

G'day,

I understand you have received a commission to investigate the factors affecting housing affordability. I believe that this is a complex socio-economic issue, and believe the following questions are pertinent to your investigation.

Regards, Laurie Knight.

Issues for the Productivity Commission Investigation of Housing Affordability

1. What is the total impact of federal, state and local government charges on the cost of purchasing a dwelling in Australia? The investigation needs to consider the impact of GST, stamp duty, local government charges for planning approvals and the cost of headworks.
2. What is the impact of government policies that affect the housing market? The investigation needs to consider the federal government investment policies in relation to negative gearing and capital gains tax in addition to first home-owner assistance.
3. Does the median willingness to pay [WTP] by purchasers (possibly influenced by government policies) mean that any reduction of government charges will simply be capitalised into sale prices?
4. Is the rapidly increasing median WTP driven by a shortage of supply or overheated demand?

Key factors to consider here are:

- To what extent is there a shortage of housing stock? That is, has the stock of housing declined relative to the number of households? Is there a shortage relative to occupancy or to investment?
- Are median prices driven by owner-occupiers or by investors?
- What is happening in the relationships between median house prices, rates of rental return and vacancy rates?
- Are the prices investors are WTP driven by expectations of capital gains or rental returns?
- What are the aggregate capital values of owner-occupied and rental housing in Australia, and what are the trends in these values?
- What is the impact of changing household structure on the demand for housing? [there has been a consistent long-term decline in household size, which means that the demand for housing per capita is increasing].
- What is the impact of the changing nature of housing? [there has been a consistent long-term increase in the size of houses and in the value of built-in appliances]
- What is the impact of population growth on housing prices?
- What is the impact of sale processes on housing prices? [eg, do auctions and activities associated with them lead to inflated sale prices?]
- What is the relationship between land area per dwelling and dwelling price?
- What is the realistic stock of vacant land in the housing hot spots and how long would it take for that supply of land to be consumed via current settlement patterns?

\$B,((J What is the impact of _\$B!F_(Jurban sprawl_\$B!G_(J on the cost of living?_(J

\$B,((J To what extent does housing intensification [ie the replacement of _(J low density housing with medium and high intensity housing] reduce dwelling prices?

\$B,((J To what extent are price increases in some areas the result of _(J spill-overs from high growth areas? [ie, are house prices in Hobart affected by house prices in Sydney and Melbourne?]

Broader questions that are also worth considering are:

\$B,((J To what extent is the surge in house prices facilitated by foreign _(J capital? [ie to what extent is the finance for housing provided from foreign sources?]

\$B,((J What proportion of domestic savings are tied up in housing stock?_(J

\$B,((J What are the economic implications of median WTP for housing?_(J

\$B,((J How does the current boom in land and housing prices compare with _(J previous booms?

5. The bottom line is what are the _\$B!F_(Jleast-cost planning_\$B!G_(J implications _(J for housing in metropolitan Australia? [ie what are the real issues and what are the best and most cost-effective ways of dealing with those issues?]

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