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Curtin University

2017 Australian Conference of Economists

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Land supply and new housing in Western Australia

Bankwest Curtin Economics Centre





BANKWEST CURTIN ECONOMICS CENTRE

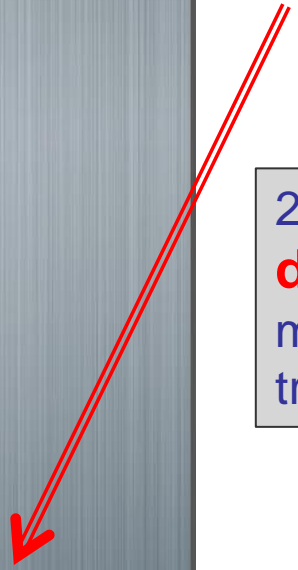
HOUSING AFFORDABILITY

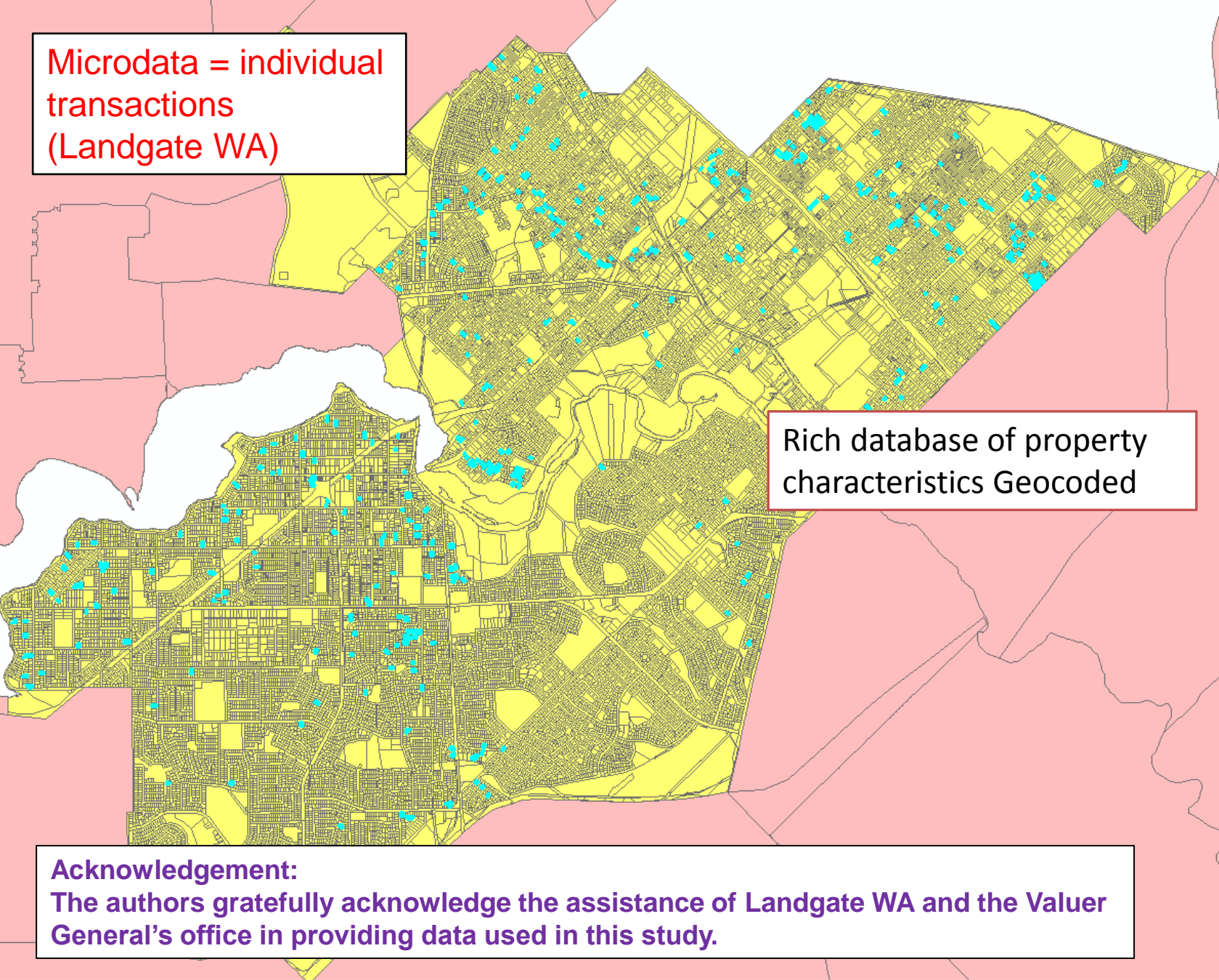
The real costs of housing in WA

Focus on Western Australia Report Series, No.2
April 2014

(BCEC Report No 2 April 2014. P100)
Conclusion: “Despite an abundance of published indicators of housing affordability, most measures are broad or aggregate in nature and fail to capture the wide variations in housing costs in metropolitan Perth and regional WA. Neither do existing measures provide sufficient insight into which WA households are under genuine financial pressure from high housing costs.”

