Owner Occupation and Profit: The Creation and Capture of Value through Canberra’s Residential Property Market

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A thesis submitted for the degree of Doctor of Philosophy of the Australian National University.

January 1989
Declaration

Except where otherwise indicated
this thesis is my own work.

A.P. Beer
January 1989
Acknowledgements

Many people assisted in the completion of this thesis. I wish to acknowledge first the assistance and contribution of my supervisors, Colin Adrian, Blair Badeock, Ken Johnson and Chris Paris. The guidance, encouragement and criticism they provided was invaluable. A number of government officers made data available and assisted in its collection. I would like to make special mention of the help provided by Mr Bob Callagan of the National Capital Development Commission, Mr Peter Wydremen, Building Controller, ACT Office of Administration, and Mr Barry Raison, Valuation Branch, Australian Tax Office. It is not possible to mention the great many other people who also helped in numerous ways. Val Lyon of the Geography Department, Australian National University, was responsible for the cartography within this report. I wish to thank her for her professionalism and patience. Finally, I would like to thank Christine, Peggy and Josephine for their support.
Abstract

This study examines the material advantages attached to owner occupation in Canberra between 1962 and 1981. Canberra's housing market was used to review the debate on domestic property and land rent. A number of authors (Saunders, 1978, 1979; Pratt 1982) contend that ownership of residential property generates significant economic interests independent of production within society. Other researchers rejected this view and denied the significance of gains through housing (Edel, 1982; Edel, Sclar and Lauria, 1984). One of the first objectives of this thesis therefore was to ascertain the nature, size and origins of any benefits accrued through the ownership of housing.

The history of property ownership in nine suburbs was examined and the benefits associated with property ownership calculated. The study found that home purchasers in Canberra with bank finance were typically $32,000 better-off once their dwelling was sold. The level of benefits received varied according to socio-economic status. The largest gains were accrued by the owners of the most expensive dwellings. The rate of return on the household's capital, however, was not influenced by factors associated with social class or prestige. Market conditions determined the rate of return with the greatest percentage gains to households which purchased while the market was low and sold during a boom.

The receipt of benefits through housing reflected the history of real property within societies with a British legal heritage, Canberra's special development history and Australia's post-War housing system. It was concluded that explanations of housing-related benefits must recognise that land is property like any other. The commodity nature of housing is a function of the the importance of production and the conditions associated with the production of wealth in society. In addition, the market's role in the capture of benefits through housing must be accepted. Price fluctuations determine the nature and size of any gains collected.
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This thesis argues that Canberra’s residential property owners were able to capture part of the Commonwealth Government’s investment in the built form of the city. That is, they were able to collect a capital benefit from their housing that was a direct consequence of Commonwealth policies designed to promote the development of the national capital. This study links the discussion of the material benefits available through the ownership of housing with an empirical examination of Canberra’s housing market. There is a long history of academic debate over the nature and size of financial gains and losses accrued by owner occupants. A considerable proportion of that discussion has taken place in the absence of reliable evidence. The major arguments within the literature are reviewed with reference to the material positions of owner occupants in Canberra.

Dwelling histories in nine suburbs were examined for the years 1962 to 1981 to assess the nature, distribution and size of gains received through housing. The study found that property owners received, on average, a benefit of $32,000 (1981) over five years. The gains were attributed to three major sources. Firstly, Canberra’s residents benefited from the government’s expenditure on the physical infrastructure of the city. The Commonwealth spent $3.2 billion ($1981) on public works and infrastructure between 1958 and 1981. Public construction contributed to the creation of a residential property market with a net value of $1.1 billion in 1981. Property owners received the capitalised value of public investment within the market price of their dwellings. Secondly, the material position of residential property owners in Canberra was advanced by direct subsidies that arose from policies intended to facilitate Canberra’s growth. These subventions were associated with the leasehold system of land tenure, the sale of land and government dwellings at discounted prices, as well as the provision of inexpensive government loans to home buyers. The nature of housing finance in Australia was the third major contributor to the benefit received by home owners. The erosion of the capital borrowed from banks and building societies by inflation was of considerable significance.

The outcomes and events studied here must be viewed within the context of Australia’s
housing system and past. Profiting from land and housing has a long history. Australia’s development was punctuated by a series of land booms, a reflection of the belief that real estate was always a sound investment (Cannon, 1966; Sandercock, 1975). Popular expectations and attitudes concerning the merit of land and housing as an investment were reinforced by government policies encouraging home ownership. Since the Second World War, home owners and home purchasers throughout Australia have enjoyed a range of government subsidies such as restricted home loan interest rates, the tax deductability of certain local government charges, first home owner assistance and the non-taxation of imputed rent.\(^1\) These policies and programs saw owner occupation become the dominant tenure in the post-War period. Owner occupation peaked at the 1966 Census with 72 per cent of all households owning or purchasing their dwellings.

Processes and institutions particular to Canberra contributed significantly to the benefit received by property owners. Owner occupants in Canberra had access to the housing concessions available across Australia but received also a number of benefits associated with Canberra’s development as the national capital. In detail, Canberra’s home owners profited from policies intended to facilitate the growth of the capital and the unexpected consequences of that growth. Canberra grew considerably over the 20 years of this study and the value represented by its property market expanded enormously. Canberra’s housing system was transformed between 1962 and 1981. Public sector domination was replaced by a private housing market that exhibited many features found elsewhere in Australia. The number of households who owned or were purchasing their home grew from 4,400 at the 1961 Census to 60,460 in 1981. The Commonwealth continued to undertake substantial capital investment within the city while private property rights were being expanded.

This study is concerned principally with the distinctive features and history of Canberra’s residential property market. Many of the processes examined here operate within the property markets of other cities. Public sector investment in the physical infrastructure of cities creates a financial resource to which individuals and households can gain access through real property. Canberra’s development has demonstrated this capacity unequivocally. Residential property owners have received special benefits associated with Canberra’s development as the national capital. They have been able to capture part of the Commonwealth’s investment in its capital within the resale price of their properties. The relationship between rises in the value of residential property and government investment is more difficult to observe in other urban centres but nonetheless remains. Similarly, the importance of property rights in land, and all the social conditions associated with land ownership, can be seen in clearer perspective within Canberra.
1.1. Value Within the Built Environment

'Central to both Harvey’s and Walker’s analysis is the process of accumulation and the role of the built environment as a container of value and a source of profit - a position which cannot be denied but which requires substantial amplification before it takes on any meaning in particular circumstances' (Williams 1984a, p 44, emphasis added.)

The capital resource represented by the built form of the city has been one of the most important focii within the materialist view of urban studies. The processes embedded within residential property markets have created a considerable store of value. A substantial body of research has addressed the politics of conflicts over access and entitlements to this resource (for example, Saunders, 1979, 1981; Silburn, 1975; Sandercock, 1975). Other authors, such as Harvey (1973, 1976), examined the manner in which investment in the built form of the city interacts with the other economic spheres. A third strand of research emphasised the impact of the differential distribution of real property on the quality of life enjoyed by individuals (Badcock, 1984; Thorns, 1981; Sretton, 1970). There are, therefore, a number of issues to be dealt with in the 'amplification' of the built environment’s role as a container of value. Our investigations must begin with an understanding of the processes which shape land and housing markets. It must recognise the significance of urban property markets and the processes that have produced that store of wealth.

The ability to benefit from the ownership of residential property is chiefly a consequence of the land component within housing. Value tends to lie in land rather than the dwelling itself. Rises in the price of established dwellings are due generally to changes in the value of the land rather than any increase in the net worth of the structure. Houses and flats can usually be replaced quite easily. Land, as a site and as a location that enables access to a set of resources within the environment, displays monopoly characteristics that cannot be substituted. Each parcel of land confers monopoly privileges over a portion of the earth’s surface. Only in exceptional cases are additions and renovations, or changes in the desirability of a dwelling style, responsible directly for major increases in a dwelling’s worth.

Property markets are an important component of society: they are a significant part of the economy and exert a weighty influence on the welfare of individuals. A sizeable proportion of the nation’s wealth is tied up in real estate. Scott (1986) estimated that 17 per cent of Australia’s net worth in 1956 was made up as land holdings, although a proportion would have been agricultural land. More current figures were not available but is reasonable to assume that that proportion would have risen.

Real estate has been a significant arena of investment for a number of reasons. Firstly, adequate housing is a basic need and requires at least a basic level of funding. The investment
designed to meet the demand for shelter has been boosted by government policies and cultural practices which have raised the level of housing enjoyed by most Australians. Secondly, real estate is an important area of economic activity. Flood and Yates (1987) estimated that dwelling construction, fabrication and related industries comprised nearly ten per cent of all economic activity in 1984. The high level of investment in housing would have had an impact on the land market. Scott (1986) estimated that the value of capital city land in Australia (excluding Canberra) in 1979/80 was $45 billion out of a national total land value of $65 billion. Although Scott was unable to make an estimate, it is reasonable to assume a large percentage of the capital city total would have been residential land. Even commercial and industrial investment would have influenced dwelling prices by adding to the quantity of desired goods, services and work opportunities within the city.

Value is central to the operation of property markets. It is created (or destroyed) by investment (or disinvestment) within its component parts. Labour and capital both can be considered as forms of investment within the property market as each can produce improvements that enhance the desirability of a site. Institutions mediate the movement of value into and out of property markets. These institutions take a number of forms: the market for real property, the set of rights in land and the operation of agencies such as business or government, can all be considered institutions. Institutions guide and define society's involvement with real property. Property markets are the product of the interaction between the physical qualities of land and its social or institutional dimension. Land's permanence, immobility and spatial attributes, create a value field within cities that shapes its physical form and sets the conditions for new waves of investment activity.

The definition of value within property markets presents substantial difficulties. Even the valuation profession, who one would imagine would be pre-occupied with this issue, has difficulty defining what precisely it is that they assess. Value is neither concrete nor readily observed. Price is indicative of one aspect of value but may be distorted by a range of influences, including the state of the market or imperfect knowledge. The definition of value depends largely upon the perspective of the individual. The Marxist, neo-classical economic and liberal political economy research traditions have differing views of value within property markets. Their observations are parallel but their conclusions are opposed. Despite these differences, two common insights can be found. Firstly, value within property markets is a product of human activity. Society creates value within land. Secondly, there are at least two commonly recognised components to value within property markets. Land has both a use and an exchange component, although the separation of use and exchange value is far easier in concept than in reality.
Marxist analysis recognises three types of value which can be applied to land: use value, exchange value and value. Use value refers to the manner in which an item satisfies human wants or needs. The exchange value is the measure of the commodity’s worth within the marketplace and is usually expressed in money terms as a price. The last corresponds to the socially necessary labour time required to produce a particular commodity. Marxist approaches to value in land integrate the economics of real property with wider society by treating it as a form of fictitious capital (Harvey, 1982).

Raw land does not correspond to the normal processes governing commodity exchange as it is a 'commodity form'; it commands a price but has no value (Harvey, 1982). Labour is embedded in developed residential land. Lots must be serviced with sewerage, roads, electricity and water; all of which contribute to the purchase price of a suburban block. This component within the price of land can be seen to decline over time. The value of improvements is realised gradually over the period of occupation or use. The capacity of real property to command a ‘rent’ is of far greater importance. Land in its natural state is not a product of human labour yet it can command a price. Even the price of developed land can rise (or fall) without any change to the value embodied in its physical attributes. Instead, land prices move in response to the anticipated revenues or benefits that a site may offer and those expected advantages are shaped by a wide range of influences. Real property provides owners with a lien on future benefits which is capitalised into its exchange value. Changes to the anticipated stream of benefits may alter the price of a site.

Marxist approaches to value within land paid little attention to processes of exchange. Distributional issues have not been precluded from consideration, instead they have been ignored. The production-based perspective central to Marxism has presented difficulties for research on housing markets. Too much is embodied within the concept of fictitious capital to provide much scope for a realistic analysis of the processes that establish land and dwelling prices in the short term. The immediate causes of price movements will determine which residential property owners benefit and how.

