

FINANCIAL REVIEW

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Subsidy proposal whets industry's appetite for more

ANALYSIS

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Leading property groups have welcomed Opposition Leader Kevin Rudd's proposal for a \$500 million infrastructure fund for better land release mechanisms, but say the danger is that most of the money will end up in Sydney's west.

Rudd said yesterday the fund could assist 50,000 new home buyers over the next five years.

The grant of up to \$20,000 for each new lot would be tied to an "efficiency dividend" in land release mechanisms that would pass on savings to buyers.

NSW government charges are the highest in the country. In Sydney's north-west and south-west growth areas, combined state and local government charges can reach \$110,000, industry sources say.

In contrast, in Melbourne, according to a 2005 Residential Development Council publication, there are no state government charges (the Victorian government has now flagged a charge of about \$8000) and \$6000 worth of local government developer levies.

In Perth, where house prices in the past few years have rocketed, there is also no state government infrastructure charge, and local

government charges are only \$614.

On the Gold Coast, state government charges are just over \$16,000 but the Queensland government promised last week to streamline land release and make it more affordable.

The Residential Developers' Council's chief executive, Ross Elliott, has welcomed the fund but says the money should be spread around the country.

"The affordability crisis is not limited to Sydney," he says.

After Sydney, the least affordable places are Perth then Brisbane, Elliott says.

"Melbourne is quite good in its

land release program and it's no coincidence that it is one of the most affordable places."

Elliott says the best result would be if the fund was seen as a prototype to test much bigger commitment by the federal government in the release of land.

"The sort of money that's needed is \$5 billion," he says.

NSW Urban Task Force chief executive Aaron Gadiel says the commitment would mean "more homes for Sydney".

Currently the costs to developers of bringing new blocks to the market are \$329,000 for land that could sell for \$300,000. However, these are

average prices, he says, and even though \$20,000 is a relatively low amount it could significantly assist land release in some areas.

"It is up to the state and local government to follow this example and inject more of their own money into new infrastructure," he says.

The Housing Industry Association's NSW executive director, Graham Wolfe, says the infrastructure support fund is highly welcome.

It "closely resembles" HIA's proposal for a residential infrastructure fund, he says, and it promises to deliver lower prices from a supply side of the equation without devaluing surrounding property values.