2015 New Project. Focus on **disaggregation** of data at micro levels = individual transactions 2009-14



A map of a residential area in Landgate, Western Australia. The map shows a dense grid of property boundaries in yellow. Numerous small blue dots are scattered across the map, representing individual property transactions. The map is set against a light pink background. Three text boxes are overlaid on the map: one in the top left, one on the right side, and one at the bottom.

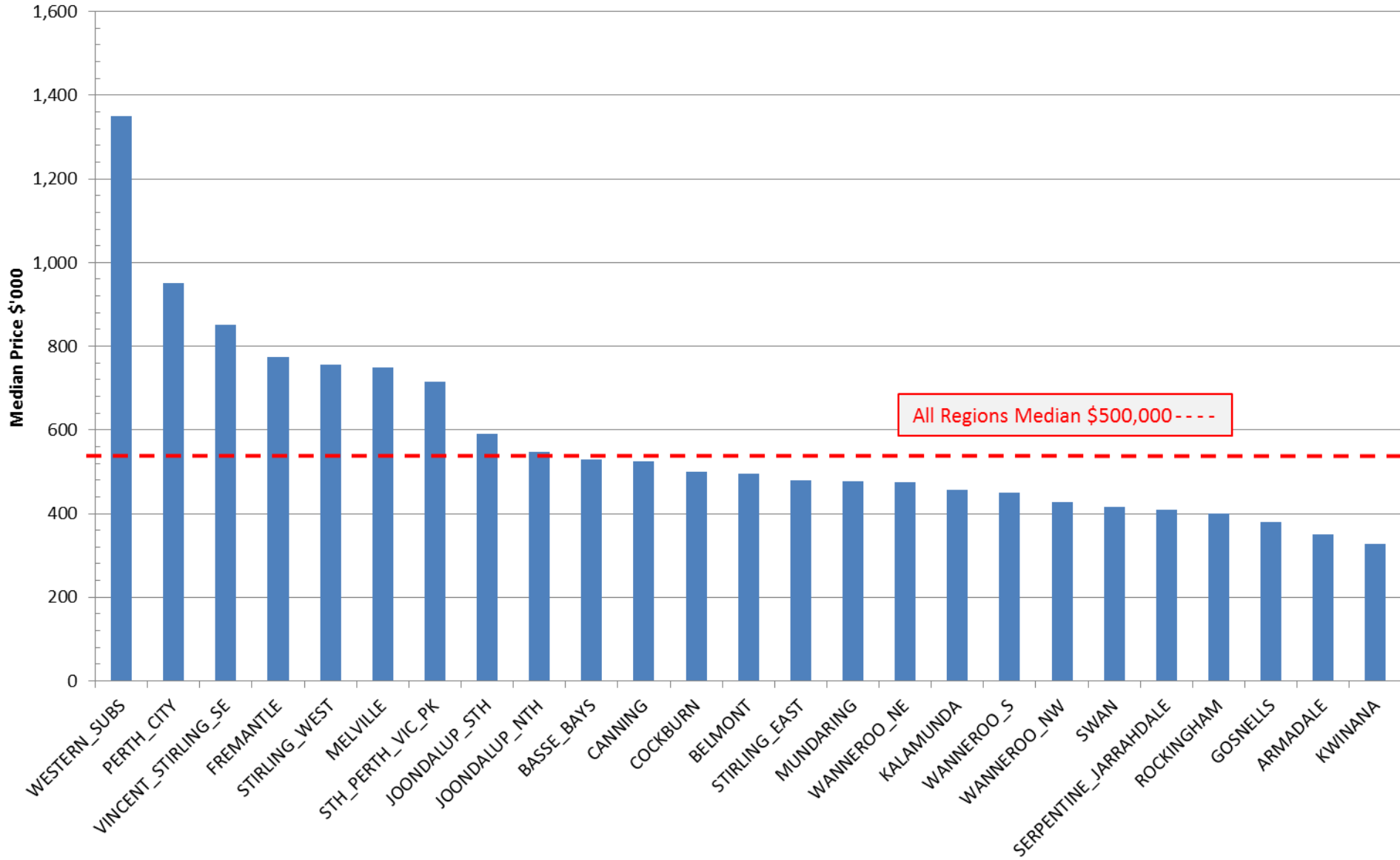
Microdata = individual transactions
(Landgate WA)