Research on residential property markets from within the neo-classical and liberal traditions has focussed upon the ways in which land and dwelling prices fluctuate. Each dwelling and each parcel of land is considered to offer a bundle of goods and services which determine its value within the market (Neutze, 1981). Housing is seen to provide a unit of housing service of greater or lesser quality and therefore price (Olsen, 1969). The concept of units of housing service incorporates location, size of dwelling, age and style of dwelling, as well as social prestige or cachet. Within this perspective, value is embodied in the market and has no overt
association with external social processes. The physical characteristics of the site and any erected structure will be one influence on price. The size of the dwelling, the location of the block or the view it may afford, may enhance the value of a property. The worth of a property will be affected by the state of the market. A number of authors have noted that, in the short term at least, land costs are determined more by demand than the costs of production (Ball, 1986; Cardew, 1979 and 1985). Prices will rise if the demand for housing exceeds the number of properties available for purchase. Individual dwellings released onto the market under these conditions will sell at higher prices.

The liberal tradition of urban analysis has paid greater attention to the spatial and institutional influences on residential property markets than Marxism and positivist economics. It has adopted concepts and terminology from both perspectives. Generally, it has recognised both use and exchange values and emphasised the set of observable associations between land prices and general social processes. Some of its most useful insights have focussed upon the importance of spatial relationships. Land values fluctuate as a result of ‘neighbourhood effects’ (Badcock, 1984) or investment in what economists label ‘public goods’ (Flood, 1984). Dwelling prices incorporate a site cost reflecting the desirability of that location. That desirability is influenced by, outside factors which impinge upon the property under consideration. Urban property markets are characterised by a high degree of interconnection between activities and locations. Real estate prices are affected by the surrounding conditions and changes to the quality or character of the local environment may improve or influence adversely the value of a dwelling (Badcock, 1984). Improvements in the quality of the surrounding neighbourhood can, therefore, raise property values.

Housing is a special form of real estate. The social and physical characteristics of housing obscure the movement of value into and out of that market. Housing presents a number of challenges for research because it is exchanged relatively rarely and is neither solely a commodity for immediate consumption nor a factor of production. While it is the land component which can be seen to increase in worth, the nature of housing as a good within society has had a profound influence also. Harvey (1973, p154) argued housing provides

1. ‘shelter;
2. a quantity of space for exclusive use by the occupants;
3. privacy;
4. a relative location which is accessible to work places, retail opportunities, social services, family and friends, and so on (this includes the possibility for place of work etc., to be actually in the house);
5. a relative location which is proximate to sources of pollution, areas of congestion, sources of crime and hazard, people viewed with distaste and so on;
6. a neighbourhood location which has physical, social and symbolic (status) characteristics; and,
7. a means for storing and enhancing wealth.

The multi-faceted nature of housing makes it difficult to dissect prices and determine how a dwelling's value is comprised. In addition, the value component of housing is expressed in a variety of ways, some of which are not articulated directly through exchange processes. There is no difference in the benefit obtained from the use of a dwelling by a tenant who pays rent and a home owner who does not.

Most analyses of the transfer of value through residential property markets address movements in dwelling prices alone. In many cases quite unsophisticated approaches have been adopted. At the level of everyday life, there is a belief that dwelling prices always rise and that 'bricks and mortar' are an unparalleled form of investment. This view has been encouraged by the real estate industry and is based largely on rises in the apparent price of housing, without allowance for inflation. A great deal of academic research has advanced little further. Badcock (forthcoming) noted that most attempts to examine the ability of residential property owners to benefit from their housing have paid insufficient attention to the processes of value creation. It has been assumed the greatest gains have been reaped by the owners of more expensive properties (Thorns, 1981). Badcock's data questioned the validity of this assumption. Some of the greatest gains in the capital value of dwellings in his examination of the residential property market in Adelaide, South Australia, were received in modestly-priced outer suburbs. He attributed this feature to investment in the physical infrastructure of these areas. Badcock argued that attempts to estimate potential gains through housing must take special note of the processes of investment and disinvestment within the built form of the city.

The emphasis on capital gains has resulted in a distorted perception both of the capacity of residential property owners to benefit from housing and the mechanisms through which those benefits accrue. Previous attempts to estimate the material gains through housing have been based on simplistic premises. It has been assumed explicitly that all gains in the price of a dwelling flow back to the owner and, implicitly, that these gains represent the only form of capital benefit. Under this argument, the rise in the value of a house from $70,000 to $80,000 in real terms would have resulted in a capital gain of $10,000. Normally this would not have been the case in Australia. The dwelling almost certainly would have been purchased with a loan and the true capital benefit received by the owner would have been a function of any adjustments to the dwelling's price, the increase in the owner's share of the capital, mortgage repayments, transaction costs, tax advantages and so on. Clearly, price rises do not equate simply with the benefits available through housing. Factors associated with residential property ownership must also be considered.
The flow of both use and exchange values must be appreciated when discussing the benefits available through housing. Residential property owners receive a return on their investment in housing comprised both of a capital shift due to any movement in the value of their property and a revenue based on the right to occupy that dwelling. The latter is received as a payment of rent by landlords and a benefit in kind by owner occupants. The importance of imputed rent is not diminished by the fact that it does not involve the transfer of money. The capital benefits and the revenues received from a dwelling are related but separable. Their respective contributions to the welfare of the property owner will vary with the period of ownership, the site's potential for development for other purposes and the short term state of the market. Both are important to any attempt to understand how value is represented and created within residential property. Realistic attempts to measure the benefits available through real property must also recognise the use value of housing. Accommodation is a benefit, whether it is basic shelter or luxurious consumption. An outright home owner who makes no gain, or even a slight loss, on the sale of his/her dwelling in all probability experienced far lower housing costs than a tenant on an equal income.

1.2. Rights in Real Property

The history of residential property ownership in Canberra has demonstrated clearly that at the most fundamental level the ability to benefit from the ownership of housing is determined by the organisation and regulation of real property rights. Residential property *per se* does not result in material benefits. The ability to appropriate part of the flow of value through land and housing markets is contingent upon the legal entitlements associated with the institution of real property. Those entitlements are a function both of the history of land ownership in societies with a British heritage and the integrating role played by property in general.

Property rights in land have provided the link between the physical entity and the capitalist social structure. The system of land tenure has allowed builders to develop housing for a profit, made land a desirable form of security for financial institutions and allowed residents to benefit from their housing. Put simply, capitalist institutions would not invest in land and housing in the absence of 'normal' commodity relations. Land, however, is not a typical commodity. Its physical properties and importance within society have allowed some persons to benefit from their ownership and influenced the evolution of housing systems.

Real estate is treated by Australian society as property, like any other good or marketable service. Commodity relationships have determined the general relations affecting real property despite the complications presented by the physical attributes of land. Its nature and exchange are influenced by the general relations affecting property. Positivist economics has
incorporated the importance of ownership into general theory. Products or factors of production must be capable of ownership. Material elements or phenomena for which ownership cannot be established, do not have a market value. No individual owns the air we breathe, nor is it possible for any person, or group of persons, to claim possession of the atmosphere and make a charge for its use (Turner, 1977). Property is one of the fundamental institutions within social life. It provides a link between the economic, legal and political systems and binds together material relationships within society (Reeve, 1986).

Macpherson (1973, 1978 and 1980) attempted to define the common features of property. He argued that property can be identified as individually held, state created rights. Macpherson, along with other authors, contended that property is a right not a thing, that it is an individual right and that it is a right which is enforceable by the state (Reeve, 1986). The institution of private property, therefore, presupposes both the state and the individual within society and reflects the relationship between the two. More specifically, the institution of private property reflects the society which gives it particular form. History has demonstrated that property as a feature of society can be altered in response to economic and political requirements. As a right property is infinitely divisible, a number of parties can hold rights with respect to a single good. More than one person can be seen to ‘own’ an item within the eyes of the law as they may hold proprietary control over different rights. Property can also be transferred through exchange, grant or gift and inheritance.

Land ownership conforms with the general nature of the institution of private property but also exhibits important and unusual features. The physical attributes of land have contributed to its unique position within the legal system. Land is an obvious form of property with a high degree of security. Owners may be displaced by war or political conflict but the land itself remains. Land can bestow a range of benefits relating to its use and exchange. It can be used for more than one purpose at a time and future benefits can be capitalised into a price. Land can be leased and rights can be sold in whole or in part. In addition, Reeve (1986) noted that land provides the geographical dimension to political units and is therefore important to the public, as well as private, interests. Land is such a complex good that it automatically engenders a diversity of interests ranging from the right of access or use, to the ability to dispose of that property.

The special characteristics associated with the ownership of land are at least partly attributable to the legacies of British feudal society. English legal and political history has played an important role in shaping how land is considered. Before the rise of capitalism land was the most important form of property. English law distinguished between the ownership of
land, real property, and rights over other goods, personal property (Reeve, 1986). This distinction was reflected in a number of legal practices. The difference between real property and chattels was reproduced in the separation of will and testament. Rights over the possession of land were enforced under the laws of ejectment whereas the laws of trover applied to personal property (Aylmer, 1980; Reeve, 1980). The monarch held all rights in land following the Norman conquest. All other persons enjoyed privileges associated with land at the Crown's forbearance and on the understanding that they would meet certain conditions, such as military duty in the case of knight service, or the payment of monies if the land was held under socage (Turner, 1977). These forms of tenure recognised and emphasised that landed property consisted of a series of separable rights and obligations. They also matched feudal life with its system of communal life and ties between peasant and aristocrat.

Property within British society changed over time and some of the most important changes occurred with respect to the organisation of rights over land. Macpherson (1978) argued that property was first treated as a thing and not a right during the seventeenth century. The previous system of limited rights in land and other valuable objects was replaced by virtually unlimited rights. The rights of the King with respect to land were a sensitive political issue around the Civil War. Royal feudal rights were abolished by the long Parliament (Aylmer, 1980). Macpherson attributed this change to the emergence of the capitalist market economy. He also argued that property became individualised. Private property, which he defined as the right to exclude others from the benefit and use of an item, developed into a dominant position while common property, treated as an individual's right not to be excluded from something, diminished (Reeve, 1986).

The concept of absolute individual ownership emerged in the seventeenth and eighteenth centuries from the legal interpretation which took 'greatest interest' to mean ownership. These changes had a profound impact on the institution of private property in land. The demise of the common lands and the associated enclosure movement in Britain reflected the new paramount position of individual ownership. Other changes in legal interpretations also affected landed property rights. Aylmer (1980) argued that the extension of the powers of testamentary disposition in the sixteenth and seventeenth centuries eroded the distinction between real and personal property. The practice of entailing land arose partly to remove the power of beneficiaries to divest themselves of land in favour of some other form of capital.

By 1788, when Europeans first invaded Australia and founded the colony of NSW, the treatment of land under British law had become very similar to that of other forms of property. The Crown held all land in the colonies under right of conquest. Estates of various sizes were
granted quickly to settlers, ex-convicts and servants of the government. Freehold became the most significant form of tenure. Owners held proprietary rights in perpetuity which enabled them to,

'...develop, sell, transfer or create lesser interests in his land without the consent of any other person' (Turner, 1977, p25).

Freehold consisted of a series of rights rather than absolute sovereignty despite the apparent unlimited powers in land to which Turner (1977) referred. The physical and social characteristics of land meant that the strict interpretation of ownership as a set of rights remained. The Crown reserved certain rights upon the release of land. Agricultural land holders did not obtain the right to extract mineral resources upon the purchase of freehold. In addition, the uses to which land is put has always been an area of public interest or, at the very least, concern. To use a contemporary example, planning legislation has limited the individual's right to develop a property as they wish. Governments would also be concerned at a land owner's intention to sell their property to a foreign power.

The institution of property hinges upon the relationship between the state and the individual. Property is a right which is enforceable by the power of the governing authority. Real property held formerly a special position within the British legal system because of its importance to agricultural production. Its special status was reduced with the rise of mercantile capitalism as other goods and property took on greater significance within society. The nature of real property was altered in response to powerful economic and political forces. As with most other forms of property, the physical manifestation was confused with the legal right. Freehold tenure granted apparently unlimited powers over land including the right both to use and exchange values. Real property is best considered a set of socially-defined relationships which bind land to the economy.

