

Housing cheaper in New York than regional Australia

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HOMES in regional Australia are now less affordable than New York as our domestic market outstrips the most expensive places in the world.

With [housing shaping up as a key election issue](#), experts say the reasons we're in such dire straits are very different to those our leaders are pinpointing.

In a ranking of markets across the world by ratio of median house price to median income, Australia was classified as severely unaffordable.

Sydney was the second worst market on the planet, just behind Hong Kong, according to the [12th Demographia International Housing Affordability Survey](#) for the last quarter of 2015.

Median house prices need to be no more than three times median income for a market to be classified as affordable in the ranking. In Sydney, prices were 12.2 times the median salary, Melbourne was second at 9.7, followed by Tweed Heads in NSW at 9.3.

Other markets in crisis include Bowral-Mittagong and Port Macquarie in NSW and the Sunshine Coast and the Gold Coast in Queensland. All came in above London.

Let's break that down: Median income in Sydney is \$84,600 and the median house price is \$1,032,000. In Melbourne, it's \$75,600 to \$730,000.

The trend continues outside the capital cities. In Tweed Heads, income is \$48,400 and house price \$450,000. On the Sunshine Coast, income is \$57,300, house price

\$496,500. Twenty-two markets in Australia rank above New York, including Wollongong in NSW, Albany in WA and Bendigo in Victoria.

“Australia has a serious housing affordability problem and it’s got worse,” Hugh Pavletich, a housing commentator from Performance Urban Planning, told news.com.au. “Housing is at crisis level.”



Home buyers in Wollongong, NSW, need 8.3 times their income. Source:istock

WHAT TEXAS CAN TEACH US

Meanwhile, in North America, many housing markets remain “affordable or nearly affordable,” according to Mr Pavletich.

One reason for this is a liberal land use policy, with many markets employing “light-handed” zoning regulations and some, such as Texas, installing near deregulation.

In Houston, housing affordability is 3.5, with median income at \$80,177 and median house price \$280,458.

In Dallas, it's 3.4, with median income \$79,540 and median house price \$271,067.

Mr Pavletich believes this success is down to the fact that states like Texas "do not allow local authorities to control the supply of land." This means "developers can respond quickly to market changes and supply when needed."

A large part of Australia's housing problem is down to urban containment or consolidation policies, he claims.

South Australia Senator Bob Day, former National President of the Housing Industry Association, told news.com.au: "For 100 years, from 1900 to 2000, housing has always been affordable because it's always been three times income.

"There's been little increase in the price of building a new house, it's the same cost as 20 years ago.

"There's obviously no shortage of land, there's a shortage of available land. It's been drip-fed to maintain the high price. Land supply is a cash cow for state governments.

"It's a form of taxation. They're restricting the land available through zoning."

In the US, a [divide is emerging between cities that continue to grow and remain affordable](#), and those "hemmed in by geography and onerous zoning codes" that are becoming more expensive, according to the Wall Street Journal.

On the one side is Texas and cities concentrated around the southeast, which are expanding outwards. On the other, San Francisco, Boston, New York and Miami, all of which have slowed their pace of expansion dramatically since the 1970s.

THIS EFFECTS EVERYTHING

The second key reason for Texas's success is proper infrastructure financing, according to Mr Pavletich.

As the low supply of land causes the cost of road widening and other major projects to skyrocket, establishing schools, community centres, health services and business facilities becomes increasingly difficult, according to Senator Day.



*On the Gold Coast, median income is \$63,700, and median house price is \$545,000.
Source: Supplied*

In much of the US, there's a front-end load for these costs, using local government bonds paid off at a set rate. But infrastructure expenses for new Aussie homes are financed by the developer and passed directly to the buyer through their mortgage, adding tens of thousands to the price tag.

Recent reports show that many first-time buyers have to rely on relatives for assistance, with one in six Australians getting financial help from their parents when [saving for a home loan deposit](#), according to price comparison site finder.com.au.

[First-home buyers are exposing themselves to a higher risk of defaulting on mortgage repayments](#) than ever before, according to an LF Economics report cited by The Guardian.

Rental prices also rise in line with the higher capital and financing costs paid by landlords.

Anna Sventek, 46, has been staying at friends' homes since September last year after her lease ran out in Shellharbour, NSW, and she couldn't find anything else for her and her daughter, who needs to be near her high school in Port Kembla.

"I must have applied for about 20 homes between Warrangong and Kiama," Ms Sventek told news.com.au. "A family member on a farm about an hour away gave me somewhere to stay as a last resort, then I lived with a friend while my daughter was on holiday with her father in Sydney. Another friend offered for me to live with her and I'm still here now.

"I'm living in a dining room, but I can deal with that. My daughter has struggled a bit, she doesn't have a room or her own things, she's going through a bit of depression."

While Ms Sventek owned a home and investment property with her ex, they still owed so much on both that the payout was enough for furniture and not much more. That furniture is now in storage, at further cost to the mother, who is on a disability pension.



Malcolm Turnbull's housing photocall backfired this weekend. (From left— Julian and Kim Mignacca with their 11-month-old daughter Addison and Member for Banks David Coleman, at the family home in Penshurst, south of Sydney. Picture: Dan Himbrechts Source:AAP

IT'S ALL POLITICS

Malcolm Turnbull has already sparked fierce debate by emphasising there would be no change to [negative gearing and capital gains tax under the Coalition](#).

But Senator Day doesn't believe those are the real issues. "If the Federal Government is serious about housing affordability it would override the state governments," he said.

He wants to see them disincentivised from restricting land supply, through equivalent budget cuts, for example.

"Talking about capital gains tax, negative gearing is all demand driven. Trying to curb demand is the wrong way. What we should do is increase supply.

"Ten or 12 years ago, there was a massive surge in demand for mobile phones, the biggest in history, yet the price fell. It's not demand that drives our prices, it's lack of supply.

"Fixing our housing problems would be a piece of cake compared with \$50 billion spent on submarines. It's not an economic or structural problem, it's a political problem."

Housing costs have risen at a much faster rate than both inflation and wages over the past 100 years, according to new Budget Direct research, and the trend is set to continue.

With Australia's house prices having soared from three times to 6.4 times the median income, that's hundreds of thousands of dollars buyers can't spend on other things, whether that's clothes, cars, furniture, appliances, travel, movies, restaurants, theatre, education or charity.

Just over a week ago, [Finder reported that tightened bank lending regulations and a cooling property market](#) have combined to produce the biggest dip in average Australian home loan sizes in more than 15 years.

[Commonwealth Bank's mortgage calculator promises to lend borrowers](#) up to 5.5 times their income, compared with 4.75 from Halifax and a "conservative" estimate as low as 3.5 from Wells Fargo, Bloomberg reports. It suggested Australian banks may be storing up trouble for a future when interest rates aren't at record lows.

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