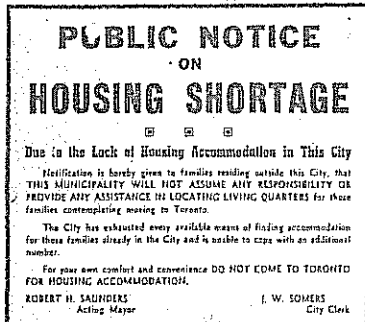


# Housing Shortage? Nobody's Home

By Chris Vedelago



Monday is bin day in Alistair McLean's street. The neighbours, like clockwork, line their bins along the kerb, ready for pick-up that morning. And like every week, there's always one house oddly out of sync. In more than two years, Alistair has never seen a sign anyone lives in the place on the corner — no bins, no cars, no lights. But the grass along the fence gets trimmed and the mail never piles up, so it's not as if the home has been completely abandoned.

"They've basically mothballed the house," Alistair said. "You'd only know it was empty if you lived in the area." In fact, there's good reason to believe there could be tens of thousands of similarly empty homes across Melbourne. (And, presumably, in every other capital city).

A study by Earthsharing Australia estimates there are 90,730 vacant properties around the city, enough homes to provide housing for nearly a quarter of a million people. It amounts to a vacancy rate of nearly 6 per cent, challenging industry claims the city is facing a housing shortage.

They arrived at this staggering statistic through an analysis of water use, with the Speculative Vacancies Report classifying as "vacant" any home that uses less than 50 litres of water per day over a six-month period. With average daily water consumption at 140 litres per person and 350 litres per household, the report's author Philip Soos considers 50 litres per day a conservative cut-off point. (A water-saving shower head uses six to seven litres of water per minute and a toilet about four litres per flush). Soos notes the data could be skewed by capturing low-use residences like holiday homes,

blocks of units that run off a single meter or properties under renovation.

But it's a lot harder to dismiss the findings that tracked the number of homes using no water over a six-month period. This part of the survey covered the 361,410 residences serviced by City West Water, which accounts for about one-quarter of the homes in the city. Soos found 14,252 properties, or nearly 4 per cent, were effectively empty over that half-year.

Considering the vacancy rate in the private rental market alone is estimated at 1.9 per cent to 2.9 per cent, there appears to be a substantial glut of under-utilised housing out there.

Armed with the report - and a list of allegedly long-term vacant properties submitted by readers - I spent a day driving Melbourne's suburbs to see the state of affairs from the kerb-side.\*

Broken windows and garbage-strewn gardens made the decrepit and unliveable homes easy to spot but they clearly account for only a handful of properties. Vacant lots were more numerous, fenced off and overgrown since the house that was once there had been demolished. But it's clear that the bulk of properties - if the data is correct - are perfectly good homes that owners are intentionally leaving empty.

Readers sent me addresses for well-kept properties where no living soul had been seen for a year, two years, even six years. Lawns were trimmed, mail was collected, but the driveway was always empty with shades drawn on perpetually dark rooms.

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## So why is it happening?

Earthsharing Australia, which is affiliated with tax reform group Prosper Australia, believe it's the direct result favourable tax and incentive-driven housing policies that encourage speculation, land banking and drive up house prices.

"The rapid run-up in housing prices has provided a lucrative torrent of windfall gains via capital appreciation for investors while rents have not kept pace," Soos writes.

"Faced with this set of circumstances, investors may conclude that renting properties make for dubious investments when factoring in the wide array of costs associated, including time and effort."

In other words, it's a better deal to turn a viable home into a lock-up-and-leave investment. And it's certainly been documented before in Melbourne, particularly at the top end of the market. Figuring out what to do about it, however, is a lot more problematic.

Private property rights recognise - with certain limitations - that an owner is free to do what they want with the land or home they purchase. It's hard to see a fair, or workable, way that councils or governments could force the owner of an unused home to rent it out.

Vacant land is another matter. Some councils already charge a premium to rates for residential land left fallow. Others do not, meaning owners are able to reap a windfall in rising land prices while paying less than others to hold their property. In one case, a vacant 167-square-metre block was charged \$991 for the year, while the liveable house next door on a 158-square-metre allotment paid \$1540.

Valuers will also tell you that vacant blocks and derelict homes can hurt the values of other property holders in the street, especially direct neighbours. For their part, Earthsharing Australia and Prosper Australia argue that a "substantial" land value tax would help "blunt" capital growth and encourage owners of unused homes to put them on to the rental market. At the very least, the Speculative Vacancies Report chips away at industry claims the city is facing a serious housing supply shortage.

\*The data provided by City West Water and Yarra Valley Water was aggregated at the suburb level and no individual properties were identified.

I would also like to acknowledge the work of my Age colleague Henrietta Cook in tracking down these vacant properties. (Disclaimer: I am an owner-occupier of a single-dwelling home in Melbourne's inner suburbs. I do not own any investment properties. I am not in the market to sell or buy)