



Submission to the Senate Select Committee on

HOUSING AFFORDABILITY IN AUSTRALIA

Urban Development Institute of Australia (National)

March 2008

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1 Letter to Committee Secretary

Mr John Hawkins
Committee Secretary
Senate Select Committee on Housing Affordability in Australia
Department of the Senate
PO Box 6100
Parliament House
Canberra ACT 2600

Via email: housing.sen@aph.gov.au

Dear Mr Hawkins

The Urban Development Institute of Australia (National) welcomes the opportunity to provide this submission to the Senate Select Committee Inquiry into Housing Affordability in Australia.

The Urban Development Institute of Australia (UDIA) is the peak body representing the property development industry throughout Australia. Established at a state level in 1963, the Institute evolved to become a national body with a number of state-based divisions in 1970.

UDIA aims to secure the economic prosperity and future of the development industry in Australia, recognising that national prosperity is dependent on our success in housing our communities and building and rebuilding cities for future generations.

Our members cover a wide range of specialist and industry fields, including: Developers, Valuers, Planners, Engineers, Architects, Marketers, Researchers, Project Managers, Surveyors, Landscape Architects, Community Consultants, Environmental Consultants, Lawyers, Sales and Marketing Professionals, Financial Institutions, State and Local Government Authorities, and Product Suppliers.

The UDIA state bodies will also be providing submissions to this Inquiry, focusing on the specific housing affordability issues that impact on their respective states.

We would appreciate the opportunity to discuss our submission with the Committee in greater detail.

Yours sincerely

Stephen Holmes
President
UDIA National

2 INTRODUCTION

Following years of strong home price growth, housing affordability has reached critical levels around the country.

The UDIA strongly holds the view that the provision of affordable home ownership and affordable rental accommodation is essential to the health, well-being and ongoing sustainability of our residential communities. Home ownership offers many distinct advantages for individuals and the wider community by enhancing sense of place, sense of self and connections with the broader community.

Home ownership provides tangible and intangible benefits beyond the simple provision of shelter. It can provide social stability, economic reliability, community assurance and can impact on an individual's aspirations for independence and security.

Currently, a profound concern of the UDIA is that current public policy across all levels of government does not support the efficient provision of affordable home ownership and rental accommodation. This places increasing pressure on home purchasers to fund infrastructure and services up-front and consigns a disproportionate financial obligation on a new generation of purchasers.

A major issue is an increasing gap between the supply and demand of housing in Australia.

The affordability of housing in Australia is an issue of national significance and requires national co-ordination and a significantly higher level of consultation between the three levels of government, with leadership from the Commonwealth.

In this regard UDIA welcomes the renewed focus given to housing affordability by the Federal Government, in particular the recent announcements regarding National Home Savings Accounts, the National Rental Affordability Scheme, the Housing Affordability Fund, and the establishment of Infrastructure Australia.

It is the view of the UDIA that there is an urgent need for governments to review policy, regulatory and taxation systems as well as develop innovative funding and partnership models to promote and facilitate the supply of affordable housing throughout Australia.

3 INDUSTRY REPORT INTO AFFORDABLE HOME OWNERSHIP IN AUSTRALIA

In August 2007, UDIA released *An Industry Report Into Affordable Home Ownership in Australia*.

This report provided a comprehensive overview of national housing affordability in Australia, and clearly identified the current affordability crisis.

Using the UDIA/Matusik Affordability Indicator, the report focused on 70 key metropolitan and regional areas across Australia and sought to identify whether there has been a fundamental shift in housing affordability in Australia from 2001 to 2006. Of the 70 centres, the data showed a startling movement from a level of 96% affordability in 2001 to 39% affordability nationally.

In addition the report found that in the 22 years between 1984 and 2006, house prices have risen to almost six times of their 1984 price, whilst over the same period earnings did not treble.

The *An Industry Report Into Affordable Home Ownership in Australia* Report is included with this submission as a separate attachment (Appendix B).

It should be noted that as the Report was released prior to the 2007 Federal Election, it contains some policy recommendations that have superseded by subsequent policy announcements. UDIA's current policy recommendations in relation to housing affordability are located in the 'Recommendations' section of this submission.

4 ECONOMIC AND SOCIAL INEQUITY

Decreased housing affordability can create significant economic and social inequities, particularly between different income and generational groups.

According to Anthony Richard, Head of the Economic Analysis Department of the Reserve Bank of Australia in a recent address:

“When housing is thought of purely as a consumption item, it would seem that in aggregate we would be better off if its price were lower. Because we all need to consume some level of housing services, either rented or purchased, a higher level of housing prices and rents allows less spending on other items.