1.3. The Analysis of Housing and Property

The social organisation of property rights in land has been but one part of a wider set of processes involved in the production of housing. Many authors have argued that housing within any area should be considered a system, produced by a discrete set of social relations (Ball, 1983; Dickens, et al. 1985; Kendig, Paris and Anderton, 1987; Murie, Niner and Watson, 1976). By this the authors have meant that the examination of housing issues should encompass the total set of demographic, economic and political factors that have shaped the housing system. Ball (1983) labelled the body of processes controlling the production and consumption of housing the "structure of housing provision". He argued that the social relations which underlie the manner in which accommodation is provided and occupied, creates an overarching structure with a determinant influence on all aspects of the housing
system. A range of influences were considered important. Local, national and international factors influence the supply of, and demand for, housing. Importantly, the structure of housing provision includes both the structural mechanisms of capitalism and the distinctive features of localities. Within this perspective, the needs and dynamics of capitalism have to be considered alongside those influences unique and special to the housing system under study. As Dickens et al (1985 p2) commented,

'...we must accept that social structures are both the medium and outcome of social practices; both structural and 'practical' must be considered in explaining social forms and understanding how they change. Capitalism has both a geography and a history. But, similarly, geography and history are created through capitalism. And the same holds for housing provision.'

The term ‘structures of housing provision’ refers to the set of social relations between the agents involved in the production and consumption of housing. It is a methodological perspective which can be used to address particular tenures, types of structure or other specific issue. Importantly, it is a holistic approach which seeks deliberately to draw insights from general theory for the analysis of specific questions.

Dickens et al (1985) adopted a realist epistemology. This philosophy of knowledge emphasised the importance of interpretation and the examination of causation. Proof of the validity of an argument is grounded in its contribution to current debates and its ability to precipitate fresh research (Chouniard et al 1984). Locality research has tended to be associated with the realist view of knowledge (Cooke, 1987). The realist philosophy has provided more latitude and scope for empirically informed research than structuralist Marxism although it must still attend to the ‘protocols of theory’ (Gregory, 1978). Significantly, not all phenomena need to be interpreted in terms of ‘grand theory’. The conceptual division of processes is used to inform the analysis rather than create a strait-jacket to limit enquiry. Realist approaches have attempted to avoid the blinkered view associated with many of the Marxist approaches based around the works of Althusser (Duncan, 1983).

Ball (1983) outlined the advantages of an approach based on the ‘structures of housing provision’ with respect to owner occupation. He argued an adequate approach to the emergence of owner occupation as the dominant tenure in Britain must take account of the multiplicity of factors associated with housing. The structure of the building industry, housing finance, real property rights, the nature and level of demand and government interventions within the housing system must all be considered. The structures of housing provision has exhibited four advantages for interpretative purposes. Firstly, it has emphasised the importance of examining all factors associated with the housing feature under study. Secondly, it has highlighted the significance of the variables which produce housing outcomes and thereby shifted the focus of many issues away from a limited analysis of consumption patterns. Thirdly, it has stressed the
importance of the connections between the actors involved within a particular housing situation. Finally, it has related discrete topics of study to the wider issue of process within society.

Dickens et al (1985) examined the relative contributions of structural and area-specific factors to the creation of distinct housing environments. All housing was seen to be a product of these two types of influence. They argued that we cannot hope to read empirical events out of abstract theory. We can, however, undertake case studies which can be used as ‘signposts’ on how the interaction between structures and practices can be understood. The authors compared housing in a number of sites in Britain with case studies within Sweden in order to demonstrate the interaction between the two levels of causation. Importantly, structure and practice are considered to be within a single interactive framework. Generative mechanisms derived from theory are seen to establish causal chains which, combined with contingent relations and other effects, can explain empirical events. Both the structural and the practical level contribute to housing outcomes and local processes can negate or contradict structural influence.

The literature on localities must be approached with a measure of caution. There has been considerable debate over the role of ‘locality’ or ‘local’ studies (see Urry, 1987; Cooke, 1987). The importance of ‘local’ factors for housing systems is open to question as many regions exhibit a version on a theme rather than quantitative differences. The international literature on housing is possible because there are so many parallels between capitalist nations. Dickens et al argued that localities can be identified where spatially-delimited social processes exert an active influence on the development of the housing system. Given that position it must be recognised that while there is no shortage of local factors their significance is open to question. For example, do the differences the New South Wales and South Australian State Governments constitute a spatially-defined social processes? Or is it the case that structure of housing provision under capitalism exerts such an overarching influence that local conditions are of limited significance? In many instances it will be the latter case. Discrete regional influences must be catalogued if a local structure of housing provision is to be identified.

To understand the outcomes of a housing system we must comprehend the causative mechanisms which produced it. If that housing system is a locality, two structures of housing provision must be understood, the national and the local. The sets of national and local processes influencing housing must be considered separately as they will have responded to different dynamics and will have been expressed in different ways. In many cases national and local practices will have had an internal logic which was developed partly in isolation and partly in response to the other geographic level.
1.3.1. The Impact of Residential Property on Housing Systems

The institution of real property has had an essential influence on the production of housing under capitalism. Real property rights were only one part of the structure of housing provision but they have performed an important role, binding land to commodity exchange in general. In this respect, the system of residential property rights has had a structuring influence on housing systems. Everyone who requires accommodation within capitalist societies is affected by the commodity nature of residential property. Material relations with respect to land are all pervasive, determining both access to housing and popular attitudes to investment in this arena. Property rights have had a structural influence in that they have established land and housing within capitalist society. Property laws and practices have been important in our day-to-day experience of housing. They have determined which persons receive benefits, how and to what value. The contribution of rights in land to the development of the housing systems under study must therefore be considered in detail in order to elucidate both structural and apparent effects.

Property relations in land have had a considerable influence on housing in Australia (Cannon, 1966). Daly (1982) examined the history of Sydney’s property market in his book ‘Sydney Boom, Sydney Bust’. He traced the history of speculation in real property and paid special attention to the boom in the prices of residential land during the 1970s. That market became so over-heated and so dependant on speculative investment that many individuals and corporations faced financial ruin when the market collapsed. White-collar workers on modest incomes established hundreds of thousands of dollars worth of commitments in housing. They believed that they would receive a speculative gain from land holding. The frenzied activity within Sydney’s land market reflected general attitudes to property within Australia. Crucially, Daly (1982) concluded that land booms and busts arose because real property was considered to be an investment like any other, regardless of its special features; that it was the materialist ethic which lay at the heart of the speculative activity that he documented. The institution of private property exposes land to the pitfalls and problems of market processes by linking land to capitalist society in general.

Real property and the laws governing its exchange are an inescapable feature of modern life. They exert a powerful influence on all members of society. Shelter is a basic human requirement and cannot be satisfied in capitalist societies without confronting property relations of some sort. All land has an owner, albeit the state in the last instance. Everyone who requires accommodation is affected by property rights. The ability to obtain housing is determined partly by the cost of land regardless of tenure. Rising land prices result in higher
purchase costs for owner occupiers and higher rents for private tenants. Even public housing is affected. Government authorities are forced to produce fewer units of public accommodation if land prices increase.

1.3.2. The Structure of Housing Provision in Canberra

Canberra is a ‘locality’ with respect to the structures of housing provision (Dickens et al, 1985). The locality-specific factors which moulded housing in the ACT were largely a function of the distinctive political/administrative system. They gave rise to a distinctive system of housing production and consumption characterised by dependence on the public sector. Canberra was affected also by processes common throughout Australia. Housing in Canberra during the period of this study can be considered a locality because government authorities had a profound impact on all facets of housing provision and consumption. The leasehold system of land tenure altered commodity relationships in real property and discouraged private initiatives in housing provision. Commonwealth Government bodies determined largely the nature of housing in the national capital.

Canberra’s housing is the product both of general structural influences and recognisable local processes. The legislative arrangements governing land tenure in the ACT have demonstrated the structural role of property rights in land. Canberra’s housing system can also be seen to have arisen because of discrete social relations influencing the supply of, and the demand for, housing. Two structures of housing provision must be considered within this study. Distinct social processes influenced the supply and consumption of housing at both the national and the local level. Nationally, demographic and economic growth resulted in the expansion of Australia’s housing system after the Second World War. The expansion of suburban life based on the detached bungalow occurred in conjunction with the growth of owner occupation, principally through changes to the system of housing finance which facilitated home purchase. Government policies and programs also encouraged this form of housing consumption. At the local level, Canberrans depended on the government to provide housing in the immediate post-war years and expansion was limited. The Commonwealth Government continued to play an important, but diminishing, role throughout the 1960s and 1970s.

The history of residential property ownership in Canberra has highlighted the importance of structural influences on local housing systems. A leasehold system of land tenure was introduced into the ACT by the first Federal Parliaments in the belief that the Commonwealth would be able to reserve certain property rights for itself and by doing so, recapture its investment in the city. The government isolated Canberra’s built environment from the general economy through its reservation of property rights. Other factors also acted to limit the flow of
private funds into the ACT. Leasehold, however, was a significant impediment for at least some individuals and institutions. Leasehold was inimical to the capitalist conception of property. Subsequent political pressure resulted in the demise of leasehold. The relevant legislation was amended because of agitation for change from lessees and as a result of the Commonwealth Government's desire to stimulate private investment in the capital. The return of normal commodity relations facilitated investment in land and housing. A series of amendments to the leasehold legislation reinstated de jure residential property to a legal position comparable with freehold. Other government practices, however, already had instigated changes in which land was treated de facto as a freely exchangeable commodity.

Canberra has had a distinctive housing history. Its role as the national capital and its relative isolation from other urban centres meant that the Commonwealth Government played a pivotal role in its development. Many of the factors controlling the supply of housing in the Australian Capital Territory were associated with Canberra's special position as the national capital. For many years the Commonwealth Government provided inexpensive rental accommodation to attract public servants to the 'bush capital' (Paul, 1983). The leasehold system of land tenure and the Commonwealth's role of principle employer also constituted unusual conditions.

National trends, policies and programs had a substantial impact on the evolution of Canberra's housing system. The housing system in Canberra did not develop in isolation. Both public and private funds were available for the development of the capital during the periods in which Australia's economy was buoyant. Canberra experienced slow growth, and even decline, in more stringent times. Canberra's residents shared in Australia's prosperity in the 'long-boom' in the 30 years after World War Two, with a commensurate rise in disposable income available for investment in housing. Nation-wide shifts in housing production and consumption had a more direct effect. Inexpensive and freely available home loans made owner purchase in Canberra increasingly attractive during the 1960s and 1970s. In many cases locally initiated programs complemented the outcomes of national policies. The authorities responsible for the administration of the ACT encouraged home ownership in Canberra; at the same time that national programs were also assisting entry into owner occupation.

The special character of Canberra's housing system diminished steadily over time. In the 1940s most housing in Canberra was rented from the Commonwealth Government, owner occupation was uncommon and hostel accommodation was an important component of the local housing situation. The leasehold system of land tenure ensured that the government was an important agent even in privately developed housing. By the early 1980s the direct importance of the public sector for the provision of housing had declined sharply. Owner
occupation was close to the national average, due mainly to the high rate of owner purchase (Adrian et al., 1986). The role of hostels as a significant form of accommodation for new arrivals diminished. The nature of public housing had also changed. Until the mid-1970s public housing had served largely as a means of accommodating Commonwealth employees who had either not yet had a chance to purchase a dwelling, or declined to do so. In the 1970s demographic change and Canberra's sagging economy resulted in public housing evolving into welfare housing (Paul, 1983).

Canberra's housing system lost many of its distinctive attributes because of changes to the Commonwealth Government's role. From the early 1960s the National Capital Development Commission (NCDC) reduced purposefully the direct influence of the public sector and emphasised private housing development. The private sector grew as the direct influence of the Commonwealth administration waned. In addition, leasehold became a diminishing force as land values outstripped annual rents. Land rents established in the 1940s and 1950s did not reflect the true value of land during the 1960s. The growth of private interests and the failure of leasehold to deal adequately with Canberra's growing urban system permitted owner occupants to capture the pool of value constituted by Canberra's land market.

1.4. Conclusion

Property owners in Canberra benefited from their housing because ownership gave them proprietary rights over an asset whose value rose. The benefits received through housing were the consequence of a complex and inter-related set of processes that included the demise of the leasehold system of land tenure, the expansion of owner occupation in the ACT, national economic growth and the transfer of the Commonwealth Public Service to Canberra. At the most fundamental level, the material advantage they received was firstly a function of the land market processes that create value within property markets and secondly, a reflection of the system of property rights within Australian society. A cluster of other factors contributed to the nature and extent of the benefits received. Their impact, however, was contingent upon the fundamental relations and processes which made it possible for property owners to receive a material advantage through housing.

