

## SUBMISSION (NO 2) BY TOMAS NILSSON

### **HOUSING AFFORDABILITY**

The perceived increase in wealth arising from the increase in house prices is largely illusory. It is really only a paper benefit. There is no overall increase in *real* wealth. If housing becomes scarce, like any good the price will rise, but having less of a good is a bad thing, not a good thing.

The increase in house prices is not a good thing for most people. To put it in basic terms, if I own a house and the value of the house goes up, I don't actually benefit from that. It is only a psychological benefit; there is no real benefit. The only way that I can benefit is to sell my house. And if I do that, where am I going to live? In another house - which I would have to buy at a high price, because the price of all the other houses has gone up too.

The only people who benefit from the boom in house prices are property investors who own more than one house. (That's the kind of people John Howard wants to help out). The battlers certainly don't benefit, especially people on low incomes who rent.

### **IMMIGRATION**

Page 12 of the First Home Ownership *Issues Paper* states that, "population and demographic trends influence the demand for housing. Changes to population size and its location caused by immigration and domestic migration affect housing demand and prices." This is entirely correct.

The rate of immigration has increased significantly over the last five years. According to the Department of Immigration and Multicultural & Indigenous Affairs Immigration net migration to Australia was 67,900 in 1998-99, 70,200 in 1999-00 and 93,080 in 2001-02. For 2002-03 the planned level was 100,000-110,000. This information can be found on the Department of Immigration website at:

<http://www.immi.gov.au/facts/02key.htm#5>

This amounts an average increase in immigration of nearly 10,000 a year over the last four years. In my opinion, an immigration level of over 100,000 a year to Australia is unsustainable. Supply cannot keep up with the extra demand that arises from such a high level of immigration. 100,000 is a very large number of people to be housed *each year*. That amount is more than half of the population of Hobart.

Australia's building industry is probably of a size able to cope with an immigration rate of 60 to 70 thousand, but not 100,000 plus. Thus, with immigration currently well over 100,000 a year, house prices are bound to increase. It seems to me amazing that there has not been more media and political attention paid to the issue of immigration. It is quite obvious that a significant increase in immigration is likely to lead to an increase in house prices.

## **SPECULATIVE BOOM?**

The housing boom cannot purely be explained by speculation. If that was the case then there would be a lot of landlords buying property in order to make a capital gain, and the price of rents would decrease. But that is not the case.

A major new report by National Shelter and ACOSS released today shows that the Federal Government's Rent Assistance program is failing to prevent around 330,000 low-income people and families being crushed by high rents in the private rental market. Further details on this can be found on the ACOSS website at:

[http://coss.net.au/news/acoss/1064751204\\_18496\\_acoss.jsp?subsite=acoss](http://coss.net.au/news/acoss/1064751204_18496_acoss.jsp?subsite=acoss)

If the boom in house prices was purely speculative, then logically rents would be falling. But this is (largely) not a speculative boom; it is a real price boom arising from the fact that real demand for housing has increased, and supply is not keeping up with it.

## **MECHANISMS TO ASSIST FIRST HOME BUYERS**

The most logical and the most effective way to help improve housing affordability is to reduce the level of immigration to Australia. The Commonwealth Government has a planned migration program, and it could easily alter the program to have a lower planned level of net migration into Australia.

Tomas Nilsson

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