

# More land does not mean cheaper housing

[Housing: The Great Australian Dream Project](#) | [Alan Moran](#)  
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House builders and land developers have welcomed Spring Street's decision to allow more land to be used for housing on Melbourne's periphery.

All restrictions on urban growth raise the cost of housing. But, with regulations, everything is relative.

As pointed out by industry representatives like the Urban Development Institute's Tony De Dominicco, the Victorian Government's land release policies have been less harmful than those of other states.

At the same time as Victoria was announcing a relaxation of development restraints, Queensland was moving in the opposite direction.

The Queensland Government shifted land previously earmarked for housing out of the urban footprint.

Queensland has seen skyrocketing home prices because its regulatory policies have reversed the pro-development approach that prevailed in the 30 years to 2000.

That approach transformed Queensland into Australia's fastest growing state.

Now it has spiralling house prices and a regulatory squeeze on development land, bringing plummeting new-housing starts.

Such a dismal picture has long been evident in New South Wales, where its basket case economy makes a mockery of its "Premier State" moniker. Although having considerably more people than Victoria, NSW is building only half as many new houses.

Average house prices in Sydney are one-third above Melbourne's. That's because the NSW Government inflates house prices by preventing land being used for housing then slugs the new homeowner with punitive taxes, masquerading as infrastructure contributions.

Infrastructure contributions are wrongly named. Land developers actually pay for housing infrastructure, passing on the costs to home buyers.

Governments claim that they incur additional costs for new development in trunk roads, schools, etc. Such claims are no more true of new than existing developments.

At best, infrastructure charges are simply taxes that seize some of the excess costs created by government planning regulations.

The Property Council estimates that infrastructure taxes in Sydney amount to \$80,000 per house -- and that's on top of stamp duties and land taxes.

The Victorian Government is also jumping on the infrastructure tax bandwagon, though less greedily than other jurisdictions. It is applying a \$95,000 per hectare infrastructure charge. This works out at \$6000 to \$10,000 per house.

But additional costs emerge from the ``beauty contest" nature of the approval process. To get the tick, development applications have to offer environmental set-asides, open space and other land-intensive uses.

This diversion of land from housing means higher costs per home. It typically loads \$20,000 onto the cost of a new house.

Planning regulations drive up house prices by restricting land-use on the urban fringe and hindering redevelopment in inner areas.

They were introduced by pretentious intellectual elites who want to see densely populated cities.

The upshot of over-priced houses needs to be addressed to enable houses once again to become affordable for young people.

This means progressively abandoning quantitative restraints on land-use for housing and removing the many regulatory costs that impede land development.

Importantly, governments should confine restrictions on new-home building to areas of exceptional environmental or scenic value.

After all, with only 0.3 per cent of the state urbanised, there is no shortage of open space.

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