

TWO VIEWS ON THE CRISIS

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New planning laws will fuel housing crisis

By Wayne Matthew



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 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 crossroads 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.

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.

Levy will saddle homebuyers with hardship

By Brenton Gardner



Hot on the heels of significant increases in the Emergency Services Levy last year, the South Australian government has a Bill before Parliament which will introduce a new tax called the Development Levy. The levy will place enormous hardship on new homebuyers and may affect existing homeowners alike.

This levy is a property betterment tax which allows the Government to place a charge on households via their council rates or charge an upfront amount on a new home to cover the cost of infrastructure including schools, sewerage, electricity, health and community facilities, police and emergency services facilities, the list goes on.

However, these are traditionally services paid for by the community through general revenue, and residents can rightly ask why they are being asked to effectively pay twice.

Houses in new suburbs will be hit by this levy through their council rates and existing households may also be subject to the levy if the Government deems they are within an area that benefits from the infrastructure.

The introduction of development levies in other states has led to outrageous contributions being charged on new households, up to \$50,000 in some Sydney councils for example.

Why should the cost of such infrastructure be borne by a select few, and typically those who can least afford it at the time they must pay? When the Premier abolished the Save the River Murray levy he noted that it was regressive and imposed the same burden on households regardless of their ability to pay. Schools, public transport and hospitals are all publicly owned assets and we should all equitably share the burden of paying for these.

The levies will also be able to start before the infrastructure being paid for is even delivered. It is possible that households will pay a levy over many years before they see the infrastructure built. Some may even move house before seeing the benefit of these new services. This is exactly what has happened interstate and South Australia should learn from these mistakes. Surely this is not fair.

Adding insult to injury, if the costs are less than the collected amount, the households that have contributed will not be reimbursed the unspent funds.

This eleventh hour inclusion of the infrastructure levy is a rushed addition to a generally otherwise well consulted and considered Planning Bill. Whilst other aspects of this Bill underwent a rigorous two year consultation process, this levy was rushed in at the eleventh hour and the community was not consulted.

HIA does not support this aspect of the Bill and we have called on the government to remove it, and to undertake better consultation with industry, the community and local government.

The South Australian economy is struggling and the states that are performing well are doing so on the back of new home building. This element of the Bill runs the risk of further shackling one of best job creating options our state has. Let's not rush and regret.

Brenton Gardner is executive director SA of the Housing Industry Association