

Access to land the root of soaring house prices

[Deregulation Unit](#) and [Housing: The Great Australian Dream Project](#) | [Alan Moran](#)
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In 2004, a report by the Commonwealth's normally reliable Productivity Commission (PC) completely misread the causes of high house prices.

It failed to recognise that government planning processes had boosted house prices by starving the market of land for urban development.

The PC instead blamed interest rates.

Since then house prices have defied gravity even though interest rates have gone up and down.

A new study by the PC into planning and zoning concludes that government regulation of land availability is the cause of Australia's high house prices.

It demonstrates how planning procedures are barriers to new housing development.

"Objectives overload" is how the PC describes why all Australian states suffer from excessively high house prices caused by government squeezing land supply.

As well as unlocking land for housing, planning aims to promote environmental, social, safety, waste management and a host of other goals.

As a result, the PC's new study shows that even after receiving in-principle approval to build, "in greenfield areas . . . as many as 10 years may pass between the time a developable parcel of land is assembled and the subdivision of that land is completed".

Over the past 40 years, town planning has morphed from facilitating urban expansion into preventing it. Instead of supporting consumers' requirements by identifying what is needed in terms of trunk roads, mainline water and sewerage facilities etc, planning now seeks to cannibalise urban development in directions preferred by the planners themselves and by politicians.

The result is increased costs that are paid for by new house buyers.

One rationalisation for planning controls over the location of new housing is that development involves costs to governments.

Nowadays, however, government costs in new urban expansions are largely confined to trunk roads and schools.

These costs are dwarfed by those the new home buyer pays in land development, local roads, water and sewerage facilities, electricity and telecommunications, etc.

Yet, the government costs, which frequently carry excessive charges, often dictate planning and zoning approvals.

The PC demonstrates that using planning regulations to prevent "urban sprawl" is not justified for Australia.

Unlike densely populated Hong Kong, one of the few jurisdictions with higher house prices than

Australia, urban development in this country comprises much less than 1 per cent of the land area.

Unfortunately, there are pressures to intensify "objectives overload" in the planning system.

The Council of Australian Governments (COAG) with its intrinsically heavy-handed bureaucratic procedures has got involved.

COAG's chief bureaucrat Terry Moran has called for "co-ordinated infrastructure, transport and land use plans, clearly identified priorities for future government investment and policy effort, and to enhanced collaboration between all three levels of government".

By adding new layers of costs and delays that approach would further gum-up the process.

At one time, entrepreneurs like Alan Bond simply bought scrubland close to the city, built local roads and subdivided land with little input from government.

At present day prices, such ready-to-build upon blocks would cost \$70,000. That's a far cry from the \$200,000-plus slug for new buyers looking to build on the outskirts of Melbourne, let alone the \$350,000 required for Sydney.

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