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Housing Affordability at Risk Again

The Urban Development Institute of Australia (UDIA NSW) has warned that housing affordability in Sydney was set to deteriorate significantly if regulators failed to remove the hurdles to bringing new houses to the market. In a report released today on the NSW housing market by UDIA NSW, Chief Executive Stephen Albin said that, "for the last couple of months the stars have aligned and we've had housing in NSW at its most affordable level since 2002. However the risk of affordability deteriorating is very real with expected rises in interest rates over the coming months and house price inflation."

The UDIA NSW *Development Intelligence* report identified a housing shortfall in NSW of more than 70,000 dwellings, while the current rate of housing production is only around 26,000 per annum. Stephen Albin said that, "we are seeing people camping out to snap up new blocks of land in Sydney's north-west, demand is outstripping supply and the effect will be that houses become more expensive very quickly."

Stephen Albin said that, "while economic conditions are now conducive to housing demand, the highest development levies in the country and the most complicated planning system are restricting the supply of new dwellings in Sydney. If new supply is not delivered to the market soon to meet this growing demand, we run the real risk of significant house price inflation and a deterioration in housing affordability".

Stephen Albin pointed to comments made by the RBA Governor in July 2009, where Glenn Stevens said, "*this ought to be the time when we can add to the dwelling stock without a major run-up in prices. If we fail to do that – if all we end up with is higher prices and not many more dwellings – then it will be very disappointing, indeed quite disturbing. Not only would it confirm that there are serious supply-side impediments to producing one of the things that previous generations of Australians have taken for granted, namely affordable shelter, it would also pose elevated risks of problems of over-leverage and asset price deflation down the track.*"¹

Stephen Albin said, "Government at both the State and Federal level have acted decisively to ensure that housing demand has been supported during these tough economic times. It is now critical that the focus be turned to streamlining rezoning and approval processes, and reforming the uncompetitive development levy framework in NSW."

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¹ Stevens, G, (27 July 2009), *Challenges For Economic Policy*, Address to the Anika Foundation.