



# Kids now hang on at home



## Lindsay Tanner

**A**RE you or your kids having trouble buying a house?

Housing prices have soared over the past five or six years, which is great news for those who already own their own homes.

It's not so great for those who don't because it makes buying a home that much harder.

The average home used to cost about four times the average wage. It's now about seven times that.

Rising interest rates haven't slowed housing price increases all that much.

So, people are paying record percentages of their income on their home loans.

The family income required to service the average mortgage on an ordinary home is now 2½ times what it was when John Howard was elected in 1996.

The Howard Government has cut funding for public housing and tried to blame state governments for not releasing enough land for new housing in the outer suburbs.

In March, the Prime Minister told Parliament work-

ing families had never been better off. A lot of young families struggling with the enormous cost of buying a home might disagree.

The causes of the problem are quite complex.

When interest rates went down, people simply bid up the price of houses.

With rises in interest rates, you might expect the reverse to happen.

It hasn't because of the vast amounts of money the mining boom is pumping into our economy.

Prime Minister Howard's promise at the last election to keep interest rates at record lows has a decidedly hollow ring to it.

Changing work patterns have affected prices too.

More women in the workforce means more two-income families, with more money for a mortgage.

House prices have gone through the roof in the inner suburbs in my electorate.

This is partly because of the growing number of professional couples who want to live near the city.

Higher immigration has increased the demand for housing generally.

It's a lot easier to get a housing loan these days.

Some people manage to borrow huge amounts with hardly any deposit.

Young people tend to settle down a lot later than they used to. Study, travel and casual relationships all mean that they're having kids and buying homes at a much older age.

That's why so many young people are still living with their parents.

Young people value their mobility and are not keen to tie themselves down by buying a home.

But there are still plenty of people struggling out there.

Their problem isn't buying a home, it's buying an appropriate home.

You can buy good homes cheaply in the Latrobe Valley, but that's not much help if you work in Coburg.

Housing decisions also reflect the price of petrol and the state of transport infrastructure.

People need to live within a reasonable distance from work. So what's the solution?

That's not easy. Some of the more popular suggestions could be counter-productive. Bigger subsidies to first-home buyers would tend to increase prices even

further because they are likely to use the extra cash to make a higher bid.

Releasing more land would have very limited impact on the overall market, but it could reduce the value of existing homes in the local area.

Increased investment in public housing would help a bit. Improving public transport in the outer suburbs would make a difference too.

Helping young families save for a deposit is worth considering.

**KEVIN** Rudd is convening a housing affordability summit in a few weeks to consider these issues.

He has raised some policy options for debate, such as low-tax housing savings accounts. Getting more private investment into housing, particularly from super funds, will also be on the agenda.

There is no quick fix, unfortunately, but housing affordability is a serious problem that we have got to tackle.

Unless you want your kids living with you until they're in their 40s, I suspect you will probably agree.

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