Housing affordability: ‘there’s no magic fix’

PowerHousing CEO Nicholas Proud says “there is no magic fix”.

### How house prices compare

- **Differential** 127.8%
- Sydney: $1.27m
- Melbourne: $1.07m
- Canberra: $1.05m
- Adelaide: $776k
- Brisbane: $756k
- Darwin: $628k
- Perth: $749k
- Hobart: $804k

### Capital city affordability ratios

<table>
<thead>
<tr>
<th>City</th>
<th>Dwelling price to income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater Sydney</td>
<td>8.4</td>
</tr>
<tr>
<td>Greater Melbourne</td>
<td>7.3</td>
</tr>
<tr>
<td>Greater Brisbane</td>
<td>5.9</td>
</tr>
<tr>
<td>Greater Perth</td>
<td>6.0</td>
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<tr>
<td>Greater Adelaide</td>
<td>6.4</td>
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<tr>
<td>Greater Hobart</td>
<td>5.8</td>
</tr>
<tr>
<td>ACT</td>
<td>5.4</td>
</tr>
<tr>
<td>Greater Darwin</td>
<td>4.4</td>
</tr>
</tbody>
</table>

Source: CoreLogic, ANU

How property prices compare in Australia.
The lack of affordable housing is nearly “beyond repair” in some cities with only 3.5 per cent of houses in Sydney sold in the year to February changing hands for less than $400,000, compared with nearly 26 per cent of sales five years ago.

While there was no silver bullet, initiatives to underpin affordable housing in the federal budget were “robust” and could boost housing supply substantially, according to a report on affordable housing by industry body PowerHousing Australia and researcher CoreLogic.

“There is no magic fix for housing affordability, and there won’t be in the next two to three years,” according to PowerHousing chief executive Nicholas Proud. But part of the solution would be to keep new housing starts at 170,000 to 180,000 annually for five to 10 years, he said.

Housing supply has surged to a record 230,000 building starts a year, but is forecast to fall away with the report noting that building less than 160,000 new homes a year would not keep up with population growth.

The report comes ahead of today’s NSW state budget where a stamp duty concessions for first-home buyers will be extended to purchases of up to $800,000 rather than the previous $650,000. Victoria and Queensland have also announced tax breaks and incentives to address the affordability issue.

Low interest rates have aided homebuyers, but also brought a wave of investors to the market while housing prices in Sydney and Melbourne have skyrocketed and wage growth stagnated.

At the same time strong population, with Victoria leading the way with a 2.1 per cent growth in the year to September, has put additional pressure on housing, the reported noted.

First-home owner rates fell to 13.9 per cent of all homes financed in April, down from 24.3 per cent of home loans in May 2010 after first homeowner grants were brought in. The report found that the wave of new homes and
units that have been approved would make housing more affordable, providing they are built and not shelved or delayed.

Meanwhile, the gap between the most expensive homes (the top 25 per cent of sales) and least expensive (bottom 25 per cent) has growing in recent months, according to the report.

In the year to February, the price of a house in the bottom 25 per cent of the national market was $355,000, while at the top it was $750,000, a gap of 111 per cent. Sydney has the widest gap of 127.8 per cent followed by Melbourne with Canberra the narrowest gap at 53.7 per cent.

Many of the measures in the report reinforce Sydney as the most expensive city where it takes 45 per cent of household income to service the average mortgage, followed by 39.4 per cent in Melbourne and 31.8 per cent in Brisbane.