



**Submission to the**

**Inquiry into First Home Ownership**

**Conducted by**

**The Productivity Commission**

October 2003



**Western Sydney Regional Organisation of Councils Ltd**

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**Auburn  
Bankstown  
Baulkham Hills  
Blacktown**

**Blue Mountains  
Fairfield  
Hawkesbury  
Holroyd**

**Liverpool  
Parramatta  
Penrith**



## Submission to The Productivity Commission: Inquiry into First Home Ownership: October 2003

### 1. Background: Demographic and Housing Affordability Data

In framing this submission, WSROC argues that the Greater Western Sydney Region (GWS) (as defined by the Local Government Areas of Auburn, Bankstown, Baulkham Hills, Blacktown, Blue Mountains, Camden, Campbelltown, Fairfield, Hawkesbury, Holroyd, Liverpool, Parramatta and Penrith) warrants specific and detailed attention by the Commission because of a number of factors, these being:

- 1.1 the region is home for approximately 1 in every 10 of Australia's people, and continues to grow faster than most other areas of the country, both in terms of rate and absolute numbers. The average annual rate of growth for GWS from 1981 to 2001 was 1.9%, compared to Sydney's 1.2% growth rate, and it is estimated that from 2001 to 2019, the GWS population growth will be 28.1%, resulting in a net increase of over 500,000 people (UFP: 2002);
- 1.2 the population of the region is relatively young, with 46% under the age of 24, compared for example to Sydney overall with 43.1% in this age group. This age group is particularly significant with regard to first home buyers;
- 1.3 average household sizes are decreasing in the region, and also decreasing faster than the average for Sydney overall. From 1981 to 2001 there was a decrease in the number of persons per household, from 3.4 to 2.8 (or -0.6) compared to the figures for Sydney of 3.0 to 2.6 (or -0.4). Greater Western Sydney's average household size is approaching that of Sydney overall;
- 1.4 between 1991 and 2001 the largest change in proportions of family types in GWS was the growth in one parent families, the proportion of which increased by approximately 40%, compared to 30% for Sydney overall and 35 % for New South Wales;
- 1.5 GWS has higher proportions of people on low incomes. 10 of the 14 LGAs record higher proportions of individuals on less than \$300 per week compared to the Sydney average (34.6%), particularly significant being the LGAs of Fairfield (at 47.5%), Auburn (43.1%) and Bankstown (42.3%). This pattern extends to the "less than \$500 per week" and "less than \$800 per week" categories also. WSROC would argue that housing affordability is a greater issue for GWS than for Sydney as a whole, given the concentrations of low income earners and the narrowing of the price gap in house purchase and renting, detailed below (points 1.7, 1.8, 1.9 and 1.10);
- 1.6 the region has lower proportions of individuals with high incomes than Sydney overall, with only 3 per cent of individuals in GWS earning more than \$1,500 per week, compared with 6 per cent in Sydney overall (2001 ABS Census);
- 1.7 while still having average lower house prices than Sydney overall, from 1998 to 2002 median sale price rises in GWS, for *non-strata* dwellings, rose between 44 % (Baulkham Hills) and 77% (Blacktown), compared to 48% for Sydney overall. During this period the median sale price rises for *strata* dwellings across GWS increased between 27% (Camden) and 85% (Liverpool), against the Sydney average

of 47%. Overall, the region appears to be moving closer to Sydney house prices (UFP: 2003);

- 1.8 46 % (or 250,000) of GWS's households have weekly incomes below \$1,000, which is *the minimum income required* to purchase an "affordable"<sup>1</sup> non-strata dwelling anywhere in the region. 46% of GWS households cannot purchase such a dwelling anywhere in the region without previous equity or undue financial hardship. A household weekly income of \$2,074 is required to purchase an "affordable" dwelling in the most expensive LGA in the region, being Baulkham Hills;
- 1.9 in half of the region's LGAs, median rents are equal or greater than the Sydney average. Renting is no longer cheaper in Western Sydney as a whole, though it is in certain areas (such as Fairfield and Campbelltown), and;
- 1.10 estimates of "housing stress" prepared specifically for WSROC by UWS (UFP: 2003) indicate that in 2001, 12.3 % of all households in GWS were in "housing stress" only slightly less than for Sydney overall, at 12.9%. This calculation also challenges the common assumption that housing is cheaper in Greater Western Sydney.

