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Australia faces a housing affordability 'time bomb' : developer

Australia faces a housing affordability "time bomb" - primed by a dysfunctional planning system, a chronic undersupply of homes, and unrealistic expectations from buyers, according to the chief of one of the nation's largest homebuilders.

Stockland managing director Matthew Quinn, in a speech in Sydney, said Australia's current shortage of 200,000 homes and an annual shortfall of 60,000, would balloon to 800,000 by 2020, if no reforms were undertaken.

"There's a faint ticking that I can hear and it's getting louder," he said in a speech yesterday. "The fuse is burning, and current metropolitan planning strategies are inadequate for our growing and ageing population."

House prices in Australia climbed 13.6 per cent in 2009 alone after a decade in which they posted increases of about 170 per cent, according to the Australian Bureau of Statistics. Residential real estate prices have soared as Australia's economy nears notching up two decades of growth without a pause.

Australia's most overvalued property markets

Over the same period, Australia has lured more immigrants, adding to housing demand. The federal government's 2010 intergenerational report estimates Australia's population will swell to 35.9 million people by 2050 from its current level of 22 million.

Data out today, though, may offer some cause for optimism. The number of residential building construction projects begun in the final three months of 2009 jumped 15.1 per cent from the previous three months, its fastest pace since 2001, the Australian Bureau of Statistics reported.

Out of reach

"The average first home buyer today cannot afford to pay the median house price - not even close," Mr Quinn said, with the average median house price at \$485,000.

Mr Quinn blamed what he called "a total disconnect between the different levels of government...without action, housing affordability problems are going to get worse."

Calling Australia's population growth a "federal government responsibility," Mr Quinn lamented the lack of cohesion between the federal government, the state planning policy and infrastructure delivery, and local council approvals.

Mr Quinn said building smaller homes is another factor that could ease the shortage and the housing affordability issue, with Stockland reducing its average lot and house sizes for customers.

"Australia is one of the world's most urbanised nations, with over three-quarters of our population living in major cities and the overwhelming majority in our five largest cities alone," he said.

"Despite this, our cities are by no means densely populated," with Australia's capital cities people per square kilometre density ranking behind Los Angeles, Paris and Tokyo.

Mr Quinn's speech was delivered to the Australia Israel Chamber of Commerce. Stockland posted after tax profits of \$214 million for the half-year to December 2009, and has more than \$9 billion in real estate investments, according to Bloomberg data.