

End of the great first-home dream

Inner-city trendies and urban consolidation are destroying housing affordability, warns Bob Day

WHEN Miguel de Cervantes, the most famous figure in Spanish literature and creator of *Don Quixote* wrote, "There are only two families in the world. The Haves and the Have-nots", he might well have been talking about the state of the Australian housing market.

History abounds with examples where the Haves of the world have used their influence to dictate how and where the Have-nots should live.

In Australia, the exercise of that influence is being profoundly felt in connection with the development of our cities and suburbs.

Over the past few decades we have seen "nimbyism" (not-in-my-backyard) emerge as a powerful force where those who live in pleasant places exercise their collective voice to exclude both the people and projects they consider unfit to join them.

Next came the "banana" brigade (build-absolutely-nothing-anywhere-near-anything), an anti-development movement focused not so much on the identity of potential neighbours but more on what their neighbours could or should build in order to maintain the "amenity" of the area.

While this resistance and the regulation spawned by these movements unquestionably added cost and complication to the lives of young Australian families simply wanting a home of their own, much worse was to come with the arrival of the urban-consolidation culturists — the "consolidati".

Unlike the nimby and banana brigades before them, the consolidati took it one step further by stopping development miles from where they either live or visit. In particular, they sought to limit expansion of the outer

suburban fringe where for generations young Australian families have purchased cheap land and established their first homes.

Armed with an ideology based on a romantic but flawed notion of life in European cities, the influence of this urban consolidation has been vast. It was their contention that in addition to the cultural and social benefits of higher-density living it would reduce infrastructure costs, be good for the environment and ultimately force people out of their cars and on to public transport.

Initially, the social and economic impacts of urban consolidation were gentle, but as the rationing effect kicked in and the stock of land available for housing dwindled, land prices began to rise at an alarming rate. This increased led to a surge in the price of housing which brought joy to the privileged Haves who lived within the city bounds but despair for the Have-nots who were still to realise their great Australian dream.

Since 2000, the median price of housing in Australian cities has more than doubled, putting home ownership far beyond the reach of low and middle-income Australians. Where, in most Australian cities, the historic median house price was three times the annual median household income, this leapt to more than six times median household income in most cities and to nearly nine times in Sydney. This is a disaster for families trying to build their first home.

As the price of housing has soared in recent years, some have argued that it is not land-supply problems that have caused the price rise but demand factors such as low interest rates, capital-gains tax exemptions, negative

gearing and first-home buyer grants that have been responsible. This claim, however, is at complete odds with international evidence and basic supply/demand economics. Housing affordability — or first-home ownership, is about "entry level", and entry-level housing happens on the urban fringe. If you restrict supply at the entry point, up goes price and down goes affordability.

It is important to remember that the scarcity that propelled land prices is artificial. It is the product of ideology-driven planning regulation aimed at curbing the size of our cities and ramping up urban densities. Any talk of "land shortages" is absurd — as we all know, there is abundant land in Australia suitable for housing.

The impact of this perverse policy has been that the Haves are now much richer and the Have-nots are further from reaching their homeownership dream than ever before. For those on middle and low incomes the prospect of ever becoming homeowners has all but evaporated, and they face the prospect of being lifetime renters. The intergenerational inequity created by this imbalance may not be evident at the moment, but in time it sure will be.

One need only consider the long-term social and economic costs of many in the next generation reaching retirement without the security or economic capacity homeownership affords to realise that we have a very serious problem on our hands. The Have-nots are not only priced out of the housing market, they are also denied access to the means through which most Australians acquire personal wealth — a home of their own.

While the promises of urban consolidation were grand, the results have

proven to be disastrous. Australian National University professor Patrick Troy predicted that this policy would not lead to green streets but instead to "mean" streets. He was right. Urban consolidation has not led to a more sustainable environment, it has led to an increasingly barren one.

The impact on families has also been terrible, as small backyards leave no room for trees to grow or for children to run and play.

Promises about infrastructure savings have also failed to materialise with the cost of renewing or upgrading services in the inner-city to cope with increased population densities proving to be more expensive than establishing brand-new services on the fringe. And the claim that urban consolidation would move people out of their cars and on to public transport has also proven false.

While higher-density living near to the heart of the city is a perfectly legitimate option for those who seek a particular social or cultural lifestyle, it is also true that "four white pegs in the middle of nowhere" has been the starting point for countless Australians pursuing their dream of owning a simple decent home.

The capacities of people to become homeowners vary and it is simply not right for the home-ownership aspirations of those with the least means to be dashed by the influence of those with the greatest means who seek to determine how and where others should live.

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