## 2. Western Sydney Housing Affordability Forum: October 2003

In response to the announcement of the Inquiry into first home ownership, WSROC and the Western Sydney Housing Information and Resource Network (WESTHIRN) convened a seminar to examine housing affordability issues for first home owners and other stakeholders in the housing market ("Housing Cost/Investment" Seminar, 10<sup>th</sup> October 2003 at Blacktown City Council).

The Seminar was well attended by the major non-government housing stakeholders and representative agencies in Western Sydney, including the Urban Development Institute of Australia, the Joint Industry Housing Group, Landcom, Delfin Lendlease, Shelter NSW, the NSW Federation of Housing Associations, Western Sydney Area Health Service: Health Improvement Unit, Older Persons Tenancy Service, "Pam's Place" Crisis Accommodation Resource & Referral, Wentworth Area Community Housing, Fairfield Youth Accommodation Service, Wentworth Falls Housing Group, Western Housing for Youth and UWS.

WSROC subsequently has undertaken to prepare a submission to the Inquiry that reflects the issues raised and the points of agreement by participants on that day. Further, WSROC and WESTHIRN will hold a followup seminar in January 2004 to prepare more detailed representations to the Inquiry on specific strategies, and again we will be looking for consensus among these groups.

Consequently, this submission is in two parts:

1. identification of broad issues to be considered in housing affordability policy for first home buyers that arose from the Seminar, and;
2. specific issues of concern to, and information provided by, WSROC.

Accordingly, WSROC would appreciate the opportunity to present at a hearing of the Inquiry which we understand is planned for February 2004 at which we would elaborate and provide

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<sup>1</sup> "affordable" being defined as requiring less than 30% of household income to service a mortgage

further detail on the issues raised in this submission, and other matters that may be considered relevant at that time.

### **3. Common Concerns of Housing Stakeholders in Greater Western Sydney: Outcomes of the Housing Cost/Investment Seminar**

It was generally agreed that housing affordability for first home buyers and, for that matter, other sections of the housing market, is a product of elements of macroeconomic performance (including employment levels, income levels, investment returns from housing and other forms of investment, etc) macroeconomic policies and taxation measures of state and commonwealth governments (as outlined in the Issues Paper) and community attitudes towards housing.

It is the general view of housing stakeholders in the region that significant impacts on overall housing affordability will not eventuate without changes to these parameters. Past experience of previous housing affordability “crises” suggests that the problem will plateau, ready for another lurch upwards some years further on.

Detailed proposals on how policy and taxation measures could be altered have been the subject of numerous recent research efforts, through agencies such as the Australian Housing and Urban Research Institute, of which we would assume the Commission is aware. As mentioned above, specific policy strategies that WSROC, and other regional stakeholders, would advocate will be identified in the subsequent housing seminar in January 2004. However there are a number of issues that the Commission could consider in framing their inquiries in the interim.

#### **3.1 Diversity in housing form**

The need for housing policies to encourage diversity in housing form (in terms of size, amenity, adaptability, detached/attached, etc) was acknowledged by all housing stakeholders, for a range of reasons. Most importantly, diversity in housing form is important to cater for increasing diversification of household types that is occurring in our region, with a reduction in proportion of couples with children, and the need to provide opportunities for appropriate housing as families change over time (due to ageing, family break-up, etc).

Encouraging a diversity of household form can also have the effect of reducing the demand for release of new residential land for detached dwellings, and so reduce the consequent escalation of development and infrastructure costs associated with greenfield development (see below).

However, the development industry in our region reports that their market research still emphasises the traditional “detached dwelling on 600 sq m of land” model as the most desirable form for new housing. This suggests that conservative attitudes towards housing form are widely held in the community, an issue which itself requires specific attention (see below).

Also important is the value of a broad “social mix” in local communities, one that is inclusive of people on high and low incomes, different ages and with a range of occupations. Such a mix helps to avoid the degradation of localities, through loss of local income and employment opportunities, that leads to these areas becoming relatively undesirable for new home buyers and so contribute to pressures to develop new land release areas.