Rich database of property characteristics Geocoded

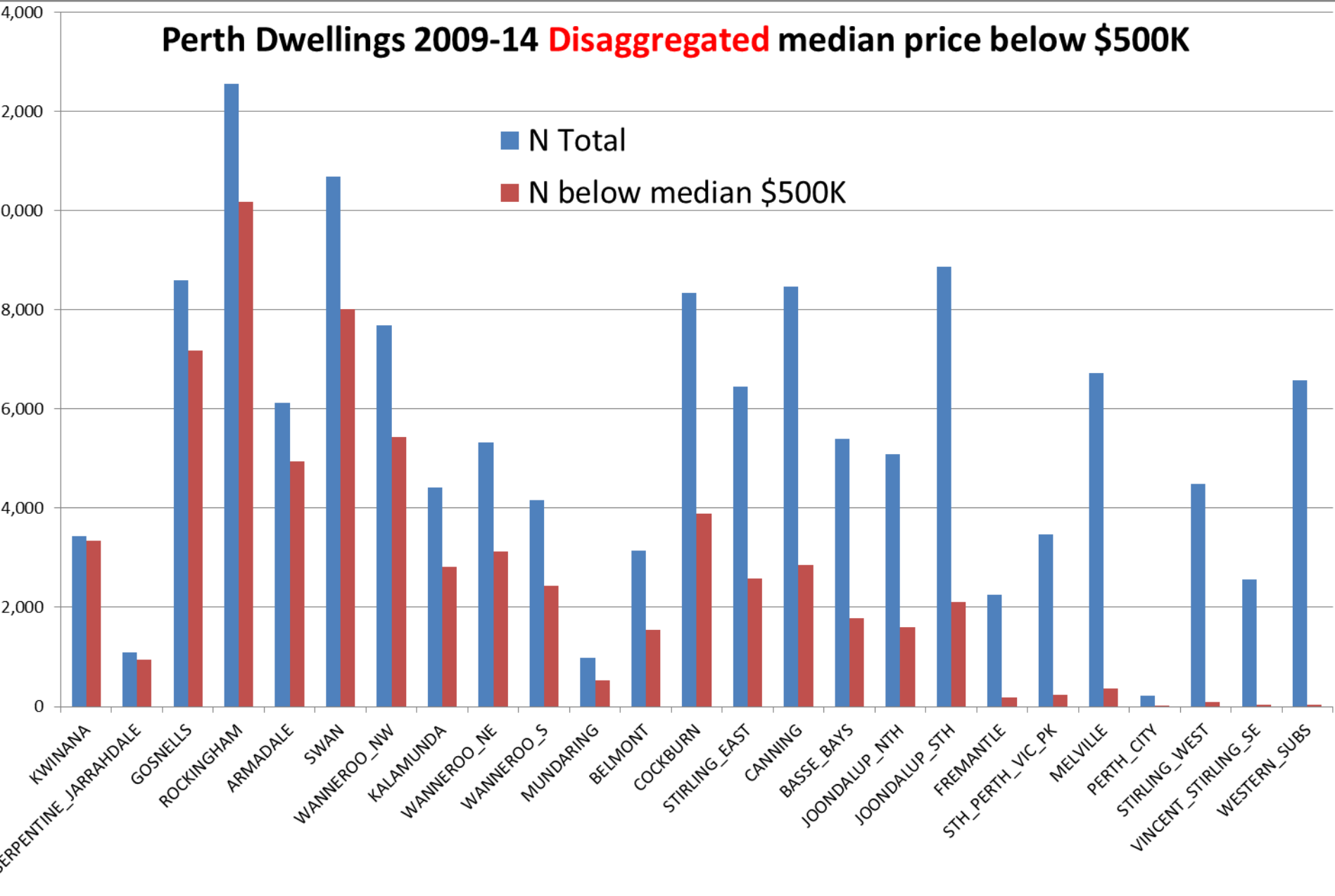
Acknowledgement:

The authors gratefully acknowledge the assistance of Landgate WA and the Valuer General's office in providing data used in this study.