Residential property owners in Canberra received benefits associated with their housing from sources operating at two scales. Firstly, they received subsidies available to home owners and home purchasers across Australia. The housing finance system and the treatment of owner occupation for taxation purposes made a considerable contribution to the welfare of owner occupants in Canberra. Secondly, Canberra's property owners were able to collect special, locality-specific, benefits associated with the development of the national capital. Benefits of
This nature occurred *in addition to* those available to property owners through the national housing system. The two sources of gain can be identified and measured through the history of properties in Canberra.

The examination of Canberra’s residential property market enabled the development of insights of theoretical significance. This study is part of a larger tradition of research on localities. The examination of spatially-delimited housing systems allows the separation of apparent and fundamental affects. The investigation of Canberra’s housing market permitted the scrutiny of those processes that provided residential property owners with gains. The distinctive history of the ACT has shed a clear light on the factors which made home ownership in particular, so attractive. The story of the leasehold system of land tenure, for example, has highlighted the importance of property rights in land. Causative mechanisms were also brought forward for examination. For example, the relationship between the system of housing production and consumption was demonstrated within the evolution of Canberra’s housing system.

Four themes underlie the discussion of the special benefits accrued by residential property owners. It can be argued that Canberra’s residential property owners had special opportunities to benefit from their housing because of the Commonwealth’s investment in the capital’s land market; that the reliance on Commonwealth Government funds created tensions within Canberra’s development and precipitated changes that operated to the advantage of residential property owners; that the reduction of Commonwealth rights over property under leasehold made the receipt of benefits through housing possible; and, that changes to the housing system resulted in specific and direct benefits for some of Canberra’s property owners. These themes can be observed throughout the thesis and will be re-examined in the concluding chapter.

Public investment on utilities and buildings created a substantial pool of value within Canberra’s residential property market that boosted the position of home owners and home purchasers. Commonwealth investment within Canberra increased the value of land. Property owners were able to capture part of that investment through the purchase and resale of their dwellings. The government created a set of resources which could be captured in part by home owners through the purchase and resale of their dwellings. Canberra was not unique in that respect. Public investment has been an important component of property markets throughout Australia. Canberra’s residential property owners, however, had access to special opportunities to benefit because the level of government expenditure was greater and the citizens were not expected to return that investment.

The Commonwealth Government’s development methods shaped Canberra. The housing
system was affected especially. The various administrative arrangements established for Canberra produced differing results. One of the key decisions in the city’s development was the Commonwealth's commitment from the early 1930s to fund Canberra's development out of consolidated revenue. The dependence on annual Commonwealth appropriations created tensions within the administration and development of the city. The government was often unable to provide sufficient capital for Canberra’s expansion. There was also an absence of adequate government direction in crucial periods. The shortage of funds had a range of affects. It contributed to the amendment of the leasehold system of land tenure, the severe housing shortages in the 1940s and 1950s and the promotion of owner occupation by the NCDC in the 1960s.

Owner occupants were able to benefit from their housing because of the decline of the social intervention component of the leasehold system of land tenure. Leasehold was intended to reserve rising property values for the Commonwealth. That objective was abandoned progressively in response to political agitation from lessees and the need to promote development in the ACT. Normal market relations replaced the special set of conditions attached initially to residential property in Canberra. Individuals were granted greater rights in land through a series of modifications to the leasehold legislation. Each amendment to leasehold contributed to the assumption of even greater powers by lessees.

Canberra’s housing system changed over the period of this study. It was transformed from a system dominated by the public sector to one in which private market processes played the leading role. Public rental declined in relative importance between the 1961 and 1981 Censuses. It slipped from being the most common tenure to the third largest, behind both owner occupation and private rental. The growth of home purchase had compound affects. The increase in the number of households in owner occupation allowed Canberra to grow rapidly and resulted in greater private investment in the capital. On the other hand, it contributed to the decline of the social objectives of leasehold. The expansion of owner occupation resulted in greater numbers and a higher proportion of the population with rights in real property. More directly, owner occupation grew because of Commonwealth Government encouragement of that tenure in Canberra. Home purchasers received housing assistance that increased substantially their capacity to receive a benefit from housing at a later date.
1.5. Structure of the Thesis

This chapter has introduced the purpose and methods of study and prefaced the major arguments that will be examined in greater length elsewhere. Particular attention was paid to the historical circumstances and processes which permitted Canberra’s residential property owners to benefit from their housing. The emphasis on causal factors and wider social processes was in large part a reflection of the realist philosophy which has informed the research. This is a study of a distinctive housing system but the results can be applied to wider explanations of processes within cities. The explanation of how and why Canberra’s residential property owners have benefited from housing must constitute the measure of the success of this thesis.

Chapter Two reviews the literature on the material advantages associated with residential property ownership. Researchers have debated the nature and significance of capital gains and other housing-related benefits for over twenty years. The housing class, or domestic property class, thesis has been the most persistent line of argument within the debate. Authors such as Rex and Moore (1967) and Saunders (1979, 1981, 1984a) have drawn upon Weberian theory to erect a system of classes based on access to housing and its associated benefits. Researchers from within the Marxist tradition have replied at a number of levels. Some authors have dismissed out of hand the notion of a material advantage based around the housing market (see Harloe, 1984; Ball, 1983). Others rejected the idea that housing results in material gains (Edel, 1982). A third approach from within the Marxist tradition has reconstructed the question of housing class to one of the general role of housing within society. This line of argument has stressed the importance of value within the built environment and the connections between investment in housing and the processes and institutions of production.

The third chapter examines the political conditions which led to the establishment of Canberra as the national capital of Australia and the administrative arrangements which directed the city’s early growth. It is argued that the decisions taken before Federation and during the first years of Commonwealth administration had profound implications for the operation of Canberra’s housing system and the ability to benefit from housing. The decisions to locate the seat of national government in a remote and undeveloped part of inland New South Wales (NSW) and to introduce a leasehold system of land tenure had a guiding influence on Canberra’s evolution. The importance of those decisions was most apparent during Canberra’s early history when the costs and difficulty of development first became apparent. The leasehold system of land tenure also underwent fundamental change during this period. Perhaps most importantly, the Commonwealth Government’s attitude to its capital changed.
The Commonwealth was always the most crucial influence on Canberra's housing system. Canberra was its creation and the government held the power to shape its development. By the 1930s the Commonwealth Government had accepted the failure of Canberra to develop spontaneously and had been forced to recognise the need to subsidise housing costs in the capital. The political and administrative changes guiding Canberra's development (or lack of progress) led to the decisions which operated to the advantage of residential property owners.

The evolution of Canberra's housing system is the focus of Chapter 4. The special characteristics of Canberra's housing system had a sizeable influence in determining who has benefited from the ownership of real property and in what manner. This chapter examines the processes shaping the supply of, and demand for, housing at both the national and local levels. At the national level, special attention was afforded changes in the material conditions associated with home purchase since the Second World War. Two of the most significant developments were the emergence of a new system of finance for owner occupation and government policies designed to encourage that tenure. Owner purchase grew rapidly in Australia. The long period of economic prosperity and the rapid expansion of the suburban areas of the cities were additional factors to assist the expansion of owner occupation. Local housing processes were changed in Canberra also. Throughout the 1940s and 1950s Canberrans relied heavily on public housing, housing standards were low and there was little prospect of levels of funding for accommodation sufficient to meet Canberra's potential growth. The NCDC shifted the initiative for housing provision in Canberra to private industry during the 1960s. Canberra was able to expand rapidly throughout the 1960s and into the 1970s as public monies could be directed into land servicing and works, rather than the construction of housing directly.

Chapter Five discusses the methodological perspectives that informed this study. Housing histories are examined in the first part of Chapter Five. Persons in differing positions within society, locations and generations will undergo varying housing experiences. The outcomes associated with dwelling ownership will therefore display considerable differentiation. The examination of the history of dwellings is one way of coming to terms with this variety. The second half of Chapter Five looks at the social, economic and historical conditions within the study areas. The consequences and potential benefits available through Canberra's housing market were examined through a series of case studies rather than a random sample as greater importance was attached to elucidating processes rather than attempting to estimate total gain. The suburbs studied were of varying socio-economic status, age and contained markedly different dwellings.
Chapter Six examines the operation of the land and housing markets within each of the nine study areas. The historical evolution of local housing markets was an important influence on the ability to benefit through housing. The physical attributes of dwellings and blocks within local housing markets had an important influence on the desirability of housing within each area. In addition, the total pool of investment in local infrastructure exerted a substantial impact on dwelling prices. The nine suburbs had widely differing housing. The housing situations within the study areas equate with different housing histories and that any benefits received by residential property owners, will have been derived from different sources. The age of the suburbs, their prestige within the market, socio-economic status and historically-specific factors, such as the nature of government intervention in that area, will have had an important influence.

The benefits received by Canberra’s residential property owners are calculated in Chapter 7. The chapter establishes first the model used to compute the level of benefits and discusses the assumptions used. Capital and recurrent items associated with dwelling ownership were included. A number of divisions within the data were investigated. Firstly, the results of the calculation of benefit were examined across the case studies and an estimate made of the respective contributions of the various components within the model. Secondly, the statistical package CART (Classification and Regression Tree) was used to find ‘natural’ divisions within the distribution of benefits. Thirdly, an attempt was made measure the influence of the government’s interventions: most notably, the sale of public sector housing and the pricing of land for sale.

Chapter Eight concludes the study and draws together arguments developed previously. It re-examines the original contention that Canberra’s residential property owners benefited from their ownership of dwellings as a consequence of the Commonwealth Government’s involvement in that market. The chapter also looks at the wider implications of the study. It discusses the implications of the modelling procedure for our understanding of how owner occupants benefit from their housing. The question of value within housing and the built environment generally is reviewed. It is concluded that the way in which we view the material outcomes associated with property ownership must change. The interpretation of housing benefits must accept the importance of the market. At the same time, markets must be placed within the wider context of productive relations within society.
Chapter 2
Housing as Property

The ability of residential property owners to benefit from their ownership of dwellings has attracted considerable attention within the urban studies literature. Rex and Moore (1967) were the first to construct a formal typology of housing situations and systematically relate housing to the life chances of the resident population. Subsequent research has drawn a distinction between housing as an indicator of position within society and the benefits directly attributable to the social processes engendered through housing.

A major impediment to the discussion of residential property ownership has been the ambiguous position occupied by housing. Housing straddles the production and consumption spheres. Investment in housing is simultaneously part of the consumption fund and a segment of capital within the wider economy. Most authors have recognised only the consumption aspects of housing and this restricted perception has focussed debate on the outcomes of residential property ownership rather than the processes through which value accumulates. The focus on consumption has reified housing as an object of analysis and resulted in incorrect conclusions about the role of housing within society. Neo-Weberians have used evidence from the housing market to postulate consumption based axes of differentiation within society. Some authors from within the Marxist tradition have reacted to this emphasis on consumption by denying the significance of residential property ownership. This chapter argues that housing is first, and foremost, property and that property relationships structure housing outcomes. A successful analysis of the benefits resulting from the ownership of dwellings must begin with the nature of property within our society. This argument is developed through an examination of previous discussions of the gains resulting from the ownership of housing and an analysis of the flow of value through property markets.
2.1. Theorising Housing

The role of housing and the social relationships it generates has triggered considerable controversy. Paris and Williams (1983, p2) underlined the emphasis on housing in their comment that "one might be forgiven for believing that the new political economy of the city was simply concerned with the housing question". Winter (1986) observed that the debate on housing classes has continued for 20 years without any sign of a clear consensus or an unambiguous resolution.

The discussion of the benefits resulting from residential property ownership became something of a cause celebre and an issue through which to attack established theoretical positions. This concern often distorted the analysis of housing's material associations. The emphasis on theoretical purity was a consequence of the decidedly political focus of most research. More attention was paid to politics than economics, a bias which resulted from the perspectives of the most significant authors. The examination of housing and its material was fractured by these influences. Production and consumption, politics and economics were virtually treated as mutually exclusive. The focus on consumption issues was the most notable manifestation of the partial approaches adopted so far. An integrated approach is necessary to understand fully housing and its associated benefits.