“But housing is also a long-lived asset, and there are distributional aspects to changes in housing prices and rents. Renters will be worse off when housing prices rise whereas those who own rental property will be better off. Owner-occupiers may be largely unaffected, since they can be thought of as being ‘hedged’ against increases in the cost of housing. There are also generational differences. Younger people who have not yet bought homes will be hurt by higher housing prices.

“¹Older owner-occupiers may benefit from an increase in prices if they are intending to extract part of the increased value of their homes. Of course, if older people pass on some of their increased wealth to younger relatives, the gains and losses of these two age-groups will be reduced. Indeed, the biggest difference may be between those who benefit from transfers from older relatives and those who do not. Both homeownership and ownership of rental property tend to rise with incomes, so it is lower income households that tend to suffer from rising housing prices and higher income households that tend to gain.”

5 POPULATION TRENDS

UDIA notes that the John Symond's Paper – *Addressing the Housing Affordability Crisis* (August 2007) highlights forecasts from BIS Shrapnel that indicate that the underlying demand for new dwellings in Australia will rise to 169,300 per annum by 2011/12. However

¹ Richards, Anthony (2008), “Some Observations on the Cost of Housing in Australia”, Address to 2008 Economic and Social Outlook Conference.

the rate of dwelling construction is expected to be well below this level of demand, and in the absence of significant policy action, this will result in a national stock deficiency of around 64,000 by 2009/10.²

A significant proportion of this stock deficiency will be in the form of pent-up demand from first home buyers.

This will result from changes to our population whereby, population growth on the 25-35 age group is set to increase dramatically over the next ten years, whereas the growth in the 35 – 49 age group (an age group which was a large driver of housing demand in the past ten years) is set to decrease considerably in the next five to ten years.

6 CAUSES OF THE AFFORDABILITY CRISIS

The Australian property market does not operate as a single national market. Rather, it functions as a series of inter-related state and local markets and is comprised of residential, commercial, industrial, tourism and retail sectors, each of which operates on cycles not necessarily related to the residential cycle.

Local, state, national and international economic and fiscal policy impact on these markets individually and collectively. Land supply, the cost of compliance with regulatory requirements, fees and charges imposed by all levels of government, taxation policy for investments, regional taxation incentives, infrastructure costs, rebate schemes and grants all impact on the cost of new dwellings. Demographic changes and immigration also affect demand.

Historically, the existence of such a broad range of factors appears not to have been a major problem when affordability crises have arisen. Many of the above factors did not have the impact that they do today. For example, increases in fees and charges, particularly for infrastructure is a critical issue today in most markets. Moreover, the comparative absence of environmental constraints in the past and current supply constraints due to the interaction of urban development with quality agricultural land and physical geographical constraints are creating supply constraints that are difficult for government to address. Higher spending on recreational activities has increased the need for tourist facilities in highly sought after but environmentally sensitive locations.

Changes in government accounting processes and policy that impose infrastructure charges on new home purchasers are also causing profound impacts in many markets. A further compounding factor is that in many locations failure to provide for adequate infrastructure in past decades is resulting in the need for major catch-up programs.

In the past, affordability has largely been addressed by uncoordinated policy initiatives at all levels of government. Land supply has been increased, investment taxation benefits provided to investors, and stamp duty lowered or grants provided depending on the cause of the problem.

Regrettably the affordability situation is not caused by any single factor today and consequently the solution is more complex and requires action from each level of government.

² Symonds, John (2007) "Addressing the Housing Affordability Crisis"

To date, the response to Australia's current housing affordability situation appears to have been based more on political considerations with one level of government blaming the other rather than on making a concerted effort to resolving a complex problem.

There are a broad range of factors that have lead to the current housing affordability problem. In no particular order these include:

- Restrictions in land supply in some markets;
- Increases in taxes and charges including the Goods and Services Tax (GST);
- Substantial increases in infrastructure charges;
- Low interest rates allowing people to borrow more money;
- The ripple effect on housing markets caused by prime housing costs in Australia's most populated centre;
- Undersupply of housing in a number of markets;
- Costs associated with the preparation of development applications;
- Additional requirements imposed on new home purchasers for enhanced services that improve quality of life;
- Holding charges caused by delays in approving land for future sub-division;
- Lack of infill sites for higher density dwellings;
- The trend toward the construction of larger houses or households with smaller household numbers;
- Uneven increases in household income which has increased pressure on prices in the upper end of the market which has had a flow on affect to the lower end of the market;
- Demographic changes are increasing demand for properties in established suburbs;
- Policies that restrict land supply as a means to encourage higher density and consolidation of population;
- Containment of new development and the requirement for higher density in centres without providing adequate development opportunities for a new development at the fringe or in infill sites;
- Increased construction costs particularly for higher density dwellings;
- Skills shortages; and
- Costs of compliance with increased environmental requirements.