Perth Dwellings Median Prices 2009-14 - Aggregate View



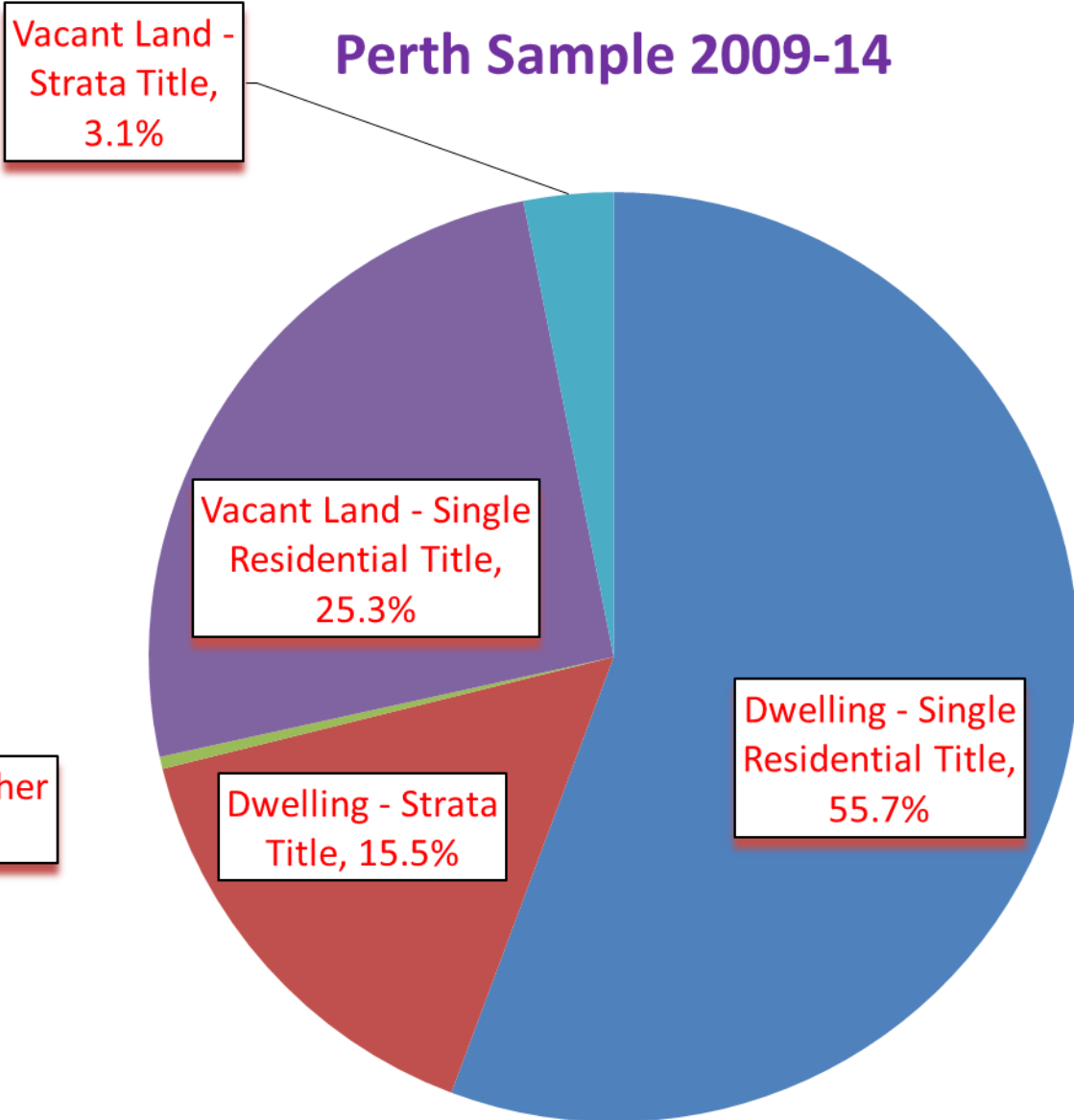
Perth Dwellings 2009-14 Disaggregated median price below \$500K



Research questions

- 1) What supply (established dwellings, new dwellings and land) is the market currently delivering in the Perth Metropolitan region and selected regional centres and how is this supply meeting the demand of a range of household types in a variety of income groups?
- 2) Where is new land being delivered in these regions and how do costs of delivering new dwellings on this land compare to prices of established dwellings within the same regional sub-markets?
- 3) To what extent do land and building costs prevent the delivery of dwelling products affordable to households in low and moderate income groups and are there additional factors preventing the delivery of such dwellings?
- 4) What are the key barriers to entry in the owner purchaser sectors of the established and new dwelling markets?
- 5) To what extent has housing policy, in particular policies focused on first home buyers, been successful in alleviating barriers to market entry and are new policy initiatives required to help households from a variety of income groups enter the owner purchaser market?