### **3.2 Local site-specific solutions**

There is potential for localised, site specific, solutions to new (or re-) development of residential areas to reduce housing costs for some, if not all, of the ultimate residents. Experience in the Western Sydney region has shown that site specific strategies can be negotiated through the engagement of a range of local stakeholders (ie councils, landholders, developers and housing service agencies).

However, such solutions would benefit from sympathetic policy settings from the Commonwealth that encourage their wider adoption, and so contribute to a substantive impact on affordability for the region as a whole. Sympathetic policy settings could take the form of taxation concessions linked to specific, sustainable affordability outcomes, in a similar way that councils have made concessions through rate variations, development controls, etc.

### **3.3 Multiple responses to affordability**

Given the trend towards increased diversity in household type, and increasing numbers of households potentially excluded from securing finance (particularly for traditional detached dwellings, see above), it is argued by housing stakeholders in this region that there will need to be multiple models or pathways to home ownership, rather than simply a reliance upon individually secured mortgages.

Alternative financing options have been recently developed and housing cooperative models are being implemented (such as CityWest, for example), the details of which we assume would be well presented to the Inquiry by other agencies.

Commonwealth policy must encourage the development of diverse financing models and housing service types, particularly involving the Community Housing sector. Overseas experience (and some local examples) indicates that Community Housing agencies in various forms can make a significant contribution to housing solutions for low income earners, through home ownership or equity schemes, or through providing secure, long term rental housing and housing for retirement.

### **3.4 The “Culture of home ownership”**

The “culture of home ownership” cited in the Issues Paper should be looked at critically. The Issues paper indicates that demand for first home purchase may be affected by aspects of the rental market (ie relative level of rents, rental availability, etc) but does not mention other important disincentives of rental housing, such as poorer security of tenure, lack of adaptability/flexibility of rented homes.

While the state governments are responsible for the regulation of rental accommodation, the unattractive aspects of tenure insecurity and inflexibility characteristic of rental housing should be a part of the Inquiry findings.

As noted above, conservative and narrow views of what constitutes a “home” influence the demand for more expensive and land consuming developments. On the grounds of sustainability as well as affordability, the Commonwealth Government should seek to influence community attitudes towards alternatives to the detached dwelling model. The positive aspects of higher density developments, such as more space for public use, increased safety, economies of scale which encourage local amenities, etc could be promoted.

## 4. Other issues of concern to WSROC

### 4.1 Urban Infrastructure Funding

Infrastructure is required to bring land into urban use, to facilitate and respond to redevelopment and to replace and improve ageing infrastructure. Consideration of housing affordability cannot be done in isolation and must acknowledge that quality urban environments and supporting infrastructure are essential components in creating liveable, healthy and sustainable housing.

The “Urban Infrastructure Management Plan” prepared in 1999 by the NSW Ministry of Urban Infrastructure Management (MUIM) identified infrastructure based on the OECD definition (MUIM, 1999:11):

*“The infrastructure that is essential to the efficient working of a modern city is extensive. It includes provision of water and sewerage facilities, surface water drainage, highways, transport facilities, energy distribution networks, telecommunications facilities and other networked services. Infrastructure also includes the provision of the types of social facilities regarded as essential to the maintenance of a tolerable standard of living for residents and workers: education and health care facilities, leisure facilities and open space and the infrastructure associated with the maintenance of public health and welfare, law and order and public administration.”*

For example, urban infrastructure can be considered as including the following categories:

- Community facilities (including neighbourhood facilities, childcare and libraries);
- Open space and recreation (including sporting and cultural facilities) at a local and metropolitan scale;
- Roads and associated management;
- Drainage and stormwater management;
- Water supply and sewerage/waste disposal;
- Energy supply (including gas and electricity);
- Communications; and
- Public transport and wider regional transport networks.

The recurrent costs of service operations, as well as the provision of infrastructure and capital expenditure, are important elements of urban infrastructure provision.

Open space and acquisition of land is a key element of costs associated with infrastructure provision, and one that is rising dramatically. A submission by Blacktown City Council in 1990 showed that capital costs arising from a particular development area for works and capital facilities were in order of \$96M and the costs for acquiring associated land were \$100M.

