

Ransford: Even Down Under, housing issues feel the same

Condos get smaller and smaller while government cautious of foreign investment in market

BY BOB RANSFORD, VANCOUVER SUN JULY 28, 2014



Melbourne is Australia's fastest growing city, with most of that growth being in the form of condominiums.

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I knew before I left for a visit to Australia that housing issues were going to factor as high on the public agenda there as they are in Canada. Little did I know that housing policy would be headline news.

Australia's economy is one quite similar to Canada's. Australians are experiencing the global economic influences emanating from Asia. Australia's big cities — like Sydney, where I'm visiting — are struggling to keep up with housing demand, with development constrained by geography just like Vancouver. Asian immigration and investment is also fuelling new housing demand.

Australia has taken steps to respond to the pressures of foreign demand for residential properties. **Foreign investment rules are in place that prohibit non-resident Australians from purchasing most existing residential real estate.** For example, a foreign resident can't purchase a home in the resale market. **However, no restrictions exist for the foreign ownership of newly constructed housing.**

This policy was designed while recognizing the need to increase Australia's housing stock and curtail growth in house prices in a housing market most admit is under-supplied. However, the policy is being reviewed by the Australian House of Representatives Standing Committee on Economics, which is inquiring into foreign investment in residential real estate.

Australia's Housing Industry Association recently made a submission to the parliamentary committee, arguing that the

policy that allows foreign investment in new housing, as opposed to existing housing, has provided an important source of demand for the residential construction industry and resulted in the construction of many homes that would not have been built had the industry been dependant on only domestic demand.

The industry association argues that building new homes that are bought by foreigners isn't just meeting the demand of foreign buyers. It's also supplying homes that wouldn't likely be built for domestic buyers.

Australia's homebuilders claim it is uncommon for foreign investors to leave properties vacant for extended periods and that foreign buyers aren't motivated by short-term speculation on dwelling price movements. Instead, they argue the majority of properties purchased by foreign investors are held as investments and buyers require returns commensurate with market rates. These returns are generated from rental income from renting homes to Australians.

But it is the type of homes being built and the reaction to this type of housing that is making headlines.

The first morning I arrived in Sydney, the headline news was about a draft policy document that will soon be released by the state of Victoria's planning minister banning small apartments. The Australian Financial Review newspaper published a story that claims the working draft of new Victorian Apartment Design Guidelines prepared by the office of the Victorian Government Architect will prohibit studio apartments less than 400 square feet and require that all one-bedroom units — "one bedders," as they call them in Australia — be at least 540 square feet.

Melbourne, Victoria's capital, is Australia's fastest growing city and most of its recent growth has been in the form of condominiums. The city's housing strategy boldly states that the high level of housing supply in Melbourne "isn't delivering a good housing mix and social diversity." It also claims that "investors have a dominant influence on the (lack of) housing mix and quality."

A senior adviser in the state government is quoted as saying the apartment design guidelines that will ban micro-apartments were drafted in consultation with the City of Melbourne. He said apartment quality is in decline because apartments are shrinking, common amenities in apartment buildings are disappearing and ventilation and daylight in many new flats are being compromised.

Together with the new minimum-size requirements will be standards that require direct sunlight for 90 per cent of apartments, restrict new buildings to less than 18 metres deep and require 20 per cent of floor space to be dedicated to communal space.

Housing industry representatives reacted with warnings that these draft guidelines, should they become law, will bring a screaming halt to the residential construction industry. The Australian Financial Review quoted the development and marketing head of developer Hengyi Australia as stating the policy would have a "massive impact" on the supply of new apartments.

The debate on TV news programs pitted developers against planners. The developers argue they are responding to market demand with micro-apartments in an evolving housing market, where people with changing lifestyles are adapting to living in smaller spaces. They also argue that larger apartments mean higher prices, with one-bedrooms expected to rise by \$40,000 if minimum-size standards are imposed.

Planners argue the housing that is being built isn't being designed for the people who are needing housing — primarily those with families — and small apartments are impractical.

All of this sounds so familiar, despite the fact that I write this while visiting a city on the other side of the Pacific.

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