Debate over the significance of material gains resulting from the ownership of housing has continued for an extended period because of its importance for social theory. Marxist interpretations of social processes have been paramount in the urban studies literature over the last 20 years. The explanations which have emerged from this perspective on the political and economic processes within cities have added greatly to our understanding of how cities are shaped. Marxist interpretations have not, however, established a hegemonic position within the field of urban studies because of the difficulty of relating "real world" phenomena to underlying structural processes (Duncan and Ley, 1982). The gains resulting from the ownership of housing have been used as an example of Marxism's inability to come to terms with observable events. Saunders (1978, 1981, 1983) resurrected the Weberian approach to urban issues on the strength of his analysis of the political divisions arising out of domestic property ownership. Both perspectives, however, failed to integrate the observed gains from housing with a wider interpretation of social processes. This failure was a result of two related considerations: the emphasis on the need to attack or defend theoretical positions and the consequent narrow focus of much of the research and argument. Some authors appear to have been more concerned to come to a particular conclusion about housing processes than provide a thorough exposition of the topic. In short, political agendas have shaped the nature of the
debate. Consequently, the discussion and research has focussed upon a limited number of attributes of the various theories. Little attempt has been made to relate housing to other aspects of society.

The literature on the ability of residential property owners to benefit from their housing has been dominated by the discussion of housing classes or domestic property classes. This work has emerged from the political economy perspective. A tradition which has so far demonstrated a greater emphasis on the political than the economic. Rex and Moore (1967) and Saunders (1979), based their arguments on political analyses. Their economic arguments were derived from the political processes they observed. Other authors within the debate, such as Thorns (1981), Harloe (1984), Dunleavy (1986) and Pratt (1982), are, in large part, from the same academic mould. Neo-classical economists have contributed little to the debate. Ball (1986) discussed the significance of the academic division of labour which has arisen since the Second World War. Economists, he noted, have established a research history with respect to markets while geographers, sociologists and political economists generally, have tended to focus upon institutional processes. This division is readily apparent in the literature on residential property and its associated benefits. There is a corpus of work on domestic property classes - or consumption sectors - and a completely separate literature on the economic elements of residential property ownership (for example, Bethune and Neutze (1986); Lerman and Lerman (1986); Flood and Yates (1986)). The separation of research interests and methods has influenced the nature of the debate. More attention has been paid to political ideologies than economic realities. The nature of the benefits received by residential property owners has been theorised without an adequate account of the nature and extent of the available advantages.

Ball (1986) criticised consumption oriented approaches to housing issues. The consumption-based view, he argued "is an attempt to analyse housing in terms of the immediate way in which housing problems appear as political issues" (Ball, 1986, p148). Analysis, he argued, has been focussed on tenure as the vehicle through which households consume housing and by which the state influences consumption. Even Marxist researchers have adopted a consumption oriented approach with tenure as the object of study. Ball (1986) argued that attention should be centred upon the, "historically given process of providing and reproducing the physical entity, housing: focussing on the social agents central to that process and the relations between them" (1986, p158). There is an apparent contradiction between Ball's (1986) position and this study. This study argues that the ability to benefit from housing is dependant upon tenure. I will contend, however, that property rights are the key feature and that the widely recognised importance of tenure is simply a reflection of this structural influence. Property rights are as important for housing production and financing as they are for
the use of the dwelling. The institution of private property is a central feature of capitalist society. The material benefits which are perceived to be a product of consumption patterns are in fact determined by production relations.

2.2. Housing Classes: A Consumption-Based Approach

Housing can influence the material position of individuals and households. It can impose substantial costs or provide benefits through monetary gains upon the sale of the dwelling or via locational advantages. Housing's potential impact on life chances is one reason for government intervention in housing markets and housing research. Several authors have constructed typologies of housing positions and attempted to relate the various members in a systematic fashion. This section reviews critically these consumption-centred approaches and highlights their failure to integrate their insights into housing with the discussion of general society.

2.2.1. Housing Classes

Rex and Moore (1967) developed the first housing class model. Their contribution is important because it initiated the debate on the relationship between quality of life and housing. In large part, their formulation established the agenda for subsequent discussion. Most later researchers have used Rex and Moore's work as a reference for the development of their own ideas.

It is important to note the limitations of Rex and Moore's (1967) research. In Race, Community and Conflict, Rex and Moore addressed racial issues rather than housing questions, they examined only one sector of the city, primarily the "zone of transition". Their housing classes were based on casual observation rather than rigorous research and they were more concerned with public sector housing allocation than market outcomes. Housing was an important component of the social and economic milieu which led to racial tension, but was not the object of the study.

The central thrust of Rex and Moore's housing class argument was that

'...there is a class struggle over the use of houses and that this class struggle is the central process of the city as a social unit. In saying this we follow Max Weber who saw that class struggle was apt to emerge wherever people in a market situation enjoyed differential access to property and that such class struggles might therefore arise not merely around the use of industrial production, but around the control of domestic property. Of course, it might be argued that a man's market situation in the housing market depends in part upon his income and therefore his situation in the labour market but it is also the case that men in the same labour situation may come to have differential degrees of access to housing and it is this which immediately determines the class conflicts of the city as distinct from those of the workforce' (1967, 273-74).

The key features of Rex and Moore's housing class schema were the identification of housing
processes independent of the social relations associated with the productive sphere and the allocation of individuals to distinct and separate market positions. Significantly, Rex and Moore (1967) did not argue simply that the ability to gain access to housing is an offshoot of the labour process but, instead, emphasised, ‘housing as an important and analytically distinct area in which individual life chances were determined’ (Saunders, 1981, 115).

Rex and Moore’s (1967) analysis was concerned with competition within cities - especially competition for housing. Six major classes were identified:

1. outright owners;
2. owner purchasers;
3. council tenants;
   - in a house with a long life;
   - in a house awaiting demolition;
4. tenants of whole houses owned by landlords;
5. home purchasers who must take on lodgers to repay loans; and,
6. tenants of rooms in a lodging house.

They did not develop their class analysis. Their typology was presented as a fact: an unambiguous description of life chances which required no additional explanation of purpose or meaning.

Several major criticisms were levelled at Rex and Moore’s approach. In any class system defined by access to housing there are as many possible groupings as there are housing situations. Rex and Tomlinson (1979) added four more housing classes to the original seven. With each new case study the list could grow. Rex and Moore considered the wide range of "class" positions they identified a valuable feature of their analysis as it focussed attention on groups ignored by discussions of the problems of landlords and tenants. The divisions recognised by Rex and Moore had a limited empirical validity, meaningful in that context but not capable of sustaining a wider generalisation or insight.

Haddon (1970) argued the whole concept of housing classes should be abandoned. Rex and Moore (1967), he argued, confused categories of the population with types of housing and the housing positions they identified were an index of achieved life chances, not a cause (Pahl, 1975). While housing as an element of social differentiation is an attractive idea, Rex and Moore failed to argue convincingly that housing classes are fundamental to the operation of the city. The greatest imperfection in their argument was the gap between the empirical situations they identified and the logical construction of classes. Haddon argued that housing cannot provide the basis for class formation as it is a feature of consumption. No income is generated by the occupation of housing and therefore it does not constitute an objective basis for class formation.
2.2.2. Domestic Property Classes

Saunders (1979) revised and expanded the discussion of the material associations of different housing situations by emphasising the exchange, rather than the use value, aspects of residential property ownership. Pahl (1975) had earlier recognised that it was the means of access to, rather than the use of, housing that was important. It was Saunders, however, who developed this argument into a coherent general interpretation of housing processes. Underpinning his work on domestic property classes was a desire to explain 'the necessary non-correspondence between class struggles and political housing struggles' (Saunders, 1979, 101). Saunders attempted to resolve the inconsistencies he observed between the nature of political disputes arising out of housing and sociological theory, by establishing a class structure independent of the means of production. His argument was the most cogent expression of the consumption thesis and its limitations and failings are indicative of the partial nature of this approach.

Saunders (1979) transformed the discussion of housing classes to one of domestic property classes. Like all commodities, housing has two values - a use value and an exchange value. It is upon the latter that Saunders erected his theory. His basic argument was that dwelling ownership provides access to sources of accumulation unavailable to non-owners. That "...it is the domestic property market which gives rise to class divisions (in the Weberian sense) since it is through the sale of land and developments that different groups can be seen to be positively or negatively privileged" (Saunders, 1978, 238).

Saunders (1978) argued that the domestic property market appears as a source of value and an objective basis for class formation. Domestic property owners were seen to benefit from their ownership through increased house prices, enforced savings, negative real mortgage interest rates, tax subsidies and "sweat equity" - the value added to the dwelling through the owner's labour. In Saunders' schema individuals were differentiated according to the property rights associated with their tenure. Functionally distinct domestic property classes were identified according to their relationship with each other in the market for housing services. Saunders recognised a positively privileged class of landlords which received the exchange value of the property but not the use value, a negatively privileged class of tenants who had the use of the dwelling but did not collect any benefits or losses resulting from shifts in the exchange value of the dwelling and a middle class of owner occupiers which received both values.

Saunders erected his domestic property class thesis on the premise that owner occupation can generate real and identifiable economic interests which give rise to class schisms within the sphere of consumption. This interpretation of the social groups generated by housing relied heavily on Weber's views on class. His reading of Weber's work was an important factor in determining his class schema.
Weber was concerned with the legitimation and formal expression of inequality in his writings on domination. He recognised three types of social groupings which he considered could give rise to unequal relationships:

1. classes - objectively constituted social formations within a given economic order;
2. status groups - differentiated according to the principles of social honour or prestige; and,
3. parties - factions found within political organisations.

Class, for Weber, was located within the sphere of distribution and therefore straddled both production and consumption. The foundation of Weber’s class structure was long term power in any market. That is, the “chance of a man or a number of men to realise their own will in a communal action against the resistance of others” (Gerth and Mills, 1947, 180).

Power expressed through the marketplace was the defining feature of Weber’s classes. There were a number of essential elements which had to be met in order to identify a class formation: there must be a number of persons with a common causal component of life chances, this component must be exclusively represented through economic interests and it must occur under the conditions of commodity or labour markets.

Weber’s ideal type classes possessed three features which should not be ignored. Firstly, they were an ideal construction, a group of theoretical categories defined in order to emphasise particular features of society. Weber did not attempt to mirror reality with his classes but sought to provide a logical purification of it. Secondly, his classes were concerned with the appropriation of expropriation and were distinct from status groups which he defined according to differences in levels of consumption and parties which he located in the world of established politics. Weber established a qualitative difference between the three dimensions of inequality. Even within classes, the positively and negatively privileged components were functionally distinct. The third characteristic of Weber’s class structure lay at the core of the disjuncture between his formulation and Marxist conceptions of class. Whereas Marx defined classes according to the position of individuals with regard to production, and hence the creation of surplus value, Weber’s typology paid no attention to the source of value but focussed upon its capture as it circulated.

Saunders’ domestic property classes met the criteria Weber established for his class system. Saunders (1979) observed an apparent conflict between theory and fact in his research on housing politics in Croydon. He found that instead of the working class unifying to agitate for better housing conditions (as some Marxist writings suggested) it was divided by tenure into owners and tenants. Each recognised mutual interests within their tenure and sought an advantage at the expense of the other. Saunders drew two conclusions: firstly, that tenure
divisions could and did give rise to real differences in economic interests. Secondly, that the 'non-correspondence' between housing and workplace interests was innate to the system of separate tenures.

There is a large body of material on urban political conflicts which supports Saunders' argument. For example, home owners have a vested interest in seeing the value of their neighbourhood rise at the same, or higher, rate as property prices in other areas. Exclusionary zoning and protests over the siting of facilities which might detract from the appearance or desirability of a suburb are at least partly an expression of this concern. Saunders' domestic property classes go a long way to explaining these interests and issues. Pratt (1982) claimed domestic property classes are the key to understanding urban spatial struggles. Pratt extended the relevance of the domestic property class concept from its original limited application in the discussion of the defence of property to a general theory of property relationships. She argued these relationships are part of the basic politics of the city. For Pratt (1982), the displacement of tenants by gentrification and the prohibition of flat construction in many suburban areas, are tangible indicators of the structural positions of home owners and tenants. Many studies of urban politics are amenable to interpretation in this manner.

Silburn (1975) studied an area in Nottingham earmarked for redevelopment. Two diametrically opposed resident's movements sprung up: one consisted of tenants calling for the total demolition of the area and a higher standard of housing for themselves, while the second comprised home owners who agitated for the rehabilitation of their properties. There were no caveats in Pratt's interpretation of domestic property classes. She contended that owner occupants are capable of recognising their interests within the housing market and in the past have organised to achieve those ends. Owners jeopardise the position of tenants through their market power and capacity to dominate the most desirable locations. In addition, they benefit from house price increases which may result in increased rents.

