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Too many people and not enough houses

Despite a collapse in Sydney's housing affordability in 2010, due to a 20 per cent increase in house prices in 18 months and seven increases in interest rates, Sydney is leading the nation's housing recovery as demand pressures continue to intensify.

Competition for rental properties is pushing up rents and driving buyers back into the market, recent weekend auction clearance rates indicate.

Sydney needs more houses – many more houses for a growing population.

The NSW government recognises this and has recently introduced policies to increase the supply of new housing in Sydney. These policies include a stamp duty benefit for first-home buyers for new houses only, cutting the age limit for the Home Builders Bonus and releasing 10,000 housing allotments in outer Sydney.

More has to be done to increase the density of Sydney's urban profile. This needs to occur through both an increase in

medium-density and high-rise projects and an expedited regeneration of inner-urban brownfield sites into affordable residential accommodation.

According to the Australian Bureau of Statistics, last financial year 24,206 new houses were approved in Melbourne, compared with 8298 in Sydney. Why is the cost of housing higher in Sydney than Melbourne? Supply and demand. Sydney needs more houses – fast.

The most expensive house reported sold last week was 56 Martin Road, Centennial Park (see cover). The house sold at auction for \$4,185,000 through Di Jones Real Estate. The dearest apartment reported sold was 1/4 Warners Avenue at North Bondi. It sold at auction for \$1.15 million through Hasemer + Caldwell Eyles.

Dr Andrew Wilson is the senior economist for Australian Property Monitors.