

Working to lower prices

Contrary to those who think affordable housing is just another tax, it is an essential element for our communities



TIM WILLIAMS

Do targets for inclusionary zoning — that is, giving a share of new construction to be affordable by people with low to moderate incomes — lead to higher house prices?

It is always a pleasure to read articles from Urban Taskforce's Chris Johnson, but his piece on affordable housing in these pages recently relies on some fuzzy logic. I disagree with him, particularly his claim that inclusionary zoning will necessarily lead to higher house prices.

It is now extremely difficult for young people and those on even average incomes to buy a home anywhere in Sydney unless you already own one.

Today it takes 11 times the average salary to buy a home 60km from Sydney's CBD and first-time buyers have collapsed to 10 per cent of the market.

Twenty years ago the figure was double this.

As The Daily Telegraph's excellent Project Sydney campaign has championed, Greater Sydney needs a broader vision of how this city can grow, with affordable housing a key component of this.

Internationally, it is normal for governments to require a proportion of sub-market rental or low-cost ownership units in significant private developments. These may be incentivised by government grants, tax breaks or extra floor space in return for more affordable units.

In London, such "inclusionary zoning" requires developers to provide 35 per cent of units in a mix of low-cost rental and shared ownership products.

This can only be done in certain conditions. Critically, there mustn't be a surfeit of additional levies placed on developers. If affordable housing is a priority then governments must focus on this and not make unreasonable demands on the development sector.

Of course, while supply problems contribute, merely raising the number of homes built is no silver bullet to reduce prices to the affordability of previous eras.

The housing market doesn't work like that. We more than doubled the number of homes built in Sydney since 2012 and prices have risen 75 per cent.

We build twice as many homes per head in Sydney than London did, even though both are growing by 90,000 people annually.

How many more do we need to build for how long before housing prices get back in kilter with wages (which only rose 13 per cent since 2012)? In the unlikely event we could do this theoretically, once prices started dropping



The Molten Avenue development in Macquarie Park has 5 per cent as affordable homes. Picture: AAP

the market reality is supply would start dropping too, as would support for government from homeowners.

There is also public support to increase the supply of "affordable housing", including more rental stock for those in acute need, on lower incomes, or in key worker sectors.

Polling undertaken for the Committee for Sydney by Ipsos Australia demonstrates wideranging public support for more affordable housing options in Greater Sydney. It found that 69 per cent of the public want more affordable housing for key workers like police, nurses and teachers and 83 per cent want more affordable housing for pensioners and low-medium income people. It also found the public wants at least 20 per cent of all new housing built to be given over for affordable

housing, way over the 5-10 per cent target opposed in Johnson's article.

The NSW government is innovating. Though controversially selling public housing in high-value areas, it is recycling the income to build additional stock elsewhere. Its Communities Plus program adds further public and private stock by densifying public housing land.

The government is also, rightly, seeking to incentivise new investment in "build-to-rent" projects to attract more than mum-and-dad developers to the sector. The aim is to build permanently rented units at greater scale, better managed and with more tenant security, outside the market for sale.

This is a must and the quality private developers and finance sectors are ready to step up.

Government is key to this. It must bring order and balance to public costs on developers. It should also lead by example. It should stop demanding top dollar for its own land and then suggesting afterwards the private purchaser might like to do some affordable housing. It should instead sell its land subject to an inclusionary zoning policy, one that could include some imaginative offer to get key workers — firefighters, police, healthcare providers — onto the housing ladder.

It will get less cash but deliver more public benefits.

Governments can do all this and an unfairly demonised private sector is actually up for it.

As a society we must let them get on with it.

Dr Tim Williams is CEO of the Committee for Sydney