

# Social housing has 'dramatic' effect on house prices: analysis

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New research shows the 'dramatic' effect social housing can have on property prices. Photo: Rohan Thomson

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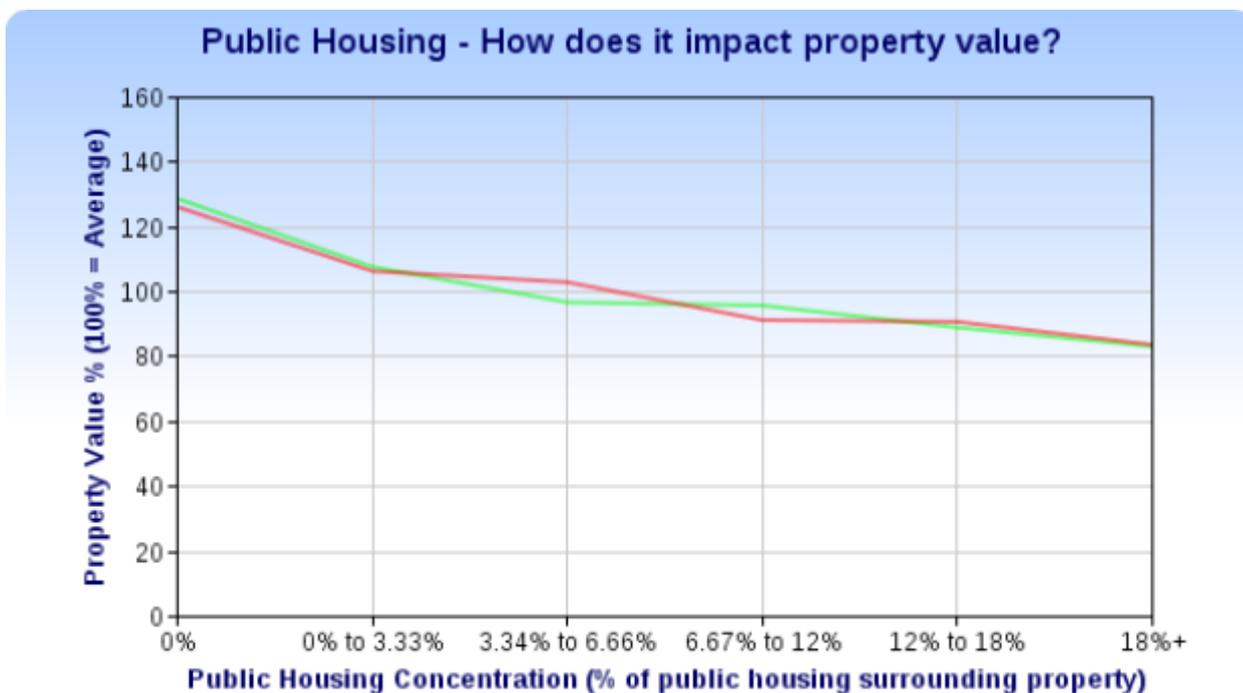
Homes next door to public housing can cost significantly less than other local properties offering a cheap way into the market, new national research shows.

On streets where 18 per cent of properties are public housing, properties are valued 20 per cent below the average rate of other streets with a lower proportion, an analysis of data from property valuation website ripehouse.com.au.

Streets where 12 per cent to 18 per cent of the homes are public housing see homes discounted by

around 10 per cent, Ripehouse.com.au founder Jacob Field said.

“Social housing has a dramatic effect on the demand for and the value of any property you are looking to purchase,” Mr Field said.



*Public*

*housing has a direct impact on property prices.* Source: Ripehouse.com.au

This may offer an opportunity for investors and home buyers to purchase at a discount and reap future capital gains in gentrifying locations.

“Owner occupier buyback initiatives in the past have delivered excellent growth outcomes within previously very dense public housing areas,” he said.

If the initiative did not proceed, there would be a risk the property would be left in an area with vacancy issues, low street appeal and lower rent or price growth, he said.

“An awareness of the concentration of social housing in a target street is critical when assessing what you should pay for a property and if that property may suit your risk profile,” Mr Field said.

Binvested’s Nathan Birch, who made his fortune purchasing in the once-overlooked public housing commission suburbs of western Sydney, agreed public housing affects a street’s property values.

“If you had an upper or middle class area with a public housing block in it, there would be a difference between those two markets,” he said.

“You might have one suburb with a public housing block on one side selling for \$200,000 and another part of town, which doesn’t have a public housing block selling for \$300,000,” he said.

He pointed to the Sydney suburbs of Balmain, Leichhardt, Redfern, Parramatta and Mount Druitt as areas with public housing that have proven to be profitable in the long-term.

“I’ve purchased ex-public housing properties, especially in the early days through picking up properties in Western Sydney as cheap as \$130,000, which are now worth up to half a million dollars,” he said.

In Melbourne, Secret Agent’s Paul Osborne undertook research in 2012 to consider the effect of public housing on property prices, looking at 1,116 house sales in Richmond.

He measured all property sales within 400 metres of a public housing estate, finding an increase of \$72,104 in price for every 100 metre increase in distance away from the estate. Many estates have **been redeveloped**.

“In general, the more concentrated the housing commission complex the bigger the potential impact on surrounding property,” Mr Osborne said.

While properties near the bigger towers had a “much lower” average price than others in the suburb, those near smaller low-rise development has less of an impact.

Social Housing Minister Brad Hazzard recently announced a **plan to raze NSW’s ageing estates** and sell them to developers under the proviso they create a mix of private and public homes.

The government said it would “ensure large redevelopments aim for a 70:30 ratio of private to social housing”.

Mr Osborne said socially it “might be a very good thing,” but could cause concerns for future buyers about the capital growth potential.

Domain Group chief economist Andrew Wilson said those marginalised from private housing needed to be supported by the provision of public housing.

“But the government needs to be mindful of creating harmonious neighbourhoods,” Dr Wilson said.

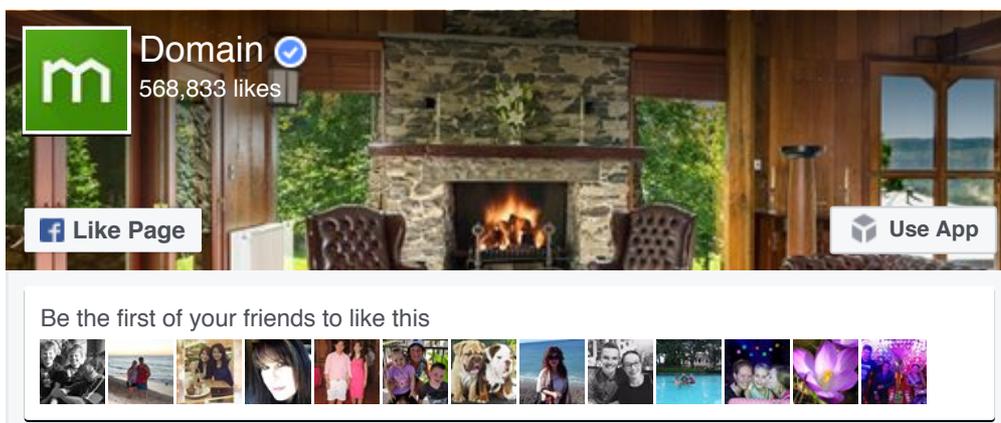
“The higher proportion of public housing, the higher the impact on property prices,” he said.

The Ripehouse research categorised each suburb based on its remoteness, using Australian Bureau of Statistics guidelines, compared to the latest actual public housing concentration data and updated certain areas manually where significant changes in public housing stock have been made.



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