Perth Sample 2009-14

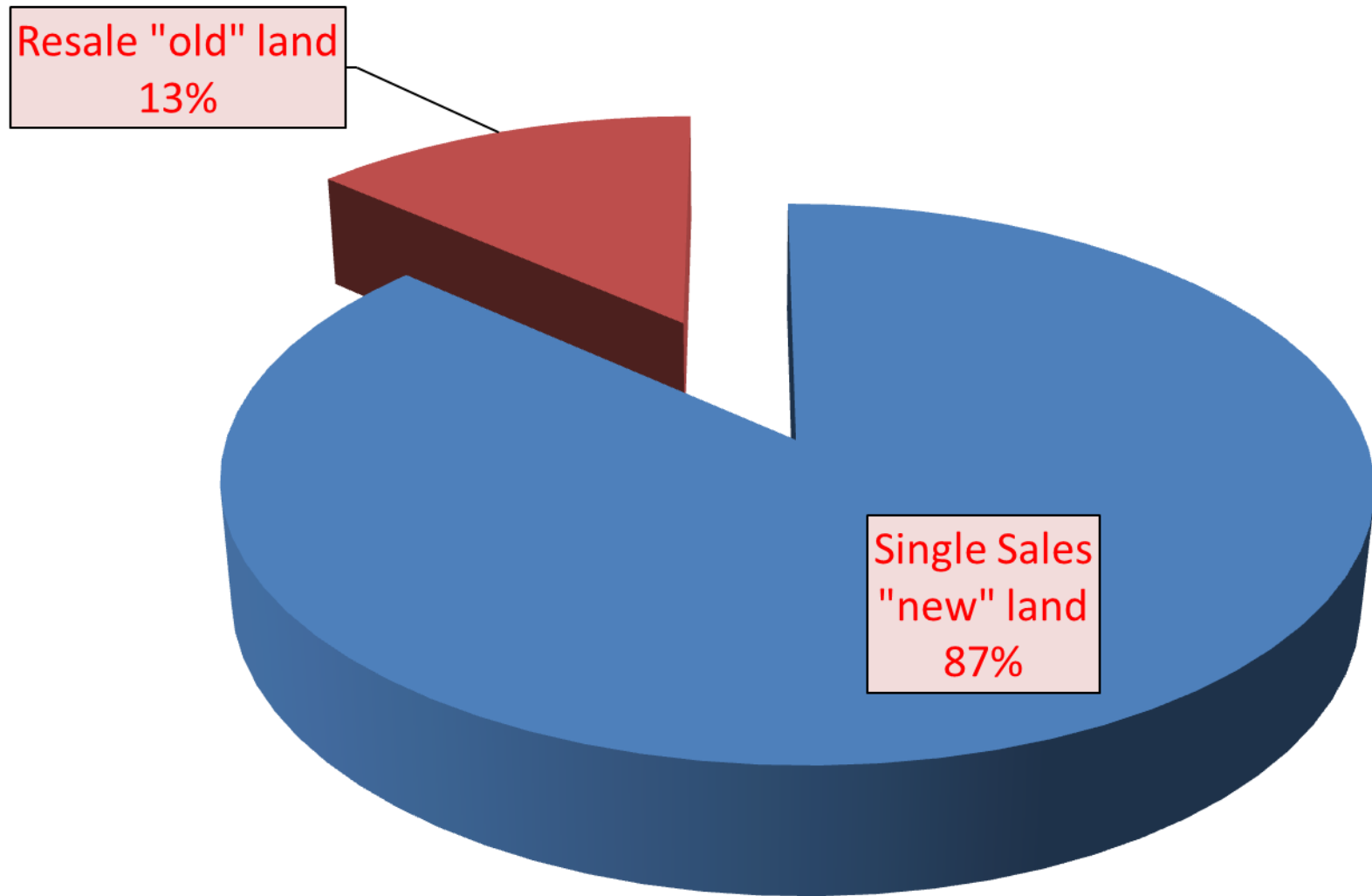


About Supply...

