

Dear Senate Select Committee on Housing Affordability in Australia,

I am writing this email with the faint hope that it may find its way to one of the senators on the committee. I will begin by saying that I am a final year Urban Planning student from Monash University and I have put a great deal of research into what some have termed a Housing affordability "Crisis". As a result of my findings I have decided to eventually move to the United States when I need to buy a house. According to the American National Association of Realtors, the median sales price for existing single family homes in United States metropolitan areas was \$206, 200 US dollars in the fourth quarter of 2007 (or approximately \$230,000 AUD) this compares with a median value of \$463,500 in Melbourne at the last estimate of the ABS.

It is my belief (a belief backed up by the evidence provided in the attached essay) that there are policy measures which could be undertaken at all three tiers of government that would profoundly promote affordability, albeit at the expense of existing owners. Any significant adjustment of the causes of the current crisis in favor of affordability will likely cause a crash in the housing market as housing investors, sitting a long term slowing of growth, will race to take their money out of the housing market and into more profitable alternatives such as shares, causing a market bust. Unfortunately there can be no middle ground between bust and boom if the government wants to address the problem to a significant degree. The government cannot aim, for example, for housing market growth of 1%pa. That would be an impossible growth rate (rental returns taken into account) with the amount of investors in the market at present. If the housing market was seen by investors to have long term growth of only 1%pa, investors would rush out of the market causing a bust.

Adjustment of the causes are within the scope of the power of all three tiers of government. The state government for example could reduce the scope of, and subjectivity associated with the planning permit system or the federal government could implement a temporary net 0% migration policy.

Such moves, profound alterations to the economic fundamentals of the market, would probably lead to a housing crash which would have long term negative consequences for the economy as a whole and would make Australia a relatively less desirable place to live. On the other hand if significant measures are not taken to address this "crisis" Australia can expect to experience a worsening of economic inequality as rising prices creates winners (those who own property) and losers (those who don't). As the latter group are much poorer, on average than the former, one can see how declining affordability creates inequality.

I attach for the attention of the committee, a basic run down of my research regarding the causes of this 'crisis' in Melbourne. It is notable that the causes in Melbourne are very similar to those in other capital cities in Australia, as such the attached essay has almost equal significance to all Australian capital cities.

Sincerely, Geoff Alexander