

Land constrictions cause housing pain

[Housing: The Great Australian Dream Project](#) | [Alan Moran](#)
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Urban planners and politicians have vastly increased the cost of housing with plans such as Melbourne 2030.

Last weekend, Demographia released its 2007 housing affordability findings.

Covering 227 urban areas in the US, Canada, Britain, Ireland, New Zealand and Australia, this tracks average house prices compared to average household income.

Melbourne was the 22nd most expensive and Australia's housing affordability was the worst of the six countries surveyed.

Yesterday, Australian Property Monitors provided corroborating data which showed Melbourne prices had risen 25 per cent in 2007, the fastest growth among state capitals.

These reports confirm what aspiring home owners already know: buying a house is getting more difficult.

In 2007 to buy the average house in Melbourne took over seven times the average household's annual earnings. That's more than double what it took 25 years ago.

Such price escalation need not occur, especially in Australia where house building and land development is very competitive.

Over half of the cities in the US and Canada have remained as affordable as Melbourne used to be. These are the places which have not confined new development within restrictive urban growth boundaries.

Restricting land supply inevitably increases its price. Lengthy approval processes and requirements for more common space accompanying developments add to the costs.

In Melbourne and Australia generally, we are now reaping the bitter harvest of the now dominant new breed of urban planner.

In previous years, urban planners saw their role as examining where housing demand was shifting and arranged trunk roads and other major infrastructure to facilitate this. Nowadays, they have become social engineers.

The planning fraternity wants to create denser cities such as Paris with caf society, greater use of public transport and so on.

They and many of the "elite" sneer at people who prefer to live in the suburbs, particularly those who build McMansions.

But actually the European cities they admire are pretty similar to Australian cities -- 90 per cent of the population live in outer suburbs.

Planners also claim a denser city means lower infrastructure costs but usually it is more expensive to replace ageing pipes than to install new ones.

How can we unwind the planning regulations that have priced houses out of reach of first home buyers?

An abrupt change that floods the market with developable land, as Treasurer Wayne Swan has recognised, would see recent buyers and land developers facing major losses.

What we need are policies that will progressively relax the planning restraints that are pricing new home buyers out of the market.

But, first off, state governments need to understand that land restraints are the root cause. Planning Minister Justin Madden is in denial about the effect of Melbourne 2030.

He claims to have released an ample supply of land. The facts of house price increases disprove this.

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- [2000](#)
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