- Old v new supply
- “Old” = re-sold stock
- “New” = initial sales
- New stock primarily associated with affordability analysis



Perth Vacant Land 2009-14 "New" and "Old" Proportions



Affordability Themes

- Density = affordability
- Older suburbs = older SR houses = new cheaper strata developments
- Region = Armadale, 24km from Perth CBD
- ✓ 5,845 sales of SR houses, median = \$360K, median age = 25 years
- ✓ 909 sales of strata dwellings, median = \$310K, median age = 4 years

Good geography? Bad geography?

- 1) Housing affordability policy incentives impact upon buyer location outcomes:
 - i. Housing *type*
 - ii. Location to *infrastructure*
- 2) For *new* housing, the response to price pressures from suppliers (*developers*) in providing more affordable housing options has a distinct geography

Good geography? Bad geography?

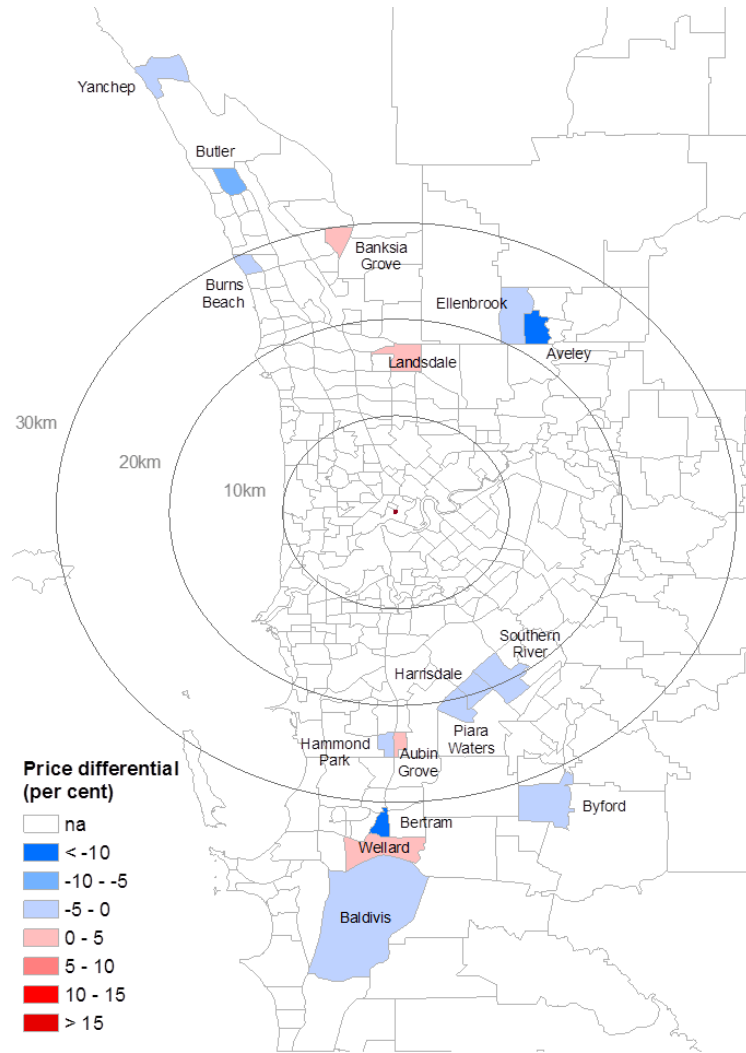
Macro view

ABS QuickStats - 2011 Census			Housing Type		
Capital City	State Pop'n %	State Dwellings %	House	Semi-detached	Flat etc
Sydney (NSW)	63	60	56	12	24
Melbourne (VIC)	75	72	66	11	14
Brisbane (QLD)	48	45	73	8	11
Perth (WA)	77	76	71	11	8
Adelaide (SA)	77	73	71	11	10
Canberra (ACT)	100	100	68	13	12
Hobart (TAS)	43	41	74	6	10
Darwin (NT)	57	60	58	12	18

