

Government to blame for costly housing

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Many businesses are facing softer prices as a result of competitive pressures. However, house prices are soaring. Over the past year, Australian Property Monitors estimates house and unit prices rose by 10 per cent Australia-wide and by 15 per cent in Melbourne.

One reason for these price hikes is government-imposed costs on new homes.

Government energy saving requirements, for example, boost new house prices by up to \$15,000. These regulations force buyers of new homes to incur costs to bring about lower greenhouse gas emissions for the community in general.

In other words, the ruling class of home-owning baby boomers gets parliament to pass laws forcing their children to bear the burden of meeting their environmental goals. No wonder the generation born after World War II was named the ``me-generation"!

In the pipeline are other regulatory cost impositions on the aspiring home owner. Among these are requirements for new house designs that facilitate usage by people with disabilities.

But the main factor boosting house prices in Australia is a shortage of land for housing. This is caused by governments tightly controlling permits for land development.

As with any other shortage, the upshot is higher prices and lower affordability.

Last year, the Urban Development Institute examined trends in the availability of land for new housing.

In Sydney over the past 10 years, the number of new lots zoned for housing fell by two thirds. Not surprisingly, lot prices have soared.

And in spite of all the whingeing by the anti-development brigade in Victoria, the government here has also kept the lid on permits for new areas. This has brought on more than a twofold increase in Melbourne's housing land prices over the past decade.

Not all governments around the world follow Australian-style price-inflating building restraint policies.

In Texas, most of Canada and Germany, governments have never prevented land from being used for housing. New housing in these markets is readily available at half the price we pay in Australia.

In some other markets, supply restraint caused price bubbles that have since burst.

In England, Ireland, Florida and California -- like here -- governments keep a strict lid on land permits for new housing. These places saw house-price escalations that were reversed once the global financial crisis caused housing demand to collapse.

The mild impact of the global financial crisis prevented this happening in Australia. But the downside is that aspiring Australian new home buyers continue to pay excessive prices caused by restrictive government policies.

Australian new home building recovered in the second half of last year. Even so, new supply remains inadequate. Many younger people are kept out of the market or priced into small housing blocks and units.

The noisiest baby boomers prefer to see more compact cities. Governments have responded to their demands and enacted stringent land and housing regulation, causing reduced new building and higher prices.

One upshot is that the baby boomers' children are staying at home longer, which at least means baby boomers themselves are now sharing some of the burden they've created.

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