

Property shortage hits crisis levels

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By Stuart Fagg, **ninemsn Money**

Australia is facing a property shortage crisis amid surging population growth and ineffectual government policies, experts have warned.

The National Housing Supply Council (NHSC) says the current gap between housing demand and supply has grown by 100,000 in the last 12 months and warns that Australian must build 300,000 new properties by 2014 to close the gap.



"There is a very, very substantial increase in population. It's just simply unmatched on the production side of the housing market," said Dr Donald Owen, NHSC chairman.

"It defies the laws of economics. It's not what should be happening in any well-run marketplace, but it's certainly what's happening in Australia and we need to understand a whole lot better why."

According to the NHSC's research, property supply was keeping pace with demand until 2005 when Australia's population began to increase rapidly.

The yawning gap between supply and demand is expected to continue to push property prices higher. Prices rose by 12.7 percent in the 12 months to February and further gains are expected despite a series of interest rate rises.

"The bottom-line is that the Reserve Bank can't solve the housing crisis by lifting interest rates," said Craig James, chief economist at CommSec.

"This only would serve to temporarily depress demand and reduce incentives for investors and developers to increase supply."

The NHSC, which was convened by the Federal Government but is an independent body, warned that all levels of government must work together to solve the problem saying "clarity about the roles and responsibilities of the different levels of government in the planning system is needed".

Mr James said the NHSC research, which was made public yesterday, shows that action is needed on the property shortage crisis now.

"The time for fine words and statements of intent has passed," he said.

"The latest report will also give the Federal Government more ammunition to press ahead with planning reform if state and territory governments continue to drag their heels in addressing the fundamental housing issues."

Dr Owen warned that even if supply is radically increased in the coming years, many families had already been priced out of the housing market.

"Even if the market responds to excess demand by increasing supply over time, it is unlikely to provide sufficient housing for people whose incomes are towards the bottom of the household income distribution," the report says.