

New Planning Laws Will Fuel Housing Crisis

New research by international housing think tank Demographia shows spiralling land costs in Adelaide and other high-cost cities are mainly due to restrictive planning controls.

Adelaide is in the middle of a housing affordability crisis and today's young South Australians will be the first generation unable to afford the quality of housing owned by their parents.

Affordability is determined by the cost of housing and the income people have to spend on buying their home. International research undertaken by Demographia for more than a decade shows that in Adelaide in 2016 it now takes more than 6 times the annual median income to buy the average house – this is putting our housing almost out of reach for young people and those not already on the property ladder.

For more than 100 years, the average Australian family was able to buy its first home on one wage.

The price of land in Adelaide per square metre is now higher than in Melbourne, Sydney and Brisbane. Only Perth is higher. We have lost our traditional cost advantage. South Australia is at the cross-roads of its housing future with our traditional lifestyle under threat.

Restrictive planning laws and limited supply are primary contributors to this threat to our way of life and the opportunity of our kids to afford a house of their choice in the location of their choice. High government taxes and charges on housing are another cause.

For decades our lifestyle was the envy of most of the world. Our weather, pristine coastline, environment and standard of living are desired by more of the world's citizens than our nation can accommodate.

Intrinsic within our standard of living has been the suburban Australian home on the traditional quarter acre block. Adults who have lived their childhood in Australia have experienced the joy of living with the space afforded by the traditional suburban home. They have enjoyed some or all of backyard cricket, netball, basketball, a trampoline, a swing set, a cubby house, having space to run and play with their pets, a backyard barbecue, swimming pool, fresh air and peace and quiet.

People from around the world have sought to immigrate to Australia to escape their claustrophobic, densely built, high-rise homes to enjoy our freer lifestyle.

To maintain our lifestyle, a good planning system, a sensible tax regime and new land releases are essential. Abundantly available land slows price rises and keeps affordability within the reach of all South Australians. Taxes on building a new home discourage people from building and thwart employment in the home building sector.

Restrictive planning systems drive up land prices. Auckland is a classic example and NZ authorities are struggling to deal with the legacy of the planning wall around their major city even now.

The *12th Annual Demographia International Housing Affordability Survey* (2015 data) covers 378 metropolitan markets (cities) in nine countries (Australia, Canada, China, Ireland, Japan, New Zealand, Singapore, the United Kingdom and the United States). The survey comprises

a total of 86 major metropolitan markets, each with more than 1,000,000 in population, including five of the six largest metropolitan areas in the high income world (Tokyo-Yokohama, New York, Osaka-Kobe-Kyoto, Los Angeles, and London). The survey reveals:

- Adelaide is now one of the least affordable cities in the world in which to buy a house. On a scale of 367 cities assessed, Adelaide sits near the bottom as the 321st least affordable city in which to buy a house. The rankings are calculated by comparing the median household income (\$66,700pa) and median house prices (\$430,000) against those in the other markets. The median price of a house in Adelaide is 6.4 times the median wage compared to 2.9 times in 1980 (according to Reserve Bank data);
- In contrast, Adelaide's US Sister City, Austin (Texas), has an almost identical US dollar Median Household Income (\$63,000pa) but a significantly lower Median House Price (\$264,000). Austin's economy is currently rated number 1 in the US, has an average economic growth of 5.7 per cent over 10 years and job growth of just under 11 per cent over 5 years. The median price of a house in Austin is 4.0 times the median wage, compared to Adelaide's 6.4.

Reduced availability of new land and heavy State taxes and charges on purchasing a home have taken their toll on Adelaide's housing prices. For these things, successive State Governments are culpable. It is imperative that all of South Australia's political parties develop policies that will improve housing affordability.

With State Government incentives to occupy newly built inner city apartments and higher land purchase costs elsewhere around the city, many first home buyers see their only option to own a home is to take advantage of a grant to buy an apartment – it is not their first choice but their last.

Many, on deciding to expand their families, have found on selling their apartment three years later, that it is worth significantly less than the price that they paid.

The reasons for this are simple. Housing prices increase over several years because of the rising value of land. Apartments have a small land footprint and deteriorate in price as the building itself deteriorates through normal wear and tear.

The inclusion of an Urban Growth Boundary in the *Planning Development and Infrastructure Bill* presently before State Parliament will push up housing prices for new home buyers across Adelaide, as will the Infrastructure tax also included in the Bill. These aspects of the Bill must be defeated when Parliament resumes in February.

Demographia believes that housing choice is imperative. While we recognise that some South Australians choose to live in an apartment or in a home with a small land footprint, we also recognise that many South Australians still want to experience the great Australian dream of owning a detached suburban house on a spacious block.

Young middle income earners are the latest victims of housing market distortions. As the Adelaide housing market has persisted in inflating and running ahead of the incomes that underpin it, progressively more and more people are unnecessarily being denied their right to home ownership and better quality housing.

Wayne Matthew is the spokesman for Demographia Australia, he is a former South Australian Cabinet Minister and is passionate about improving housing affordability.