

25 June 2008

Mr Barry O'Farrell
Leader of the Opposition
Parliament House
Macquarie Street
Sydney NSW 2000

Dear Mr O'Farrell

Re: Proposed Shared Equity Scheme

I refer to your announcement earlier this month that the NSW Opposition would consider introducing a shared equity scheme for home purchases.

We appreciate your recognition of the dire situation currently faced by those struggling to get into the housing market. There is clearly a problem that needs to be addressed.

However, we do not believe that the scheme you outlined or other similar demand-side schemes will result in any actual improvements to housing affordability.

We fear this kind of proposal would drain \$640 million from the public purse and perhaps even contribute to making housing more expensive.

The problem in NSW is a lack of housing supply. The Australian Bureau of Statistics March quarter figures released this month show that the construction of new houses and apartments is at record lows in NSW.

In the 12 months to March 2008, the construction of 29,790 new homes was commenced in NSW. This is 40 per cent decline of the equivalent figure (50,037) for March 2003.

The fall has been much sharper in NSW than either Victoria or Queensland. Victoria has only experienced a 14 per cent fall on its peak (34,898 for 12 months to March 2003, compared to 30,013 for the 12 months to March 2008).

In the same period Queensland has experienced an 8 per cent increase in new housing commencements (39,961 to 43,282).

With population and demographic pressures, we should be seeing home construction in NSW exceeding, or at least matching Queensland and Victoria - instead, NSW is falling further behind.

Supply is short for both new houses and apartments.

The construction of new houses in NSW is at half the levels of Victoria and Queensland (14,905 to 30,013 for Victoria and 30,295 for Queensland in the 12 months to March 2008). Just over 14,000 new apartments commenced construction in NSW in the 12 months to March 2008. While that is marginally higher than the same figure for last year, it shows that in the past two years NSW apartment construction has fallen to its lowest level since 1992.

The shortage of new homes has forced rents up – with an increase of 26 per cent across Sydney (Department of Housing Rent and Sales Reports March 2005 – March 2008). Lack of

affordability in the inner suburbs of Sydney is caused by a lack of new medium and high density housing.

Planning laws have been contributing to this problem by:

- preventing or limiting the construction of new medium and high density housing in areas where it is most in demand;
- failing to take full advantage of the location of readily accessible public transport by providing for high and medium density development within twenty minutes walk of train stations and major bus routes; and
- imposing inflexible NSW specific design requirements that prevent developers from supplying apartments adapted to the needs of home buyers.

It is also hard for developers to meet the demand for new homes in the outer suburbs of Sydney because of the high infrastructure charges imposed by the NSW Government. Federal, State and local council levies on new homes in Western Sydney add up to \$85,000 a residential lot.

Families are under pressure from high rents. They're also unable to get homes within reasonable travelling distance to their workplace.

The problem in the NSW property development is that it is not able to attract investors because the regulatory system artificially increases the scarcity of development land and unnecessarily boosts development costs.

NSW risks serious social problems if the supply of new homes for purchase and rent isn't increased.

When the supply of housing is limited, giving more money to homebuyers through a shared equity scheme will only force prices up. It's a very inefficient way to tackle housing affordability and will make housing less affordable for those who do not receive the government cash handout.

If the government has an extra \$640 million to invest in making housing more affordable, they should use it to boost the supply of new homes on the market. More new homes will be built if the government was willing to fund more infrastructure – like roads and utilities.

We would be happy to meet with you and further discuss these or any other issues relating to urban development.

Yours sincerely

Urban Taskforce Australia

A handwritten signature in black ink that reads "Aaron Gadiel". The signature is fluid and cursive, with a long horizontal stroke extending from the bottom of the name.

Aaron Gadiel
Chief Executive Officer

cc. Mr Brad Hazzard MP, Shadow Minister for Planning