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## Dollars and Sense – the House Price Myth

The housing affordability gap remains an unbridgeable chasm for vast numbers of Australians, the Housing Industry Association said today.

Managing Director Ron Silberberg dismissed predictions that falling house prices would rectify the gap as “fatuous and naïve”. The HIA-Commonwealth Bank Housing Affordability Index, published today, reveals affordability improved marginally by 0.7 per cent over the June quarter.

“If anyone believes a 0.7 per cent improvement over three months is a sign the worst is over, they should think again,” he said.

“Only the cuts in income tax prevented a further decline in affordability. Virtually the only other stabilising factor is low interest rates.

“The main drivers of this miserable situation for home buyers – escalating land costs, layers of red tape, unnecessary and costly building requirements and excessive levies and charges placed on new housing – are still firmly in place while governments sit on their hands and hope for a miracle.”

Instead of miracles there is the grim and undeniable reality of statistics: the average mortgage has risen from \$140,000 to \$212,000 over the past five years; the average home that cost \$210,000 in 2000 is now \$365,000 (more than \$500,000 in Sydney). House prices remain at historically high levels. There is no sign of a price shake out.

Dr Silberberg also attacked theories that rents would be forced down by an over-supply of properties. “If this is the case why have vacancy rates in Sydney and Melbourne continued to fall?” he asked.

“Rental housing is now under severe demand pressure in Australia’s largest cities. Rent rises in Sydney are outstripping inflation.

“How could anyone believe that house prices would tumble when state governments lock up land for development and, in Sydney, load a block of land with \$100,000 in taxes and charges?”

Dr Silberberg said governments need to tackle the duplication, inefficiency and regulation that are pricing young Australians out of the market. “Adequate land supplies must be available to support increases in population; infrastructure should be regarded as an investment, not a liability and planning systems reformed to avoid delay, reduce red tape and minimise cost,” he said.

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