Five Aussie cities named ‘worst in the world’ for affordable housing

11:00pm, Jan 24, 2017 **Updated: 12:36pm, Jan 25**



[Jackson Stiles](#)

Money Editor [@JacksonStiles](#)



Australian politicians have sleepwalked into a housing affordability “crisis” because they were hooked on property taxes and votes, a think tank has warned.

Demographia, a global company based in the US, released an [annual report](#) this week that ranked Sydney as the second-most expensive city for housing in the world.

It divided Sydney's median house price (\$1.077 million) by its median household income (\$88,000) to roughly estimate it would take 12.2 years' wages to buy a home – better than Hong Kong (18.1 years) but worse than Vancouver (11.8), Auckland (10) and San Jose (9.6).

Using the same measure, Melbourne (9.5 years), Adelaide (6.6), Brisbane (6.2) and Perth (6.1) also made it into the top 20 of the 406 cities on the list.

Wayne Matthew, the Australian spokesman for Demographia, told *The New Daily* that our politicians are "only just starting to realise" the extent of the problem.

Least Affordable Cities

RANK	CITY	MEDIAN MULTIPLE
1	HONG KONG	18.1
2	SYDNEY, NSW	12.2
3	VANCOUVER, CANADA	11.8
4	SANTA CRUZ, USA	11.6
5	SANTA BARBARA, USA	11.3
6	AUCKLAND, NZ	10
7	WINGCARIBBEE, NSW	9.8
8	TWEED HEADS, NSW	9.7
9	SAN JOSE, USA	9.6
10	MELBOURNE, VIC	9.5

SOURCE: DEMOGRAPHIA INTERNATIONAL HOUSING AFFORDABILITY SURVEY

The report's release coincided with the first press conference of newly appointed NSW Premier Gladys Berejiklian, who [pledged](#) on Monday to tackle housing affordability, calling it the "biggest issue people have across the state".

On the same day, senior figures in the Turnbull government [made it known](#) that housing affordability will be an "extraordinarily high" priority in 2017.

Politicians have sleepwalked into the “crisis” because they initially saw no problem with the rapid increases in prices, or were too scared of voter backlash to intervene, Demographia’s Mr Matthew said.

“Initially, the Australian dream seemed to be paying fabulous dividends. People’s property prices were going up and they felt good about that. As prices went up, people were able to leverage the equity in the increased property to buy other properties as investments to rent out,” he said.

“That all looked good and enterprising, however it has now caught up with us, particularly in Sydney.

“There have been too many people benefiting from the investment wave, but the goose that laid the golden egg is becoming a millstone around the necks of young people.

“It’s going to create great chasms in our society, with young people being bitter that they can’t afford the home their parents had and that they can’t realise the same dreams. Australia has always been a country where people have had a right to a roof over their head that they could aspire to own themselves, but that great Australian dream is being smashed.”

There are two distinct sides to the debate over housing reform. There are those who argue for supply-side measures (often conservatives, such as the Liberal Party) and those who argue for demand-side measures (such as Labor, which has promised to reduce negative gearing).

Demographia’s argument, as a conservative think tank, is that land prices are high because of an artificial undersupply imposed by state governments, who fear voter backlash if they free up large plots of land for development or allow more high-rise apartments.

“State governments have been concerned about stepping into the market and offering lower-priced land on the basis that they’re fearful it could affect other property prices where investors are dependent upon equity to maintain a balance in borrowings they’ve undertaken,” Mr Matthew said.

“The reality is, and international experience has shown, that’s not what occurs.”

Dr Ashton De Silva, an economist with expertise in the housing market, agreed that supply is “probably the most important factor”, but said Demographia’s data should be treated with caution.

The measure used by the think tank – median house price divided by median household income – is “problematic” because the way home loans are funded varies widely between countries, Dr De Silva told *The New Daily*.

“I’m very circumspect about this kind of report. I know that Sydney and Melbourne house prices are very high, and I know this causes a great deal of hardship in the community. However, I’m not sure if the problem is as extreme as they say.”



We need more than just more land, says one expert. Photo: Getty

Professor Tony Dalton, a housing expert at the Australian Housing and Urban Research Institute, said supply is an “important” factor because of the nation’s high rate of immigration, but does not tell the “full story”.

Overly generous tax concessions for landlords, a lack of social housing, and a concentration of “good jobs” in the inner city are also crucial factors, Professor Dalton told *The New Daily*.

“There are very big differences between house prices in central city areas and the periphery. That’s because of the way we’ve organised and designed our cities. We’ve got all the good jobs, those with greater security and higher income, within a 10 to 12km radius of the central business district.”

To fix the problem, governments shouldn't focus just on freeing up land. They should also curb negative gearing and capital gains tax concessions and invest more in outer suburb infrastructure and social housing, Professor Dalton said.

"We've got first home buyers bidding for properties alongside cashed-up, affluent people who are able to bid for properties for investment purposes.

"Meanwhile, most western developed countries have a social housing system that's much bigger and more robust than Australia. We are a standout in terms of how little of that sort of housing we provide."