

# The Housing Bubble and Lazy Land Use

By Karl Fitzgerald

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Consider for a second the national headlines if we had an 8 per cent unemployment rate or lo-and-behold a 4 per cent inflation rate. There would be widespread concern. But here we have a never ending housing bubble, and a 4.4 per cent vacancy rate. This is enough housing for at least 160,000 people. Inefficiently used. Wasted. Its akin to the unemployment rate for our most crucial resource.

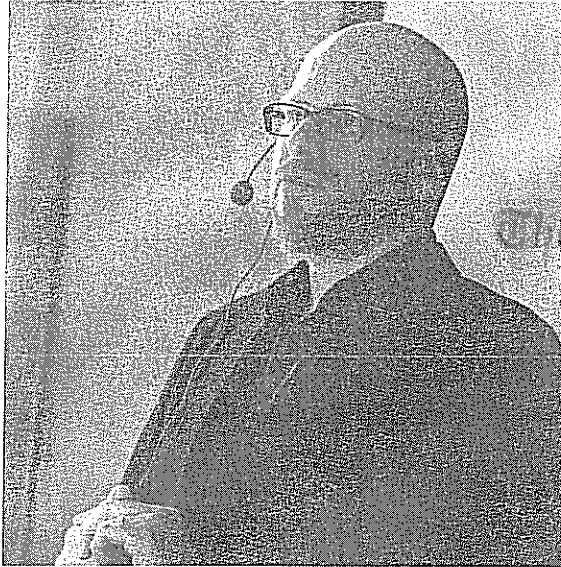
The locked out generations have endured 14 years of housing frustration since John Howard halved the capital gains tax rate and ushered in housing investment as a national past time. There seems to be no answer in sight. First Home Buyers have withered to 6.8 per cent of all housing loans in Sydney. Yet the media game is to blame the removal of the sellers' subsidy, the First Home Vendors grant. Little is said of the high price of land. Little is mentioned of the flat earth economics used to justify foreign investment. No matter how much money you invest, you can't create more land. It's bound to push prices up.

We all walk past dilapidated houses with over-flowing mailboxes and unkempt lawns. Rusted industrial sites. The perennial vacant shop plastered with rock posters. We have conditioned ourselves to ignore these wasted sites as an inevitable part of city living. But with housing supply such a prominent issue, perhaps it is time to look more closely at how many vacant homes there are before we sprawl any further.

The report defines vacant properties as using less than 50 litres of water a day on average over 12 months. Single person homes average 177 litres per day. Only 2 per cent of Melbournians have a water tank plumbed into the house.

In June 2012, 12,361 properties were available for lease in Melbourne. The report found 12,691 properties used zero litres of water for a full 12 months. But rents keep rising. What could doubling the amount of rental property do for affordability?

The tragedy for young people is that they now face the prospect of a lifetime of renting. Over \$50 billion is given to property investors in tax subsidies each year. Those on Newstart receive barely \$6 billion in welfare. Yet Federal Treasurer Joe Hockey talks about the age of entitlements. We ask, is it perfectly natural



Pictured: Karl Fitzgerald

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for those who already own property to receive such significant subsidies?

Our public policy encourages property speculators to hold property off the market, enforcing scarcity. Louis Christopher of SQM Research recently stated a 'staggering 17.6 per cent less property' is on Sydney's booming market than this time last year. The less on offer, the higher prices go.

Concern over vacant housing is rising. Both China and France are using electricity consumption as a proxy for vacancy. The Chinese found a staggering 65.4 million empty apartments in 2010 – a sure sign the global property ponzi game is alive and kicking.