Global Cities and Housing

The Sydney Case in its Australian and International Context

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Context

Demography and urban settlement patterns

Economic conditions

Governance, policy and institutions for planning and housing

UK/US comparators
Demography and Urban Settlement Patterns

- Highly urbanised (91%) and concentrated
- 2 dominant cities (39%)
- Low density cities
- Large inter city house price differentials
- Large distances between major cities constrains internal migration
- Globalisation and immigration impacts – Sydney, Melbourne
- Ageing impacts - SE Queensland, Adelaide

ABS (2002) Cat. No. 3101.0
House Price Index - Established Houses, Capital Cities

ABS Cat No. 6416.0
Economic Conditions

Strong and sustained economic growth since mid 1990s
- 3.4% average annual GDP increase 1990-2002 (‘down wonder’)

Consistent globalisation features
- shift to part time work, dominance of tertiary sector
- less severe ‘tech wreck’

Favourable domestic lending conditions
- however, real interest rate high by international norms

Income equality and living standards
- social accord protected those on lowest incomes during 1980s restructuring
- wound back since 1996
- most adverse impact on middle 50% of income distribution

Housing investment strong
- but mortgage indebtedness historically high
- strong take off in equity credit
Governance, Policy and Institutions

- Federated system with unclear and overlapping responsibilities
- Fragmented local government (45 LGAs in Sydney)
- Powerful land development industry and developer lobby
- Very small not for profit sector in housing/near monopoly public provider
- Urban policy city based (no national framework/programs)
- Weak city wide strategic planning framework
- Fiscal policies contributing to house price rises
- Housing policy narrow focus (also, public housing unsustainable under present policy settings)
Some International Differences

- Domination of 2 large cities → growth of regional and transit cities slow
- High quality housing
- Relatively young stock
- Urban renewal privately driven → no subsidy framework
- High housing wealth → 64% wealth in housing

- Well developed service delivery system for the homeless
- More ethnically integrated than UK/US cities
- Cities do not have abandoned/‘no go’ areas
- Atypical rental sector → strong/growing investment, non institutional sources, low returns generally, decline at low rent end
Finance Commitment for Housing
(Real) A $billion

Source: ABS, Cat. No. 5671.0
Housing Assets as a % Total Assets

Non financial assets as a share of total assets for all households

Source: Ellis and Andrews (2001)
Housing Wealth/Income Ratio

Housing wealth as a % of household disposable income

Source: Ellis and Andrews (2001)
Recent House Price Changes

% Change 2001 - 2002

Australia

UK

US

The Economist (2002)
Sydney’s extent and growth

Each red dot is a new dwelling added 1998 - 2002
Sydney’s Urban Growth

Sydney has grown faster than forecast
- 1995 - 2001: strongest growth since 1960s
- 1.4% per annum
- 4.15m in 2001
- Reach 4.5 million by 2010 not 2021

Why Sydney’s growth?
- Dominant economic centre of the country
- Attracts a higher proportion of migrants

High levels of housing demand due to
- Shrinking households sizes
- Receives 40% of overseas migration

27,000 new dwellings needed per year
Components of Sydney’s Growth

- Natural increase
- Overseas migration
- Domestic migration
- Total Population

Planning NSW
Sydney’s Population Mix and Dynamics

Less older people (12%) than rest of state/country

Largest group 25 – 44 year olds

Losing ‘baby boomers’ to coastal areas/interstate

Almost one quarter now single person households

Falling household size (2.68 persons average)

One in three Sydneysiders overseas born

Broad mix of ethnic groups, regional sources increasing
22% increase in the decade since 1991

Population Over 65 (%)

Sydney 11.9
Rest of NSW 15.2
NSW 13.1
Overseas Migrants

1 in 3 Sydneysiders is overseas born

In the rest of the state 1 in 10 are overseas born

Largest overseas born groups

• United Kingdom
• New Zealand
• China
• Vietnam
• Italy

Anglo/Celtic decreasing (down to 19%)
Asian increasing (10% by 2030)

Planning NSW
The Sydney Housing Market

- Volatile property cycle
- Physical and infrastructure constraints
  - forcing shift to medium and high density
  - 64% detached houses but growth is 66% multi unit

- Radial transport system from CBD. Sub regions undeveloped

- Strong north south (amenity) and east west (economic) differentiation

- Long term decline in affordability
  - slowing fringe growth and user pricing have impacted on affordability
  - Poor rental market affordability

- Prices/income at record high at present

- Tenure shifts
  - 7% fall in purchasers over 15 years

- Large houses (283 sq. m av. now) and long term rise in standards

- Stock mismatch
  - from ageing, smaller households
% Change in Capital City Established House Prices Over Five Years (Real)

RBA (2002)
Tenure Change in Sydney

**1986**
- Home purchasers: 31%
- Private renters: 23%
- Other: 5%
- Public tenants: 5%
- Outright owners: 36%

**2001**
- Home purchasers: 24%
- Private renters: 24%
- Other: 5%
- Public tenants: 8%
- Outright owners: 39%

ABS Census of Population and Housing (1986, 2001)
Housing Stress Among Low Income Private Tenants in Main Cities, 1986-1996

Proportion lowest 40% households paying more than 30% gross income in rent

Berry and Hall (2001)
Meeting Housing Needs
Our Key Issues/Challenges

- Managing sustained growth in big cities
- Achieving any growth in affordable housing
- Tenure segmentation reinforcing economic and social divisions
- Lack of political leadership/strategic framework/subsidy
- Housing problems not agreed/bureaucratic resistance
- Weak constituency for action
- Community involvement/infrastructure under-developed
Sources

http://www.consortium.asn.au


Other data from:

Planning NSW  http://www.planning.nsw.gov.au