2.2.3. The Limitations of Domestic Property Classes

Political disputes over residential property provide apparently unequivocal support for Saunders' domestic property thesis. Conflicts over housing appear to be readily understood by reference to his argument. Saunders' position, however, can be attacked at a number of levels. The value of the domestic property class concept is brought into question when its economic elements are examined against observable social processes. It can be argued that the groupings thrown up by the ability of individuals to benefit from their housing do not conform to Saunter's classes, that his class structure is static and that it fails to articulate the connections between housing and wider society.
Domestic property classes, as conceived by Saunders, were based on the objective material interests of households in different tenures. Thorns (1981) questioned the relevance of domestic property classes in societies where home ownership is common. In New Zealand in 1981, more than 70 per cent of households owned, or were purchasing, their home. With such a high owner occupancy rate, the claim that tenure divisions are a fundamental cause of inequality and political conflict becomes difficult to sustain.

Thorns (1981) analysed the housing market in Christchurch and demonstrated that the conditions he observed did not match those that Saunders's analysis would anticipate. Power in the market was a matter of degree rather than kind. There was a significant distinction between affluent and non-affluent residential property owners. It was the higher income, occupationally mobile, households which realised substantial capital gains. Thorns (1981) calculated that in Holmwood, a high status area, 76 per cent of households who owned their home for a significant period of time, collected a gain in excess of $20,000. Almost a third reaped benefits greater than $49,000. In contrast, working class suburbs like Wainoi and North Richmond saw 74 and 70 per cent of their respective households achieve capital gains of less than $15,000. Properties in areas with a positive cachet increased their value at a much higher rate than those in less desirable areas. In 1950, a median priced home in Richmond cost $14,000 - two thirds the value of a dwelling in Holmwood. By 1981, the median price received for a home in Richmond could purchase only 40 per cent of the median priced Holmwood dwelling.

Thorns' (1981) examination of the housing market in Christchurch suggested that the differential benefits associated with residential property were a function of position in the labour market. Housing appeared unable to generate opportunities to accumulate wealth independent of the workplace. The largest gains were collected by those already well-off, particularly those in certain privileged locations. Thorns (1981) did not undertake a sophisticated assessment of the economic conditions associated with home ownership and his results must be treated as indicative rather than definitive. He did, however, couch his investigations in the same terms as Saunders. Thorns' (1981) research on property markets brought into question the ability to identify clear economic interests which have unified owner occupants as a class within Weber's mould.

Saunders did not explain how the classes he identified interacted with each other. In doing so he replicated one of the features of Weber's writings on class which he had criticised for being "...descriptive rather than analytical, static rather than dynamic, positional rather than relational (Saunders, 1981, p139)".

Saunders did not explain adequately how tenants were exploited or the role of landlords within the housing sphere. All attention was directed to the assumed ability of homeowners to benefit at the expense of tenants.
For Saunders, the crucial feature of the economic aspects of his argument was the ability to identify how home owners benefit from their tenure. He suggested that in a theoretical situation of nil or uniform inflation the specific interests of owner occupants could be recognised. Home buyers, he argued, benefit because each mortgage repayment is effectively an act of enforced saving. Every repayment increases the home buyer's stake in the market value of their housing. The tenant is excluded from this form of accumulation. Nor is it correct, according to Saunders, to argue that home buyers are exploiting each other through the sale of their dwellings to persons entering owner occupation at a later date. Owners are seen by Saunders to be reaping the benefits of their own economy and the political strength of their class.

Saunders presented a hypothetical situation in order to demonstrate the structural class antagonism between mortgagors and tenants. He considered the position of two households with identical incomes, the first choosing to rent and invest its disposable income at a rate matching mortgage repayments in the stock or money markets and the second taking owner occupancy as its only form of investment. It would be in the best interests of the tenant household for interest rates to be high, mortgagors would be better placed if they were low. The tenant would be best served if the housing market was static, whereas the position of established home owners would be improved by rapid house-price inflation.

There are additional benefits available to the owners of residential property and their existence was important to the construction of the domestic property class thesis. Saunders noted that interest rates and tax subsidies are another source of revenue for owner occupants and landlords. Cullingworth commented that

"...when inflation is brought into account, an owner occupier may find himself buying his house for nothing (1972, p158)".

In many capitalist societies following the Second World War, governments encouraged home ownership through guaranteed loans, the provision of adequate funds for home purchase and the subsidisation of mortgage repayments via home loan interest rates which are often well below the market level and sometimes the general inflation rate. Some governments provided tax subsidies which

"...operate to ensure that house owners gain more through increased house prices than they lose through increased interest repayments (Saunders, 1979, p82)".

Saunders established the unique interests of the different tenures but did not provide proof that housing is the basis for objectively constituted classes. If the tax subsidies and low interest rates he discussed were to disappear, many of the advantages to residential property would evaporate. The lion's share of the financial benefits attached to residential property ownership arise from elements contingent upon, rather than innate to, ownership. As Harloe (1984) noted, government policies played a central role in promoting the position of owner occupants.
This important actor within the housing system was not addressed in Saunders’ explanation of housing and its associated affects. A second flaw in Saunders’ class structure was the static nature of his divisions. He was unable to show, in a real way, how the “class” of home owners exploited tenants. The role of landlords and their material position was ignored largely. He did not differentiate between individual and institutional, public and private, large and small landlords. One could naively assume from Saunders’ writings that home buyers were the positively privileged class. He focussed on them almost exclusively and emphasised their ability to benefit from both the use and exchange values of housing.

The domestic property classes developed by Saunders were an insular interpretation of housing market processes. They did not relate the phenomena under study to wider society. The focus on consumption interests alone allowed little scope for the discussion of the processes which produced housing and the relationship between housing and the generation of wealth within society as a whole. Saunders was aware of this failing within his work and attempted to integrate his thesis with a Marxian perspective on capitalist societies via Cardechi’s (1975) writings on class. Cardechi (1975) argued that the concept of the working class or proletariat needs to be expanded to include those who co-ordinate production. This "new middle class" of white-collar workers was theorised as performing productive work and acting as a governor class, mediating and controlling the activities of labour. For this, according to Cardechi (1975), the middle class received two incomes: a wage for time spent producing goods and a revenue for fulfilling the needs of capital. Cardechi’s (1975) argument established the basis of class formation in the function, and derivatively, the source of returns to the class in question. Saunders (1979) made use of this argument to contend that the revenue component is achieved, at least partly, through the ownership of housing. This interpretation allowed Saunders to relate the social conditions associated with owner occupancy to wider society and still argue that housing can generate class conflicts independent of the means of production.

The use of Cardechi’s (1975) middle class to integrate domestic property classes with the productive sphere was a reflection of Saunders’ need to maintain housing as an analytically distinct form of capital. He did not explain how housing comes to play that role, nor did he discuss why housing should be considered to have such a special place within the fabric of capitalist society. His argument remained Weberian, with the examination of housing isolated from the discussion of other social forces.
2.2.4. Consumption Sectors

Saunders abandoned the domestic property class thesis in 1984 and moved to a position based on consumption sectors. In doing so he borrowed from Dunleavy (1979) who developed initially the idea of sectoral cleavages in his discussion of collective consumption. Dunleavy subdivided consumption processes into those which are predominantly private and those which are predominantly public (Dunleavy, 1980). The consumption sector thesis contends that sectoral cleavages give rise to ‘non-class or "immediate" interests which may cross-cut (or overlap with) social class’ (Duke and Edgell, 1984, p183). The consumption sector argument, as developed by Saunders (1984), presents public and private modes of consumption as antagonistic elements. Within this position, the crucial division within the housing system is between public and private housing.

Saunders (1984) relinquished the relevance of his domestic property class argument without increasing greatly his ability to form integrated explanations. The consumption sector approach replicated the greatest failing of Saunders’ previous position through his insistence on distinction between the spheres of production and consumption. Saunders (1984) argued that there is an important difference between the rights attached to property normally associated with production and that usually linked with consumption. He followed Williams (1982) in contending that

‘...the spread of home ownership does not confer economic powers in the sense of the rights to those properties giving a say in the direction of the British economy’ (Williams, 1982, pp19-20 in Saunders, 1984, 208).

This is indisputably true with respect to individual home owners but it is worth noting that Flood and Yates (1986) calculated that owner occupation, and its associated industries such as dwelling construction and real estate exchange, represented 10 per cent of the Australian economy. The housing industry has played, and continues to play, an important role in shaping economic policy in Australia. It is the size of the capital which is important, not its physical expression or supposed sectoral alignment.

The separation of production and consumption for analytical purposes resulted in an inadequate and segmented explanation of housing phenomena. Saunders (1984) did not alter essentially his views on housing as he continued to contend that domestic property is an analytically distinct form of capital. Like Elliott and McCrone (1982), Saunders (1984) realised that property rights determine housing benefits. Both sets of work presented housing property rights as a separate dynamic within society. A view echoed by Pratt (1986a) who argued against the reductionist tendency to equate directly consumption outcomes with production processes. The consumption sector, she argued, has its own processes which should not be ignored. However, it was not specified how the the processes she referred to should be
conceptualised within our understanding of capitalist societies nor nominate which consumption processes bear significant consideration. An emphasis on market processes and interests alone ignores the structure of society. Access to home ownership is dependant on income and wealth while the various segments of the housing system behave in radically different ways. Residential property ownership is only important in relation to the other dimensions of society. It is those relationships, and the social context in which they stand, which makes residential property ownership an important area of research.

2.3. The Appropriation of Value: Marxist Perspectives

Few authors from within the Marxist tradition have focussed specifically on the benefits available to residential property owners. More attention has been paid to those topics which fall clearly within the productive sphere. Housing has been treated as an article of consumption and largely excluded from the discussion of social processes within capitalist cities. This neglect of housing is unfortunate as the Marxist perspective contains valuable insights which have not been developed fully. This section argues that many of the political and economic phenomena associated with housing are de-mystified if the flow of value through housing is treated as capital, like any other capital. Political conflicts over housing should be viewed as disputes over a particular physical manifestation of capital. Residential property is a material element, like any other, within the fabric of capitalist societies - it possesses a use value, an exchange value and a value (Harvey, 1973). Residential property exhibits unusual tendencies because of the physical characteristics and qualities of land and housing. These special features influence the flow of value through the residential sphere but do not constitute adequate grounds for the segmentation of housing from the discussion of society in general. There are two sets of relevant literature: writings on housing, its benefits and conceptualisation, as well as work on capitalism and spatial form. The argument outlined here is explored through a discussion of Marxist responses to Saunders' domestic property class thesis, the generation and flow of value through cities and the role of property within societies with a British legal heritage.

2.3.1. Domestic Property Classes and Consumption Sectors: Marxist Perspectives

Researchers from Marxist perspectives have disagreed with Saunders' views on the social divisions arising out of residential property ownership. They have at times been completely dismissive of Saunders' work. At various stages it has been suggested that he has misinterpreted Marxist writings on housing (Harloe, 1984), exaggerated the empirical evidence for gains resulting from housing and discussed a short-term phenomenon as if it is a long-term feature of society (Edel, 1982). The responses to Saunders' work from within the Marxist
tradition, however, do assist in establishing a framework for analysing residential property and its related benefits. This section examines briefly two critiques of Saunders' domestic property class thesis: Edel's (1982) contention that home ownership does not give rise to significant social groupings and the argument developed by Ball (1983), that the analysis of consumption issues, as exemplified by the focus on housing tenure, is myopic and that research should be directed towards the social processes influencing the provision of housing.

Edel (1982) tested Saunders' argument that residential property can give rise to social divisions which fracture established class positions against the rise in real property values in Boston. Edel did not reject Saunders' argument out of hand but reworked Massey and Catalano's (1978) writings on on land ownership to allow

'...that home ownership may be the basis for the formation of a privileged group (fraction) within the proletariat, whose interests clash in a long-term way with those of renters, and therefore provide a material basis for working class divisions' (Edel, 1982, p212).

His analysis of Boston's housing market, however, led him to conclude that residential property does not constitute the basis of a privileged fraction of the working class. In the long-term, he found, property values have only matched inflation and have not provided a widely available form of wealth accumulation. Edel (1982) concluded that the benefits available to residential property owners are potentially significant but did not appear to represent an important division within society.

