Reserve Bank puts a price tag on NIMBYism

Reserve Bank research shows just how much zoning decisions can add to the cost of housing -- to the benefit of NIMBY residents who enjoy huge property price gains as a result.

[Bernard Keane](#)Politics editor

After the Grattan Institute this week [shined a light](#) on how NIMBYism has punished low-income earners and young people by locking them out of established suburbs, the Reserve Bank has produced some startling figures on just how much zoning decisions increase the cost of housing.

A [research paper](#) by Ross Kendall and Peter Tulip attempts to identify the gap between the market value of land, reflecting zoning decisions, and the actual physical value of it in different cities. "[L]arge increases in values as a result of zoning changes are inconsistent with the view that a physical shortage of land itself is the main cause of high land values and housing prices — and instead point towards a high 'shadow price' of government permission to build dwellings as a likely explanation."

According to Kendall and Tulip, the average detached house in Sydney costs an extra $489,000, due to zoning decisions by local councils — 42% of the total price. The comparable figure is $324,000, or 41%, in Melbourne, 29% in Brisbane and 35% in Perth.

Table 3: Average House Price Decomposition

$'000 (per cent of total), 2016

	Perth	Brisbane	Melbourne	Sydney
Dwelling structure	242 (41)	267 (49)	268 (34)	395 (34)
Land	346 (59)	275 (51)	524 (66)	765 (66)
Physical land	*140 (24)*	*116 (21)*	*201 (25)*	*276 (24)*
Zoning effect	*206 (35)*	*159 (29)*	*324 (41)*	*489 (42)*
Total	588 (100)	542 (100)	793 (100)	1 160 (100)
Zoning effect as a percentage of physical input costs	54	42	69	73

Sources: Authors' calculations; CoreLogic

What the authors don't say is that the beneficiaries of this "shadow price" of regulation are the existing homeowners in established suburbs who are able to influence local government bodies to prevent medium-density development, often using canards such as "local character". While property developers are often (rightly) linked to corruption at the local and state government level, it's hard to find a different word to describe residents using local government regulatory processes to inflate the value of their properties by 40%.

Unrepresented in zoning decision processes, of course, are the lower-income and young people who would benefit from being able to purchase housing in established suburbs with infrastructure links and proximity to jobs and economic opportunities, who face either having to pay the extra 40%, or live many kilometres away from jobs and spend far greater time commuting, or rent from property investors. They're unwilling participants in this class war, and they're losing.