Not all of these factors necessarily operate at the same time, however, at present there are a substantial number of these factors operating with respect to every marketplace throughout Australia.

A brief summary of some of the major trends which have a significant and detrimental impact on affordability follows:

6.1 Supply Issues

Land supply constraints are seriously impacting on housing affordability.

Land costs generally comprise a significant proportion of the cost of delivering housing, and the constraining of land supply has been shown to increase land prices as demand outweighs supply.

BIS Shrapnel recently estimated that at current construction levels, supply shortfalls are in the vicinity of 23,000 dwellings per annum, and under-provision in the order of 115,000 dwellings is anticipated by 2010³.

Causes for the constrained supply of land can be attributed to overestimation of the available land supply, over-estimation of the density of housing achievable (and the resulting failure to provide sufficient land for population growth), increases in land restricted by environmental legislation, delays in achieving appropriate rezoning, and geographic constraints.

The accuracy of estimation of land supply and availability is of concern in some regions, particularly where this does not adequately include recognition of economic feasibility, legislative and physical constraints. This is exacerbated when the level of land supply is not amended when new constraints on land supply or achievable yield are introduced.

It is important to realize that, particularly when supply is limited, that factors which increase the costs of new dwellings also impact on the cost of existing dwellings, as when demand outweighs supply, there is little market incentive for existing houses to be sold below the price of a like new house. Therefore whilst new homes only contribute a relatively small portion of the total housing pool, prices for existing houses are potentially vulnerable to price increases driven by increases in the costs of developing new housing.

The UDIA is of the view that there is a need for the Federal Government to monitor land supply across all parts of Australia and for the Federal Government to regularly meet with State Housing and Urban Development Ministers to ensure, as far as possible, that market dysfunction does not occur as a consequence of deliberate or negligent land supply restrictions.

6.2 Costs and Charges

In recent years, a significant change to the cost of owning a home has been the ever increasing series of taxes, charges and levies that have been added to the cost of land. This has arisen, in part, due to a philosophy that infrastructure provided for new homes should be paid for up front, by the private sector, rather than over time through ongoing charges such as property rates. These charges are passed on directly to the consumer through increased prices.

This is at odds with the previous system which historically followed that such services have large been paid for by users over a period of time. Previously the approach was for subdivisions to be established with minimum services and then for further services (such as libraries) to be provided progressively by the community. To a large extent water supply and sewerage treatment systems, as well as transport systems, had been supplied up-front with such services being paid off over a period of time through rates and taxes.

In part these increased rates and taxes are due to a vertical fiscal imbalance between the federal, state and local governments as a result of different taxing powers. This was rectified to a certain extent for the states with the introduction of the GST; however it did not solve funding problems at the local government level.

Consequently there continues to be a strong concern within local government that there is insufficient growth funding to enable them to deliver on the range of services that are

³ BIS Shrapnel, Residential Land Market – Outlook for Demand and Supply, 2006-2011.

required. This has in turn placed pressure on local authorities to impose additional taxes and charges on new entrants to the housing market.

The Institute recognises the need for a level of taxes and charges to be imposed by local and state governments on new developments. However, the Institute maintains that these fees have now reached excessive levels and are contributing to loss of affordability.

UDIA notes that the imposition of GST on stamp duty has added to the cost of purchasing a house. This is clearly a tax on a tax and should be abolished.

6.3 Land Development By Government

Complexities associated with contemporary land development have seen increased involvement of government in some jurisdictions.

Aggregation of disparate holdings into large-scale broad hectare projects has been a challenge, as has been the need for inner-urban regeneration and the rejuvenation of contaminated industrial sites for residential use.

From time to time, these complexities necessitate a greater involvement by local, state and federal government in urban development, and the nature of this involvement can vary according to the jurisdiction.

In NSW for example, Landcom's charter requires that it undertake strategic projects – often land with marginal development potential. These are projects that the private sector will not typically become involved with due to the considerable risk. Landcom therefore is not a competitor to the industry but a catalyst in the delivery of new communities.