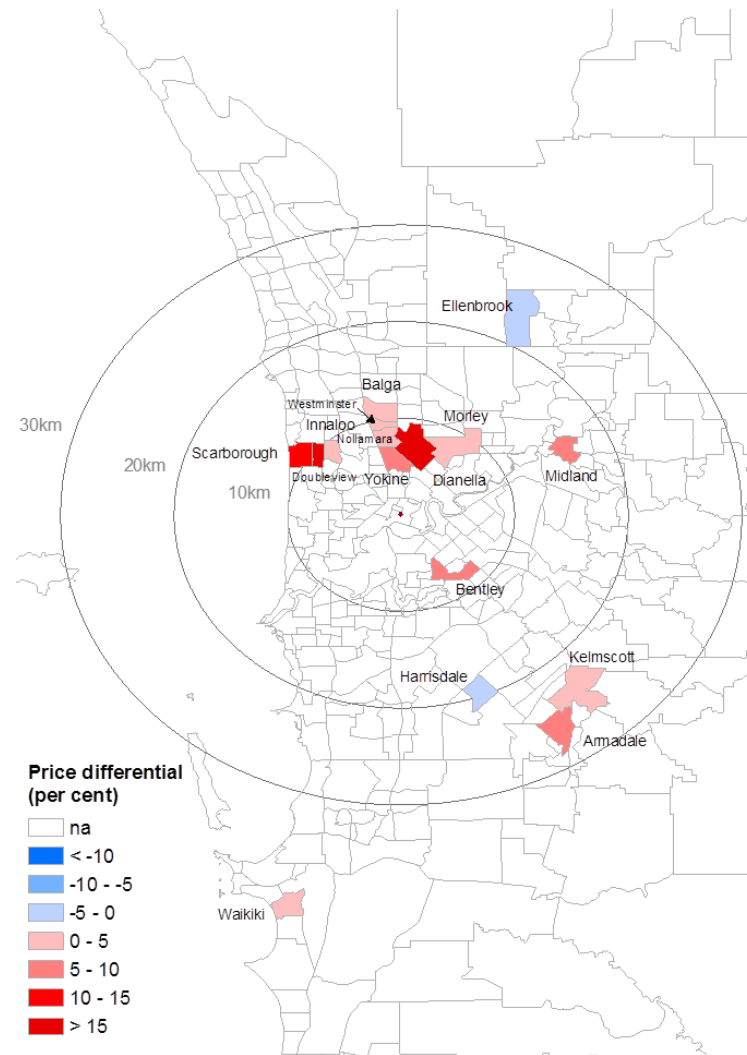
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New v old houses



