

## Australian Senate

### Select Committee on Housing Affordability in Australia

#### **Submission by The Australia Institute of Urban Studies Queensland Division Inc.**

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It is regrettable that currently all the attention on how affordable or not is housing in Australia seems to be so heavily centred on economic or economics related factors. This submission suggests that we need to broaden our outlook in seeking answers to the question of why more people do not seem to be able to afford housing.

1. **Housing standards and expectations.** The leading end of the housing market has created very high standards and expectations. This inevitably also affects the expectations and ultimately the price down to the lower or less affluent end of the market. Houses overall have got much bigger (floor area per person) than 20 years ago. We have rumpus and family rooms, multiple bathrooms (the most expensive room in the house on a cost per area basis), elaborate kitchens, studies, numerous bedrooms, various quite expensive finishes. Many of these aspirations have filtered down into the more modest end of the market. If the community as a whole is really concerned about costs, these areas need to be enquiringly revisited. When I and my family arrived in Australia 50 years ago, we built a modest house in the original Sydney Western suburbs. It had two bedrooms for a family of five. It had one outside bathroom and a tiny living room. Many other parts were only partly finished to lower the initial price. The original house was so planned and arranged that it could be extended as funds and affordability improved. This in fact did happen. Even though even in its ultimate development the house was very modest in its amenity, it did not produce a dysfunctional or blighted family.
2. **Council standards and attitudes.** Councils tend to impose standards and requirements not necessarily for the benefit of the residents of the house but for the perceived or anticipated effect on the value of the neighbours house. One could argue that this is only fair. But take this example. Young friends of mine have a removals house which was transported from elsewhere. They are rapidly having to bring it to the standard required by the Council despite the fact that they would like to finish the house slowly as funds become available. However, they have to pay interest on a very high bond to the Council which is forcing additional hardship on them. As long as the house is reasonably habitable to them, even if it does not have some amenities, the Council should not impose additional financial loads just to 'protect' the values in the street. Years ago in the developing parts of Sydney, (no doubt as well as in other parts of Australia) temporary dwellings of various kinds were permitted while the owners slowly built the main house, often taking a number of years. This is not allowed or even considered today.
3. **Costly infrastructure.** We have to be clear about what matters more – affordability or an almost 'abstract' standard or level of infrastructure. Individual or local septic tanks can deal with waste water. Rain water tanks are the only answer in many rural towns. Why should some parts of the cities be regarded differently or rainwater be seen as second quality supply. Kerbs, gutters and paved roads not only are costly but add to the problems of stormwater handling and disposal. There are many other ways of dealing with surface runoff that are more environmentally benign. Street lighting is desirable but not necessary if costs are an issue. Finishing of the street can take place later when the neighbourhood feels it can afford it. Are we paying too much for the various infrastructure components of the cost of the land? Many people would probably prefer to live in an unkerbed and unuttered street (for a while anyway) than not be able to afford the house at all.
4. **Housing cost in use against initial cost.** We tend to think only of the initial price of housing. However, we need to consider the broader issue of costs to the family / residents over a longer period of

time. One big outgoing item that tends to be overlooked is the cost of mobility / getting around. Second cars are a convenience and a luxury which often can be avoided (and a lot of money saved) if the house selected is closer to other urban amenities, accessible either by public transport, walking or cycling. An 'affordable' house on the suburban fringes (which inevitably is on the newly released greenfields land) is questionably affordable if every member of the teenage family must have a vehicle to get anywhere. This means more investment of the public sector to provide better public transport and other amenities.

5. **Housing energy costs.** Another 'living' cost is cost of energy in a house. As a community, we tend to be rather profligate with our energy and water consumption. Recent television programs (ABC and SBS) have demonstrated the very substantial energy costs which can be saved with only minor changes in lifestyle, habits or house design. Some finance companies do recognise the fact that if a house is going to be less expensive to live in over the years, they will lend a larger percentage because over the years it will be more affordable.
6. **Cultural standards.** Cultural standards and expectations can be regarded as a 'reality' much the same as perceptions which are only in the mind. We have set certain images and aspirations about what a house should be (dream house!). However, if we are really concerned primarily with housing people in comfortable and habitable dwellings, there are industrialised processes (prefabrication, systems built houses, use of other industrial methods) which are well known to be able to lower housing costs. The difficulty is that these generally do not fit the 'dream' model which is set by the real estate industry and the 'house and gardens' culture. An expectation is created which is often beyond many people's affordability reality. Clearly what drives this 'up-marketing' is the expectation of capital gains from the sale of one's residence rather than an initial standard of what may be adequate as the first house.
7. **Ease of credit.** This of course is not something which bears directly on the initial cost of housing. However, it is an important factor in the way people manage their money which bears upon the financial difficulties that can arise. Years ago, when one had to save for a deposit on any item for which you did not have the cash, qualify for hire purchase, make regular (usually cash) payments, one could not help but have a better appreciation of what is coming in and going out every week or month – simply better domestic budgeting. Today, credit is extremely easy. Our lifestyles are driven by an ethos of high consumption. It is too easy, and sometimes without realising it, to cross a budgeting threshold. Then, when financial conditions change adversely, one is in difficulty. If housing is aspirationally and culturally so important, budgeting for it should come first at the expense of other less essential (but none the less desirable) items, usually discretionary consumer goods.

Thus, overall, if housing costs are getting beyond the reach of many people, one of the areas we have to challenge is the standard, quality and amenity of housing itself. Are some of our houses simply too good and costing too much to build?

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