In Shaky Palaces, Edel, Sclar and Luria (1984) provided a more detailed discussion of the operation of Boston's housing market. The central features of their argument were: firstly, residential property ownership "entrap" the individual or individuals who own their dwelling, reducing their mobility by burdening them with responsibilities and tying them to the values associated with property and, secondly, that residential property does not constitute a significant pathway for wealth accumulation because the relative worth of dwellings has been devalued over the period of Boston's suburbanisation.

The second of the arguments developed by Edel et al is important in that it places an emphasis on housing market processes. Their first contention that home ownership "entrap" workers and their families is a political conclusion and one which could be debated endlessly. The second proposition is worthwhile in that it focussed upon the processes which influenced the value of property. The value of real estate within society has declined since the late nineteenth century, the period from which Edel et al began their analysis of changes in real estate values. Residential property has, however, changed its nature over that period. The mechanisms through which owners can benefit from their housing have been changed as a result of altered financial arrangements, government subsidies and suburbanisation itself. The movements in the price of dwellings represents only a fraction of the benefits currently
available to owners. In addition, the growth of the urban area may bestow locational advantages on certain sites which may be reflected in property values. It is worth noting that while Boston's urban core has apparently declined due to the flight of white, blue-collar workers to the suburbs, many cities throughout the world have experienced substantial gentrification. Residential property ownership must be considered with respect to the value flows which are a real, but often hidden, aspect of housing within capitalist societies.

Ball (1983) developed a critique of consumption-oriented approaches to housing. Many of his criticisms were directed specifically at the domestic property class thesis. Ball (1983) argued, and has continued to argue (Ball, 1984, 1986), that housing can only be understood by reference to the social relationships which determine the nature of housing provision within capitalist society. That it is these relationships which structure housing outcomes and, by implication, determine how an individual's housing situation affects their quality of life.

It is important to note that housing was both the object and foundation of Ball's (1983) analysis. Most of the authors who have contributed to the debate on the benefits associated with the ownership of residential property, such as Saunders, Edel, and Pratt, have examined housing in order to explain features of social life - notably social and political stratification. Ball (1983) focused upon housing provision first, and related other features of society to this concrete element within cities. If residential property ownership is to be seen to be producing material advantages within Ball's thesis, the mechanisms through which individuals and households benefit will need to be innate to the provision of housing within capitalist society.

The need to move away from consumption-oriented approaches was central to Ball's (1983) vision of how housing research should be conducted. Consumption-oriented approaches, he argued, are

'...an attempt to analyse housing in terms of the immediate way in which housing problems appear as political issues' (Ball, 1986, p148).

Research within this mould, he argued, generally has emphasised tenure and the benefits available differentially to households in various consumption locations. He accused all disciplines - neo-classical economics, Marxist and Weberian political economy - of debating the consumption of housing at length while neglecting the analysis of its production within class structured societies.

Ball (1983) argued that consumption-oriented perspectives should be replaced by a focus on housing provision. That;

'Breaking with the limitations of consumption-oriented (sic) approaches necessitates seeing housing provision at any point in time as involving particular social relations. Housing provision via a specific tenure form is the product of particular, historically determined social relations associated with the physical processes of land development, building production, the transfer of the completed dwelling to its final user and its subsequent use. They can be defined as the structures of housing provision. (Ball 1983, p17, emphasis added).
If adopted, Ball’s argument effectively reshapes the nature of housing analysis. When Ball’s perspective is taken up, owner occupation is no longer perceived as a way in which housing is consumed. It is viewed instead as a particular form of housing provision. All features associated with owner occupation - land development, housing finance, architectural style and the exchange of dwellings - are considered part of a unified structure of housing provision.

Ball’s (1983) position has been challenged. Kemeny (1987) criticised the “provision thesis” on two important grounds: firstly, he argued that the provision thesis attenuates the Marxist concept of the centrality of production by linking that notion to broadly defined provision and, secondly, that consumption issues such as tenure, are deliberately ignored. Kemeny (1987) noted that housing provision, as developed by Ball, is a much more wide-ranging concept than production. It embraces housing finance, the exchange of dwellings and state housing policies, as well as dwelling construction. The consumption of housing is included within the structures of housing provision. Ball (1983) introduced ambiguity into his interpretation of housing and its related issues by tendering such a broad definition of provision. As Kemeny (1987) pointed out

‘...the contradistinction between those who concentrate on production and a production-based perspective is undermined, or, at the very least left unsatisfactorily explained’ (Kemeny, 1987, p251).

There is an unresolved tension within Ball’s housing provision thesis due to his evident desire to develop an explanation which retains its roots in Marxist theory while allowing for the contingencies and difficulties of the housing system.

Kemeny (1987) criticised Ball for denying the significance of consumption issues. Within Ball’s perspective, consumption issues are a valid object of analysis only if they are considered as part of the production of a specific form of housing provision. They are not, in themselves, worthwhile research topics. Tenure, however, is important for both policy development and for a complete understanding of housing processes. It is often an active element within the housing system. Consumption positions, and the rights or benefits attached to them, are important factors influencing political change and protest. The range of available tenures may also affect housing costs, the rate of household formation and the type of dwellings constructed. Tenure relationships are an important factor within the housing system although their precise expression may be a function of other social processes.

Ball and Edel’s writings establish two of the features necessary to produce an adequate account of the benefits associated with housing. They highlighted respectively, the importance of viewing housing consumption issues as an outcome of the discrete set of social relationships producing housing and as part of the flow of value through cities. Edel’s (1982 and with Sclar and Luria, 1984) discussion of Boston’s suburbanisation identified value as the crucial
determinant of how households fare with respect to their ownership of dwellings. He failed to develop a comprehensive appreciation of value within residential property because he analysed real estate prices in isolation. He might have reversed his conclusions had he adopted a broader definition of value. Ball (1983) argued that the exposition of the social relations embedded in housing provision should be the primary objective of all theoretically-informed research. Within his conceptualisation, the social dynamics producing housing play a determinant or structuring role: influencing the type of dwellings constructed, their distribution throughout the population, the benefits and costs associated with each tenure and the role of the state. The housing provision thesis places considerable emphasis on the need to analyse the historical factors which produced the housing system under examination. Kemeny's (1987) critique of Ball suggested that consumption-related issues should remain valid objects for analysis so long as the importance of production factors is recognised.

The work of Ball and Edel suggests that the ability of some households to achieve relative gains from their ownership of housing can be analysed with respect to wider society. Such an approach views consumption patterns as outcomes of specific production processes and analyses the movement of value through housing.

2.3.2. Value and the Operation of Urban Land and Housing Markets

The notion of value underlies many works on the processes shaping cities within capitalist societies. The circulation of value through the built environment has been used to explain political conflicts, the problems of urban planning and the function of urban development within national economies. Roweiss and Scott (1978) for example, suggested that urban land and housing markets are part of the "secondary circuit of appropriation", a circuit in which the state plays a crucial part in determining the net income share to capital, labour and land. Surplus value, expropriated through production and invested in the physical fabric of the city, is appropriated by property owners, the value of whose rights are enhanced (or reduced) by the surrounding investment regime. Harvey (1982) also propounded the

'...conception of a built environment which functions as a vast, humanly created resource system, comprising use values embedded in the physical landscape which can be utilised for production, exchange and consumption (p 233).'

The importance of value within the built environment has been widely recognised. How value is to be addressed, however, has presented great difficulties. The first part of this section briefly reviews Harvey’s (1982) discussion of housing and distribution relations within Marx’s writings. The insights gathered from this examination will then be applied to the debate over urban land rent within contemporary settings.

Value theory has been central to Marxist attempts to understand land and housing markets.
Every commodity is seen to embody three forms of value: a use value, an exchange value and a value (Harvey, 1982). The three are considered separate but related. The use value is the manner in which a commodity can satisfy human purposes and needs. The exchange value is the relative worth of a commodity within the market. Exchange value is usually measured as a price with respect to money. Value is a more difficult concept and relates to Marx’s labour theory of value. A commodity’s value depends upon the abstract labour present within it - that is, the socially necessary labour time to produce that particular article (see Brewer, 1984, p41; Harvey, 1982, p20). This definition of value pre-supposes capitalist productive relationships where competition between producers determines standard relative prices between commodities (Harvey, 1982). Value determines exchange value achieved within the market place. Each commodity, therefore, can be seen to possess a use value, an exchange value and a value related to the production process. In addition, consumption and production are considered to be dialectically related, that is, each structures and completes the other. Consumption gives rise to increased production which in turn shapes market requirements.

Residential property presents special problems of analysis with respect to Marxist concepts of value. The first problem is that housing is part of the consumption fund and the second, that land is seen to receive a rent completely unrelated to its value. According to Harvey (1982), commodities that make up the consumption fund are those that are not consumed directly but serve as instruments of consumption (p229). Cutlery, television sets, washing machines, houses, communal halls, parks and walkways are all part of the consumption fund. Consumption-fund items have several special characteristics: they tend to have relatively long physical and economic lifetimes, the exchange values of second-hand consumption-fund articles are dictated broadly by the value of new equivalents, the purchase of some consumption-fund commodities, such as housing, is dependent upon the availability of money and the consumption fund includes both necessities and luxuries which often results in state intervention to guarantee the supply of needs (Harvey, 1982).

Housing’s position within the consumption fund means that dwellings can have two exchange values - the capitalised rent on old units and the price of production of new housing. In reality, only one price is paid but it is important to examine all potential influences on a dwellings’ market worth. The price paid for a dwelling, the exchange value, is dependant upon both the use value and value of equivalent dwellings. The price of equivalent new housing, which in theory should be sold at value, sets one marker of a dwelling’s worth. For example, established three-bedroom brick veneer houses must compete in the market with similar recently completed dwellings. The exchange value is determined by the costs of production and hence value. At the same time, existing units have a price related to anticipated future
benefits. It is immaterial whether the benefits are rental revenues received by a landlord, or the period of residence enjoyed by an owner occupant. The capitalised anticipated returns to existing dwellings comprise a second influence on exchange value. Normally the lower of the two reference values would exert the greatest influence on the price paid for a dwelling.

The exchange of housing is complicated by shifts in the value of the land on which the dwelling or dwellings are situated. The notion of equivalence within land and housing markets is problematic. It is necessary for the purposes of analysis and discussion to assume that within any housing system there are comparable housing units. In reality, however, the picture is more complex as each parcel of land confers monopoly privileges on an absolute section of the world’s surface and offers a relative location with respect to publicly available goods and services. For example, an inner-city dwelling provides a number of accessibility advantages which a dwelling of similar construction on the suburban fringe does not offer. The innate characteristics of land complicates its exchange as a commodity. In its raw state, land is, in Harvey’s words, a “commodity form”: it commands a price but has no value. There is no labour input into raw land so it cannot possess value in the Marxian sense. The central contradiction within the land market is that despite having little or no “value”, it commands high prices because it is an inescapable requirement of production and reproduction. The money paid in order to acquire the use of land can be considered rent. Like money capital and merchants capital, rent appropriates part of the surplus value generated within production.

The rent paid for the use of land poses a number of problems for Marxist theory. Harvey (1982) admitted freely that Marx was reluctant to allow the facts of distribution into his interpretation of society. A key feature of the Marxist perspective is its emphasis on the production of wealth, as opposed to approaches which have focussed upon the circulation of wealth through exchange. Marx, however, did develop an explanation of rent and its role within society. The most significant feature of his writings on rent was his discussion of the function of landed property within the capitalist mode of production.

Marx argued that landed property has survived (and has continued to appropriate a portion of surplus value from the profits of capital) as a social institution because private ownership of land is an essential condition of production (Harvey, 1982). The receipt of rent is only one part of land ownership. Private real property plays an important co-ordinating role within the capitalist mode of production. Firstly, within the terms of Marx’s original analysis, a landless proletariat is essential for the development of full capitalist social relationships. A section of the population must be dis-enfranchised from the land to enable wage labour to develop. Secondly, private property in land performs an important ideological function by legitimising
all forms of property. The private ownership of land, particularly widespread property interests such as mass home ownership, strengthens the institution of private property in society in general and acts to protect the private ownership of the means of production in particular. Finally, landed property ensures the most "efficient" assignment of capital to land through the cost to acquire the rights to use a particular site (Harvey, 1982).

