



## PROPERTY

# New home buyers locked out by zoning

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Government zoning of residential areas has pushed up property prices in Sydney by 40 per cent, fuelling inequality and locking out new home buyers from the market, the Reserve Bank has found.

In a research paper that calls for a fundamental rethink of government policy, the central bank said zoning “had driven prices substantially above the supply cost” as east coast home owners fight to stop medium-density “Hong Kong style” developments being built in their suburbs.

“We estimate that the average Sydney house, valued at \$1.16 million in 2016, represents a \$395,000 structure on a \$765,000 block of land,” the analysis says.

Up to 70 per cent of house prices in Sydney and Melbourne were made up of the value of residential land, according to the report by economists Ross Kendall and

Peter Tulip. Among the worst affected areas in Sydney are Willoughby and the northern beaches, where median house prices have been driven up by more than \$700,000.

The disparity is fuelled by zoning – council restrictions on housing density – pushing up prices in suburbs close to the east coast CBDs where available land is scarce. “Large increases in values as a result of zoning changes are inconsistent with the view that a

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physical shortage of land itself is the main cause of high housing prices," the paper says.

The handbrake on apartment developments has also created a "shadow price" distortion, with poor availability of sites and planning approval delays adding more than \$100,000 to the price of existing apartments.

"Overall, our results suggest that development restrictions [interacting with increasing demand] have contributed to the significant rise in housing prices in Australia's largest cities since the late 1990s," the bank found, while criticising government policy inertia.

A frustrated Treasurer Scott Morrison has called on state governments to get their act together and rezone areas that have become trapped in supply bottlenecks.

The Treasurer has made his views over supply delays known since 2016, arguing they are the biggest contributor to house prices being pushed beyond the reach of many middle-income Australians.

Shadow treasurer Chris Bowen said yesterday that Labor would use the Council of Australian Governments to push for a uniform vacant-property tax across all major cities to encourage the loosening up of supply.

"It is simply not good enough for a Commonwealth government to sit idly by and argue that housing affordability is a matter for state governments," he told the *Herald*.

But bipartisan federal pressure is likely to meet resistance from local councils, which have banded together

with residents to oppose the developments needed to increase supply and reduce prices.

Labor mayor Darcy Byrne slammed a 2016 proposal in Sydney's inner west - one of the most expensive areas in Australia - to build 2600 units as "monstrous in scale".

"The proponent seems to have confused south Marrickville with downtown Hong Kong," he said.

NSW Planning Minister Anthony Roberts said zoning was just one element of housing affordability and the provision of roads, sewerage, power, transport, schools and hospitals added to the supply of housing and to the value of land.

"Liveability is a most important ingredient in the development of communities and that's why we have strong policies on open spaces and parklands as part of infrastructure," he said.

In Victoria, hundreds of protesters opposed three 10-storey affordable housing apartment blocks being built above Preston markets last year.

Median prices in the suburb went past \$1 million last year, driving many low-income families out of the area.

Victorian Minister for Planning Richard Wynne said residential zones had to strike the right balance between protecting neighbourhood character and driving development where it was appropriate.

The Grattan Institute's John Daley and Trent Wiltshire said Australia was "confronting a housing affordability crisis".

"The question is whether the costs of our planning rules outweigh the benefits," they said.