For a region such as GWS there is currently concern that areas of expansion are relatively poorly serviced beyond the core physical infrastructure relating to water, sewer, energy, drainage and communications, and local infrastructure for individual developments such as local roads and parks. Regional facilities and networks such as the transport network and the metropolitan open space system have considerable backlogs (or lack of acquisition) in infrastructure extension and upgrade.

A major concern is that, with continued population and urban expansion, the current arrangements for public infrastructure provision have a limited ability to make good backlogs while servicing new lands for housing.

Proposals which restrict the ability for infrastructure to be provided would limit the quality of urban environments for existing and future residents. However, issues of timing of development contribution, equitable distribution of costs over time and securing funding for regional “network” infrastructure need to be considered.

In addition, the issue of environmental standards and regulation is having an impact on the standard of infrastructure provision and hence the costs. An approach which responds to increasing community concerns and responsiveness to environmental quality and protection must be considered when costs of infrastructure are discussed.

WSROC is currently conducting a study into the funding of infrastructure in Greater Western Sydney which will be completed in November 2003, and so we anticipate that there will be new quantitative data regarding this major growth region that could be considered by the Commission.

#### **4.2 Land Supply and Accommodating a Growing Population**

Additions to the housing stock in Greater Western Sydney are through extensions to the urban areas of the region (ie greenfield development) and through major redevelopment which is occurring, to-date particularly in the eastern, older areas of the region. Therefore, new land supply is not the sole source of supply of new housing. Units and townhouses are being constructed in established areas and “infill” development, in the form of “knock down and rebuild” construction and dual occupancy development occurring within existing residential areas.

In general, as shown by ABS statistics, the region averages approvals of 12,000 to 13,000 dwellings annually since 1987, with approximately 200,000 new dwellings approved in this period. This has not markedly changed over the last 2 years.

Projections by the ABS (2002) are that the region will increase in population by approximately 510,000 additional people between 2001 and 2019. This population growth is due to natural increase, more births than deaths, and overseas arrivals in the region (immigration). Over the last 5 years there has been a net loss in *domestic* population movements, and hence movement into the region from other parts of Sydney or NSW has not contributed to growth. Over time, if fertility rates continue to decline as predicted, the role of the region in accommodating overseas arrivals (controlled through the federal immigration program) will become increasingly the more important element in determining population growth.

This projected population growth would require the region to deal with an additional 258,000 households being created (UFP: 2002), with a shift in household structure to smaller households and a considerable increase in single person households. As noted above, a shift in proportions of housing types constructed, will therefore be required.

Information from local councils in GWS (WSROC, 2003 unpublished) and from the NSW Government Metropolitan Development Program, demonstrates that a substantial proportion of this additional housing is already planned for in existing residential land use zonings. Further urban expansion and opening up of land supply will be necessary over the next 20 years for a balanced response to the growth of the region’s population, but this should be moderate in scale.



Issues of public housing provision within new release areas will be an important element in providing a range of housing cost options in these new areas. In recent years, new homes constructed in new release areas on the fringes of South Western and North Western Sydney have been priced and “packaged” for a 2<sup>nd</sup>, 3<sup>rd</sup> or 4<sup>th</sup> home buyer, rather than a first home buyer. Accordingly, new land release areas are not likely to *directly* provide housing opportunities for first home buyers, but can *indirectly* provide housing stock in areas that these residents *move from*, a proportion of which will be in the region.

On a separate note, the commission could consider investigating the operation of the market for land sales as it operates in the region with a view of determining if there could be greater efficiencies in delivering these services to first home buyers, in the same way as other aspects of the residential development industry are being investigated.

Overall, WSROC would argue that a primary focus on new land supply to address affordability of housing, as opposed to issues in older established and redeveloping areas of the region, would be misplaced and misunderstand the dynamics of urban change in Sydney and the dual wave of development in the region.

## References

Gleeson, B., Holloway, D. and Randolph, B. “Western Sydney Social Profile: 2002. Part A”. Urban Frontiers Program, University of Western Sydney for the Western Sydney Regional Organisation of Councils: November 2002.

Holloway, D. and Randolph, B. “Shifting Suburbs: Population Structure and Change in Greater Western Sydney” Urban Frontiers Program, University of Western Sydney for the Western Sydney Regional Organisation of Councils: May 2003.

NOTE: These references will be provided to the Commission in CD form accompanying the hard copy of this submission.