However in other jurisdictions, there are concerns that that government agencies directly involved in the subdivision and development of land have tended to drift away from social housing and affordability outcomes towards maximising economic returns, restricting land supplies and moderating price fluctuations.

It is not in the best interests of a healthy market that the state becomes a competing retailer without an equivalent regulatory and financial environment as in the private sector, and operates under a framework of competitive neutrality.

6.4 Efficient and Equitable Infrastructure Provision

One of the fundamental issues that must be addressed by all levels of government is the equitable provision of infrastructure and the sufficiency of transportation options to serviceable land. This issue is most clearly seen in Sydney, especially in the Western suburbs where the full burden of localized infrastructure has been placed on new home buyers rather than the broader community that will access these services.

It is now evident that many cities and regions are suffering a crisis in infrastructure provision and funding.

The property development industry is a substantial contributor to new infrastructure, particularly the economic and social infrastructure requirements within new residential communities. Core infrastructure such as roads, sewerage and water, public open space and parks are regularly provided. The cost of providing this level of infrastructure already contributes to over 40% of the cost of buying a new lot in some states.

However, in recent years funding for new infrastructure from federal, state and local government has been inadequate to meet demand and there has been increased pressure on property developers to pay for greater proportions of infrastructure. This may include regional infrastructure and services which are not directly related to new development.

While this might appear to be an easy mechanism to obtain infrastructure funding, in practice these costs are invariably passed on to the new home purchaser and so the cost of providing infrastructure and services for the benefit of the population of an entire geographical location is borne by a small number of new home and land purchasers. This is clearly inequitable.

In principle, where the benefits of new infrastructure accrue to the wider community, processes should be established to ensure equitable cost sharing arrangements that avoid the cost burden falling solely or disproportionately on the purchasers of new homes.

This can only occur if all levels of government provide enhanced financial support for cities and regional centres. This will only be achieved through cooperation at all levels of government. No single level of Government can provide the solution to current infrastructure issues. The solutions will only be identified and implemented effectively through partnership.

There is also a strong argument that state governments should also contribute to new local and regional infrastructure through the substantial and growing revenue collected through property taxation.

7 THE UNITED KINGDOM RESPONSE

The United Kingdom is currently experiencing undersupply of housing in the order of some 200,000 units and it was believed that if this situation was not addressed the situation was likely to result in housing shortages of 1.5 million dwellings within 20 years⁴.

As a response in 2002 the British Government commissioned two reviews associated with residential housing to be undertaken by Kate Barker, an economist with the Bank of England.

The first review focused on the housing market and its management by government, and the second review examined planning schemes and processes under the United Kingdom's Town and Country Planning Act.

The key recommendations of the reports, which have substantially been endorsed and implemented by the British Government, include a requirement that the potential impacts on housing affordability be considered in drafting planning schemes and regulations, and that strategies be implemented to ensure sufficient land supply to achieve affordability targets.

This led to the establishment of the National Housing and Planning Advice Unit (NHPAU) whose primary role is to improve affordability across the housing market. It is a non-departmental public body that is directed to provide independent advice on affordability matters to the UK Government, regional and local governments and other stakeholders with an interest in the housing market. The focus of the authority covers three major areas:

⁴ Stewart, John (2002) "Building-a-crisis, Housing under-supply in England", the House Builders Federation UK

- Contributing advice on market affordability matters throughout the Regional Spatial Strategy process, including the development, review and monitoring phases.
- Developing and delivering an affordability toolkit. This will enable economic analysis on the impact of planned housing provision. The focus will be at national, regional and ultimately sub-regional levels.
- Building a centre of expertise and an evidence base as a resource for regional partners and other stakeholders on matters relating to housing market affordability.

The key recommendations of the reports, which have substantially been endorsed and implemented by the British Government, include a requirement that the potential impacts on housing affordability be considered in drafting planning schemes and regulations, and that strategies be implemented to ensure sufficient land supply to achieve affordability targets.

UDIA believes that in economic and social terms, the minimal cost in implementing a similar approach in Australia would be negligible compared with the economic and social costs associated with a further decline in housing affordability. Given the size of Australia, and the need for co-ordination between regions and levels of Government, it is the Institute's view that such a body should be established and funded at federal level in a manner similar to the Australian Institute of Criminology or the Australian Bureau of Statistics (for example).

Such a body would enable much needed co-ordination of national, state, regional and local planning to oversee targets and infrastructure. It could also facilitate coordination for the delivery of new and developing cities, as further growth becomes restricted in major population centers. Furthermore, it could address much needed reform of planning law to improve efficiencies.

