

# Why we need cheap, small homes



The valuer

Where are houses more affordable? London, New York, Melbourne or Sydney, asks Greville Pabst

**R**ECENT studies show Australia has some of the lowest housing affordability in the world.

Compared with major property markets including the US, Canada and UK, Australian capital cities were found to have among the lowest levels of affordability (house prices compared with wages) and Melbourne and Sydney were less affordable than London and New York.

These dramatic findings follow Australia's notably positive performance during the global financial crisis, which saw house prices around the country jump to record highs in the recent quarter, with no relative increase in wages.

Affordability was further eroded by recent rises in Australia's interest rates.

Comparing property values with wages, property owners in Melbourne



**Living together:** higher-density suburbs tend to have the most amenities.

and Sydney spend a greater share of gross annual income on mortgage repayments than any other home owners of those countries surveyed, in some cases up to 50 per cent more.

There are growing fears that

Australia's housing affordability crisis will worsen as demand increases from a growing population and overseas investors and government regulations constrain the speed of development and the rate of new

housing construction. In Australia, current land use regulations mean that in some instances it can take more than 10 years to establish urban fringe land as suitable for new housing.

This delay further exacerbates

the disparity between supply and demand.

As a result, in the future we will see smaller, more sustainable homes being built, reversing the trend which, until recently, saw houses grow in size by more than 30 per cent in the past 20 years.

Housing styles are changing to make better use of floor plans, aspect and natural lighting to reduce building costs and land use.

But with a limited release of land in outer fringe areas and land values on the rise, many buyers are seeking the alternative of higher-density apartment and unit living.

Apartments are more affordable and often more strategically located with access to good public transport, infrastructure and facilities.

Though units and houses exhibited strong growth in 2009, the unit market outperformed housing across the country, further evidence of the growing movement towards this style of more affordable accommodation.

With market fundamentals, including continued strong population growth, consumer confidence and low interest rates, Melbourne's property values will continue to perform well this year, particularly in inner-city areas.

**Greville Pabst is CEO of WBP Property Group. Visit [www.wbpproperty.com](http://www.wbpproperty.com)**