



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Elizabeth Kikkert MLA (Chair), Michael Pettersson MLA (Deputy Chair),
Andrew Braddock MLA

Exhibit Cover Sheet

Inquiry into Auditor-General's Report 4/2020
– Residential Land Supply and Release

Exhibit: A

Date Authorised for Publication: 27 April 2022

Home Economics Key Points

Housing related costs have increased at a much faster rate than household income over the last decade. There isn't a prize or prestige that comes with having the second highest house prices and the highest rents in Australia.

The Wage Price Index in the ACT has increased by 25% over the last decade.

- Rates – increase in revenue from General rates – increased by 300%
- Fire and Emergency Services Levy – attached to rates bill has increased by almost 300%
- Land Tax – increase in revenue has increased 300%
- Rents – increased by 50% [median house rent \$675 pw]
- House prices – increased by almost 100% [median house price \$1.2 million]
- Average loan size – increased by 65% [average house loan size \$635,000]
- Cost of a square meter of land – over 70% [\$800 green field, \$1200 established]
- Utilities – over 70%

These cost increases have increased housing stress and the cost of living for most Canberrans. These cost increase above income have social consequences.

The ACT Government has the ability to put downward pressure on housing costs. The Government needs to align increases in costs closer to increases in income. Government has to produce housing that is affordable for the majority of people.

Government has a responsibility to put downward pressure on housing costs. Better data needs to be made available to provide longitudinal comparison.

Possible Government Action

Government could put downward pressure on housing costs by reducing the per metre cost of land released. The current cost is around \$750 and as high as \$950 in some green field sites. It looks to be heading to \$1000 psm.

The government could release land for owner occupiers at \$450 psm which at the current standard residential block of between of between 450 and 500 sqm would have a cost of \$225,000. About half the price of the current block.

Further downward pressure on housing price could be achieved by **releasing greater supply of the dwelling type that most people want**. Research suggests that this is a 700 sqm block with a three bedroom dwelling.

It is difficult to determine how many of these blocks have been released over the last ten years but it is relatively low compared with units. Releasing 1000 low cost blocks per annum for ten years would put downward pressure on house prices (but not with a starting price of \$700,000).

Government has to change its priority from maximising revenue from land release and have a priority of produce family sized houses that are affordable.

The increase in the square metre value of land in the ACT and the upward adjustment of rating factors have dramatically increased the ACT Government's revenue take from home owners. Government could put downward pressure on the cost of living by reducing the psm value of land and reducing the rating factors. To reduce the cost of living burden these should be more closely aligned with the movement of WPI.

There is a strong connection between the square metre value of land and the calculation of rates.

Government needs to put downward pressure on housing costs by a combination of:

- Reducing rates and levies increases to WPI [Halving household rates would reduce total revenue by 3%]
- Downward pressure on rents by removing land tax on rental properties [halving land tax would reduce total revenue by 1.2%]
- Reduce the per square metre cost of greenfield land and produce an oversupply of a family sized house and land packages.
- Provide opportunities to reduce the cost of building a house
- Remove all schemes that contribute to increased demand during times of undersupply

Ian Hubbard

