


OUT OF REACH

Cost of buying property for a family earning \$76,000 to \$103,000 a year

	Median house price as multiple of gross income (x)	Proportion of gross income needed to service mortgage (%)
Hocking (Perth)	5.9	52
Rockdale (Sydney)	5.4	47
Gold Coast	4.9	43
Darwin	4.8	42
Queens Park (Perth)	4.7	41
Canberra	4.5	40
Mitchelton (Brisbane)	4.4	38
Mawson Lakes (Adelaide)	4.4	38
Cairns	3.7	33
Richmond (Sydney)	3.7	33
Springfield (Brisbane)	3.6	32
Renown Park (Adelaide)	3.5	31
Footscray (Melbourne)	3.2	28
Berwick (Melbourne)	2.9	26
Glenorchy (Hobart)	2.2	20
Claremont (Hobart)	2.2	19



Source: Residential Development Council

Fat prices create median hell

By Tina Perinotto

Workers on the nation's average wage of \$55,000 cannot afford to buy a median-priced home in any of 16 metropolitan suburbs and aspiring home buyers need at least \$100,000 to enter the market, research by the Property Council of Australia has found.

While property developers blame land shortages, planning delays and taxes, economists and affordable-housing groups said the huge rise in property prices undermining home ownership could be traced to tax breaks such as negative gearing and lower interest rates.

The report, by the council's Residential Development Council, examines affordability from the view of key workers such as teachers and nurses, and says that the affordability crisis is threatening social wellbeing.

"If key workers necessary for society and the economy to function are being denied entry to the housing market, or if the option of a single-income family is now completely shattered by the price of housing, we are faced with obvious long-term social and economic consequences," RDC executive officer Ross Elliott said.

The report finds that for a public servant earning between the "high \$50,000s and the low \$60,000s" buying a house in Cairns would cost 44 per cent of income — far above the 30 per cent considered prudent.

In Canberra, a median-priced property would eat up 59 per cent of income while in Sydney's Rockdale it would be 72 per cent. Most affordable would be Claremont in Hobart where the cost would be only 29 per cent of income.

"Ordinary home buyers aren't able to compete with investors."

A primary school teacher and administrative assistant with combined income of up to \$95,000 would pay 39 per cent of their income to buy a three-bedroom house on the Gold Coast, 48 per cent in Rockdale, 30 per cent in Melbourne's Footscray and 41 per cent in Queens Park in Perth.

Mr Elliott blamed government for the problems citing the lack of supply of land for new houses, taxes and development red tape.

"Many governments are in denial about the causes of the current

problems. They claim that interest rates are to blame or that access to ready credit in a strong economy is the root cause," the report says. Delfin Lend Lease chief David Keir said the report "hit the nail on the head".

Australians For Affordable Housing's David Imber said prices had risen at double the rate of income and blamed the spike on the halving of the capital gains tax for investors.

"In the last five years, ordinary home buyers aren't able to compete with investors," Mr Imber said.

ANZ chief economist Saul Eslake also said the Howard government's move to halve capital gains tax in 1999 was "one of the worst decisions that the government has made from a broad public policy perspective — attracted investors by turning negative gearing into a strategy of deferring and permanently reducing tax".

Macquarie Bank economist Rory Robertson said a key driver of the problem was that most people "are competing to live on the same good bits of ground".

"As Australia's population expanded and borrowing power increased, competition for the best spots to live naturally intensified and home prices increased."