



Canberra Region
PO Box 297
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3 January 2004

Productivity Commission
LB 2, Collins St East
MELBOURNE VIC 8003

Attention: Ms Athena Wicks

Inquiry on First Home Ownership

This is a brief but, we believe, an important comment on the Commission's recently released discussion draft on this subject.

Section 4.2 of the draft, which deals with population and other demographic changes, concludes inter alia that population growth has not been a major driver of the recent national increase in housing prices. This conclusion appears to be based largely on the fact that overall population growth rates have not changed substantially in recent years.

This may well, however, underplay the importance of the land supply factor. In our submission of 14 September we had noted, among other things, the role of population growth in increasing the relative attractiveness of inner areas of our cities, as well as the significant increase in land values that have been occurring in outlying areas. The first in particular is clearly a significant influence in a large and expanding metropolis such as Sydney, and can also be seen at work here in Canberra, even though land

availability is much less of a problem and the population is growing at a substantially slower rate.

It is a reasonable assumption, we suggest, that the expectation of ongoing population growth fuelled by substantial net inward movements will impact on consumer assessments of likely future trends in real estate values. Such expectations would feed on, and into, a market which is already rising through other factors such as low interest rates and rising household incomes; and the longer such a market exists, the stronger its influence could be.

We recognise the difficulty in assessing the relative significance of such factors, but we suggest that the Commission's analysis will be deficient if it does not take them into account.

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