UDIA welcomes the Government's pre-election commitment to establish a National Housing Supply Research Council, as part of the National Affordable Housing Agreement to be negotiated through COAG, but also believes it should establish an independent Housing Affordability Authority (HAA) such as the United Kingdom's National Housing and Planning Advice Unit to provide independent economic modelling and advice to all relevant levels of government on the impacts of planning and other legislation and planning schemes on housing affordability.

8 RECOMMENDATIONS

In its recent history Australia has been a nation of homeowners. Diminishing affordability is now threatening the ability of many Australians to purchase a home. There are many reasons for this dramatic change in the social fabric of our urban communities. It is, however, beyond question that the land management policies by state governments have been a contributor to the affordability crisis.

It is the UDIA's view that this crisis can **only** be addressed by all three levels of government in cooperation with the private sector so that home ownership again falls within reach of Australians who want to own a home and have been disenfranchised by soaring land prices.

The Urban Development Institute of Australia (UDIA) recognises that these are complex issues with difficulties arising from the inter-relationship between three levels of government and the fiscal arrangements between governments, the history of massive under-funding in

infrastructure and the dynamic forces of numerous discrete housing markets throughout the country.

This complexity is compounded by the experience of recent years where the expectation has arisen within government that new purchasers, through developer taxes and charges, will meet substantial infrastructure costs up front rather than having a proportion of these costs funded by public borrowings and paid for by future generations.

At a national level, the urban development industry recognises that solutions can be achieved if effective collaboration between various levels of government and the development sector is pursued.

UDIA believes that the COAG processes will be instrumental if Australia is to achieve a co-ordinated government approach to addressing the affordability crisis.

The various levels of government must also take a whole-of-government approach to addressing the problem, and ensure that there is an understood policy focus, and effective co-ordination, between different agencies at the same level of Government.

UDIA welcomes the renewed focus given to housing affordability by the Federal Government, in particular the recent announcements regarding National Home Savings Accounts, the National Rental Affordability Scheme, the Housing Affordability Fund, and the establishment of Infrastructure Australia.

However, as noted previously, housing affordability is a complex issue which has a range of impacting factors, and considerably more needs to be done.

It is UDIA's view that housing affordability will be significantly improved by:

- Ensuring adequate supplies of serviced urban land and unit sites, in Greenfield renewal areas and for urban infill are provided under planning schemes;
- Broadening the financing base and repayment practices for infrastructure provision;
- Appropriate sustainable development policies and resource management measures;
- The separation of policy from administration in development of assessment systems;
- More efficient regulatory frameworks;
- More appropriate design and harmonised regulation of building standards; and
- Encouraging the development within the industry of innovative financial models to allow for high levels of home ownership.

Solutions to restoring affordability will take a considerable period of time and involve actions at federal, state and local government level. However the issue must be addressed in earnest to avoid the deterioration in housing affordability continuing almost unabated.

The UDIA's key recommendations to improving housing affordability are below.

1. The federal government should liaise with state and local governments to ensure the development of national growth management strategies, that underpin state and local and local growth strategies, and which deliver coordinated plans for new and emerging communities particularly with respect to the provision of major infrastructure, such as transport, employment and government services.

2. The federal government, in conjunction with state and local governments should establish a Ministerial Council on Housing Affordability that includes industry representation.
3. The Ministerial Council on Housing Affordability should have oversight of the development and implementation of appropriate mechanisms to ensure that:
 - An independent Housing Affordability Authority (HAA) such as the United Kingdom's National Housing and Planning Advice Unit is established to provide independent economic modelling and advice to all relevant levels of government on the impacts of planning and other legislation and planning schemes on housing affordability;
 - Monitoring and reporting of housing affordability is undertaken under an agreed methodology by the HAA;
 - Targets for the affordability of home ownership are set at appropriate levels for all relevant Australian markets;
 - State-based land release programs ensure ample Greenfield, infill and redevelopment land supply is available to meet demand requirements to achieve the agreed affordability targets; and
 - Oversight and immediate review of planning and development legislation and processes occurs in order to improve the efficiency and effectiveness of residential property development in Australia.
4. The development of federal policies and funding schemes should take place to reduce the reliance of state and local governments on upfront levies, taxes and charges (including stamp duty and land tax), particularly for the provision of infrastructure, and taxation incentives to encourage dwelling supply. Specifically, federal government expenditure on urban infrastructure should be substantially increased at least consistent with population growth.
5. The implementation of co-ordinated strategies at federal, state and local levels should occur to ensure adequate numbers of appropriately skilled employees are available for the residential property sector.
6. Additional funded programs should be developed to restore affordability and intergenerational equity for first home purchasers of existing and new residential dwellings in addition or complimentary to the existing First Home Owners Scheme and the national Home Savings Accounts.
7. GST on stamp duty is clearly a tax on a tax and should be removed.
8. To accelerate the development of urban renewal areas the federal government should consider the introduction of a program similar to the very successful Better Cities Program run by the Federal Government in the early 1990s.