New v old other

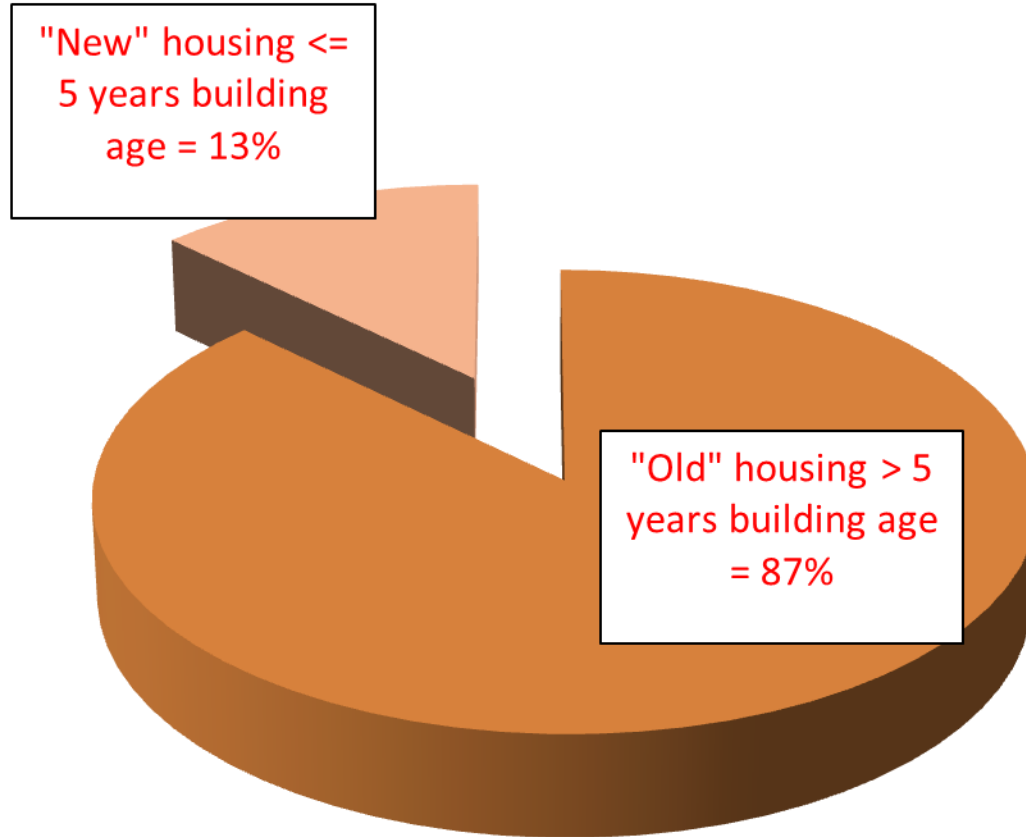


New dwellings

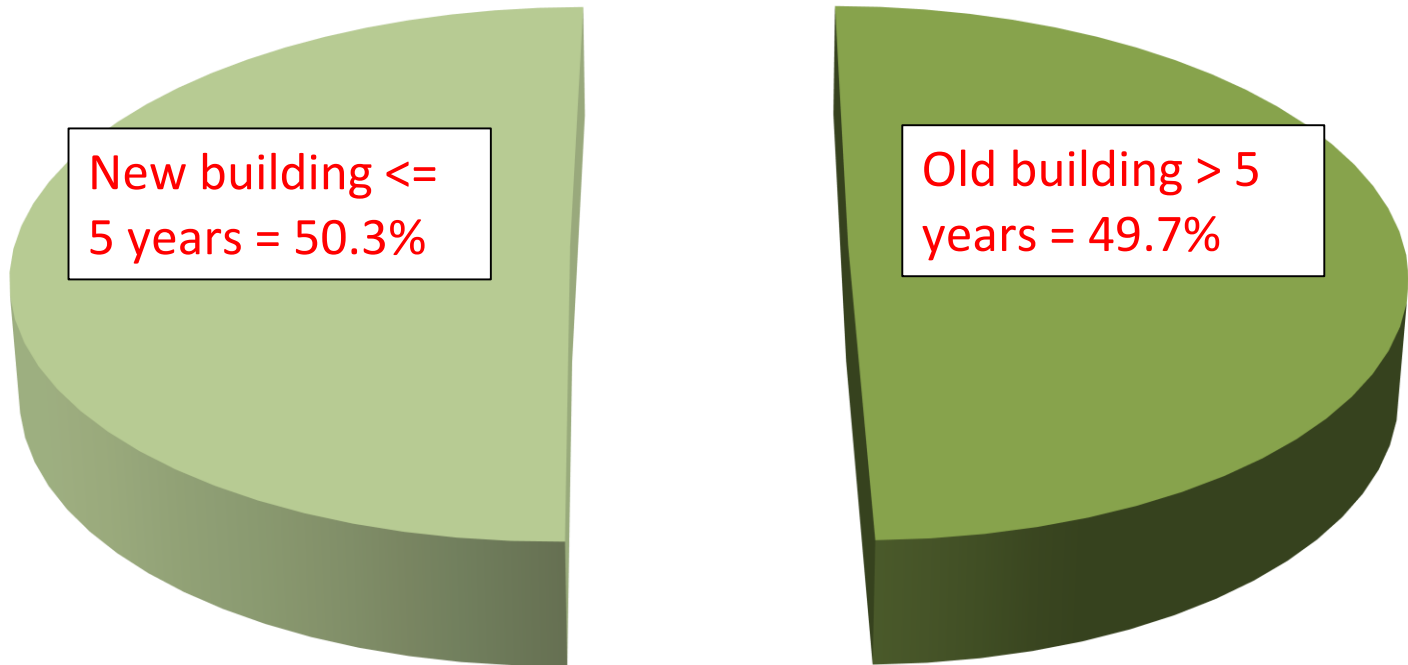
- Location/structural characteristics - variation = criteria for market segmentation
- Single residential - differences in land area
- Full Perth sample - older dwellings land area = 710 m², *new dwellings* 500 m² or *-30% difference*
- *Aggregate* sample new dwellings price premium +33%
- Significant differences at *suburb level*
- Individual suburbs where new dwellings provide affordability options



Perth single residential housing 2009-14



Perth strata title housing 2009-14



Conclusions

- Single residential (**houses**) more effective in delivering cheaper housing - new land development + construction
- **Outer suburbs** - new dwellings \$< older dwellings
- Strata title (**higher density**) = new stock \$> older stock - **inner-city suburbs**
- Affordability exists but with a **distinct geography!**
- The **policy challenge?** = range of affordable new dwelling types –inner city and outer suburbs