Appendix A – Summary of UDIA State Submissions:

Please find below a summary of the various UDIA state submissions to this Inquiry:

8.1 Queensland

The profound decline in housing affordability in Australia during the last 5 or so years has significant social and economic ramifications. It also has complex aspects associated with intergenerational equity and the fulfilment of lifetime dreams and ambitions particularly for younger Australians. But the impacts of this crisis are being felt at all levels of the community. UDIA (Qld) welcomes this Inquiry into the issue and encourages the Committee to recommend to the Senate that this issue be dealt with by a dedicated Ministerial Council on Affordability and treated by all levels of government in Australia with the greatest sense of urgency.

The Queensland submission details the decline of affordability in Queensland and graphically illustrates the doubling of the ratio of house prices to wages and a comparison of Brisbane house prices to wages from 1983 to 2006.

It then explores the current factors contributing to the worsening of this problem today.

These include:

- Land Supply for development (examples are provided of the failure of land usage and take-up estimates to ensure balanced supply);
- The inequitable burden of increased and new taxes and charges on new home owners;
- The impact on affordability that inefficient processes and ineffective planning mechanisms have, particularly through direct outlays and holding charges;
- The growing concern of labour shortages;
- The need for infrastructure-led development; and
- The social impact on rental costs of undersupply of housing in many locations.

The Submission expands the view that there is a need for a greater level of buy-in from local authorities and concludes with a recommendation that an independent economic and monitoring agency be established to assist in the achievement of tangible outcomes.

8.2 South Australia

Diminishing affordability has no single cause but results from many factors and these vary in each state.

In New South Wales for example, infrastructure charges have been a major factor while these have had virtually no impact in South Australia.

The major factor in South Australia has been inadequate land supply and this has resulted from:

- a high proportion of developable land being held by government
- slow release of land by government
- an inadequate metropolitan development plan that looks 30 years ahead and links clearly with the South Australian strategic plan

It is nevertheless encouraging that the South Australian government has finally acknowledged the existence of a problem and sought to bring more land onto the market. The Planning Review may also clear some bottlenecks, facilitate the development of new housing and help address the problem of diminishing affordability.

At a national level the Rudd Government has recognised the scale of the problem and measures such as the Housing Affordability Fund and the National Rental Affordability Scheme should progressively have some favourable if marginal impact.

8.3 Western Australia

Western Australia is the least affordable state in Australia with affordability declining from 80% of detached houses being affordable in 2001 to only 13% being affordable in 2006 (UDIA/Matusik Affordability Measure, June 2007). During this period the median price of a detached house in WA grew by 258% and now requires an income multiple of 6.2 to be affordable, almost twice that required in 2001.

Declining affordability in WA is attributable to:

- Land and housing supply issues
- The complexity of the land development process
- Increasing government taxes and charges including land tax, stamp duty, GST and developer contributions

Land and Housing Supply

The issue of land supply in WA is not about the release of new land, the problem is getting zoned land 'development ready' through the approvals process and the time it takes to get approvals. UDIA and the government are concerned that there will not be enough approved land ready to cope with latent demand when the next wave comes through resulting in another land supply crisis.

Complexity of the Approvals Process

The Western Australian planning system has become increasingly challenging in recent years. The bringing together of the planning and environmental systems has resulted in an increasingly complex regulatory environment system whose financial impact on households has seen escalating land prices as land release is delayed by environmental approvals and the lack of infrastructure provision.

Taxes and Charges

Negative impacts on housing affordability are also attributable to increased government taxes and charges. In Perth these costs currently contribute to approximately 20% of land development cost and have contributed to exponential increases in house prices in recent years. There is a growing trend among local governments in growth areas in particular to require more of developers at structure planning and subdivision stage which incrementally add thousands of dollars to the price of a lot thereby reducing affordability.

9 Appendix B – UDIA Industry Report Into Affordable Home Ownership in Australia

Please refer to the separate papers lodged with this submission.