Rent is simply a payment for the right to use land and any associated improvements. In essence, the price of land is determined by the anticipated surplus value it will be able to appropriate from the productive sphere;

"Ground-rent, capitalised as interest on some imaginary capital, constitutes the "value" of land. What is bought and sold is not the land but title to ground-rent yielded by it. The money laid out is equivalent to an interest bearing investment. The buyer acquires a claim on anticipated future revenues, a claim upon future fruits of labour. Title to the land becomes, in short, a form of fictitious capital (Harvey, 1982, p367 original emphasis).

Interest rates and anticipated future rental returns determine the price of land. If interest rates fall or expected revenues rise, land and property prices will be affected. Marx recognised four types of rent: monopoly rent, absolute rent and two types of differential rent. Monopoly rent arises when there is no competition between landlords who are therefore able to extract any payment for the use of land they wish to charge. Absolute rents occur when land ownership constitutes a barrier to the movement of capital into a sector and is thereby able to appropriate the difference between the surplus value a sector produces and what it receives in the way of profits. More concisely, landed property can impose rents which impede investment in inorganic capital by increasing the costs to the producer and therefore reducing profits. While rents remain high, and profits low, new technology is not adopted. The substantial surplus value within the product continues to constitute a resource to be exploited by the landlord. Differential rent 1 assumes that the cost of production of any commodity is established by the producer on the least suitable site. Producers on more favoured sites receive excess profits which may be captured by landlords. Differential rent 2 simply expresses the effects of unequal capital investment in lands of equal productive quality.

Marx, as interpreted by Harvey (1982), explained the ability of real property owners to intercept part of the circulating surplus value. Land owners were seen to be able to appropriate part of the profits of capital in exchange for certain rights. Land acquires a fictitious capital value equal to its anticipated revenues. This explanation presents the benefits available to land owners with respect to the social necessity of this form of the distribution of surplus value.

It is a long step from the examination of agricultural ground-rent in the nineteenth century to the operation of urban residential property markets in the twentieth century. Harvey's (1982) work was essentially an interpretation of Marx's work. Ball (1985) reassessed urban land rent. He agreed with the broad terms of the argument that rent arises from the ability of land owners
to appropriate part of the product of surplus labour. From that point, his analysis departed from previous attempts (such as Edel, 1976) to apply Marx's rental categories to the operation of contemporary land and housing markets. He considered that these earlier attempts tended to view urban land rent as a distributional issue and led to a circular and unrewarding process of attempting to identify all of Marx's rental types within each study area. He argued that these approaches over-extended agricultural categories. Marx's theory of rent, he contended, was inapplicable to contemporary urban settings because the social relations at work within modern cities are totally unlike those found within agriculture. Any satisfactory exposition of urban rent, he argued, would need to be rooted in the historically-specific relationships which have produced the built environment.

Ball linked his interpretation of urban ground rent to the concept of the structures of building provision. He used owner occupied housing in Britain as an example. With respect to housing, Ball (1985) contended that ‘...rent does have an effect but through the building industry rather than directly through every housing-market transaction’ (p521).

Ball reserved the term rent for land alone and referred to revenues received by building owners as "prices". There is an analytical distinction, within Ball’s schema, between land rent and building rent. Land rent was considered by Ball (1985) to be one of the structures of housing provision influencing the manner in which the built environment is created and re-created. The fact that land has a "value" influences the provision of housing at both the national and local levels. British housebuilders, for example, must offer their products in competition with owners selling their dwelling. This competition creates an unstable market which in turn effects the organisation of the dwelling construction industry. Building rent was used to explain the different prices paid for different properties. He emphasised the fact that most gains in the value of real estate are incorporated within the building industry, which is able to benefit from "windfall" gains due to planning changes and its active involvement in the market.

Ball’s (1985) position has been criticised. Clark (1987) argued that Ball inappropriately rejected rental categories developed in the discussion of agriculture, unwisely limited rent to payments for land alone and incorrectly distinguished between building rent and land rent. The critique is far stronger than Ball’s original work: it is agreed generally that building rent refers to the investment in both the structure and the land, not just the payment for the site; land does have differential values, that is, different locations provide varying benefits and a charge is made accordingly; and, rent can be considered to exist even if no formal payment occurs. Ball’s (1985) reformulation of ground rent merely recognises that land has a value which influences the forces that shape the built environment. As such, the argument is more pertinent to Ball’s housing provision thesis than the dispassionate examination of urban land rent.
The role and functioning of urban land rent within modern cities needs to be refined if the ability of residential property owners to benefit from their dwellings is to be understood. Ball (1985) was right to argue the need for historically-specific explanations of the role of landed property and to emphasise the manner in which rent has influenced the development of the built environment. He criticised Harvey (1982) for developing a functionalist, ahistorical interpretation of rent. Property rights in land vary through time and across locations with important effects on how real estate is used and exchanged. It is possible, however, to develop an analytical framework which sets out generally, the circulation of value through real property.

When exchanged, land must be considered fictitious capital (Harvey 1982). The claim on future surplus value is converted to a money sum. Real property is able to intercept a portion of surplus value in the form of rent in exchange for certain rights such as the use of a dwelling and a site. Rent is the revenue benefit available to residential property owners. The benefits provided by a particular location may change over time. Change may occur because of an increase in the scarcity of that type of property, an increase in demand or the relative advantages offered by a particular site may be altered by changes within the environment. Real property can therefore provide a revenue, or rent, as well as a changeable exchange value associated with movements in anticipated revenues. An analogy can be drawn between residential property and shares in a company listed on an exchange. The stocks confer the right to enjoy certain privileges - the owner should receive a continuing return in the form of a dividend and at the same time, the exchange value of that parcel of rights may shift due to changes in anticipated revenues. A stream of separate and discrete benefits can be identified. Residential property provides benefits in the same fashion. Land market processes are significantly different from those which shape the prices paid for stocks. Both land and shares, however, are fictitious capital and provide their owners with a lien on future surplus value.

Residential property’s role as part of the total stock of fictitious capital will vary across space and through time. The way in which the monopoly characteristics of land are expressed within individual housing systems will differ greatly. The important point is that, because land ownership confers monopoly privileges it can therefore appropriate part of the surplus value generated within the productive sphere. Different land uses capture different rents but they are all equal in the sense that land uses can be altered and exchanged as fictitious capital. As such, they play a central role within capitalist societies. Owners receive a continuing revenue and have access to an exchange value that may vary. Land as fictitious capital is the overarching premise that underpins the concept, and reality, of rent. Ball (1985) recognised this quality through his analysis of housing provision. What he failed to appreciate is that in modern cities
this "structure" is always present with respect to the use of dwellings, even if no readily apparent payment is made. The rentals paid within each city will vary according to the relative advantages each location offers. The special characteristics of housing means that relative advantage and the investment regime of the local region will influence the value of residential property.

2.4. Conclusion

This chapter has examined the ability of residential property owners to benefit from their ownership of dwellings. A range of perspectives have been reviewed. The debate over housing, and the material advantages it might confer, has evolved over the last 20 years from a concern with housing classes defined by access to accommodation, to an appreciation of the role of housing within the wider economy. The central concern within all relatively sophisticated approaches has been the question of value: the origin and distribution of material benefits within the housing sector.

Saunders (1978, 1981) highlighted the need to come to terms with the flow of value through housing. He was unable to generate a convincing exposition of residential property because he grounded his argument within the distribution of value within society. Saunders did not accept that the political conflicts he observed in the consumption sphere were a direct consequence of productive relationships. Saunders' "necessary non-correspondence" between political conflicts and economic categories was an artefact of the comparison he drew between a cause and a consequence within capitalist societies. He recognised the importance of value within housing but failed to address its origins and forms.

Marxist writings on housing, and the benefits it may offer, have been varied. The most significant feature of Marxist approaches to the movement of value through the physical fabric of cities, when compared to Weberian perspectives, is that they do not treat housing as an analytically distinct feature of society. Residential property is viewed as a commodity like any other, albeit with special characteristics which influence its value. Edel et al (1984) appreciated the importance of value within the discussion of the benefits associated with housing but adopted an incorrect definition of that key element within the debate. Their analysis was skewed by a focus on dwelling prices rather than the full range of benefits available to residential property owners. Ball's (1983) response to the Weberian concern with the benefits available to home owners was to argue that attention should be centred on housing production. The social structures which produce housing play a determining role within the housing system. The manner in which housing is produced influences the way it is consumed, the role of the state, the rights of the resident population and even the type of dwellings
available. This perspective can be modified to embrace housing outcomes such as financial gains to owner occupants.

Harvey’s (1982) reading of Marx provided the theoretical tools for understanding the benefits available to residential property owners. Importantly, the political conflicts which have been the foundation of much of the discussion of housing and its benefits disappear when the economic aspects are examined. The distinction between production and consumption disappears if land and its appurtenances are considered to be one form of fictitious capital. It is the rights to certain socially-constituted benefits which are significant, not the physical entity of land itself. It is these benefits which form the basis of land’s "value". Harvey (1982) showed that land can acquire "value" wholly unrelated to the labour involved directly in the production of that site. That "value" is inescapably linked to the fundamental operations of the capitalist mode of production. The special characteristics of land and housing allows them to capture, or appropriate, part of the investment in the built form of the city. Both the use and exchange values provide a benefit to real property owners. This perspective provides only a broad outline. The social expression of property rights will vary through time and across space.

It is impossible to prescribe the future direction for research on the benefits available through the ownership of housing. There are, however, some requirements that must be met by this and future work. In the first instance, any examination of real property must accept the central importance of land ownership within the capitalist mode of production and recognise that the gains in land value which appear to be a feature of distribution are in fact firmly rooted in the production of wealth. There is a need to include also the processes of market exchange, that is the acts purchase and sale, within the production-oriented perspective. Markets are a feature of capitalist societies and their operation gives meaning and substance to the value found within the built environment. In the same vein, both historical and structural elements must be accounted for in interpretations of housing and its social processes. The history of a property market results in a particular environment or arena in which structural processes act. A synthetic approach must be applied to the movement of value through residential property markets. The benefits available through the ownership of housing must be seen within their social context. Perhaps more importantly, it should occur in conjunction with empirical research to add substance to debates which are often based around conjecture and opinion.
Chapter 3
Leasehold and the Capture of Value in Canberra

Canberra has had a distinctive history with respect to land ownership and rights. The story of land tenure in the ACT cannot be divorced from the history of Canberra itself. The adoption of a leasehold system of land tenure and its eventual decline as an effective instrument for the appropriation of land values by the Commonwealth, occurred in conjunction with changes both to the administration of the territory and the Commonwealth Parliament’s view of its capital. Residential property owners simply would have been unable to collect any capital benefit from their ownership of housing without modifications to leasehold. Reduced accommodation costs would have been the only advantage available to Canberra’s residents. The changes to land tenure arrangements meant that some residents benefited both from the government’s measures to lower the costs of housing and the subsequent capacity to sell dwellings at a “market” value.

Private property rights in Canberra changed in two ways. Firstly, the value of property rights in Canberra grew enormously. The massive investment in Canberra’s urban infrastructure over the last 75 years made land much more valuable. The net worth of both individual blocks and the total pool of residential land increased greatly. The Commonwealth Government was the most important source of investment in the built environment, especially during Canberra’s early history. Secondly, the legal rights and entitlements associated with residential property ownership were transformed by a series of amendments to the leasehold system of land tenure. Since 1971 lessees have had unchallenged rights to both the use and exchange value of residential property. Land rent was abolished for residential blocks. The sole remaining provision to enact the Commonwealth Government’s original intent is the betterment levy applied to residential sites that are to be used for other purposes.

This chapter traces the history of Canberra’s growth as the national capital and examines the evolution and decline of the leasehold system of land tenure as an instrument of social policy. The origins of Canberra and its leasehold system of land tenure are examined in detail. It is argued that a number of geographical and historical factors combined to ensure public monies would form the basis of Canberra’s growth. The early Commonwealth Governments were aware that their investment in the capital would result in rising land prices. A leasehold system
of land tenure was introduced as they wished to gather the benefits of their own expenditure. The leasehold system introduced by the first Federal Parliaments, however, created a number of tensions with respect to the institution of private property. Land and associated investment was treated as a special form of capital, quarantined from the normal processes of commodity exchange. The reservation of property rights by the Commonwealth gave rise both to uncertainty and political turmoil as property owners anxious to ‘reclaim’ all rights associated with the ownership of land, agitated for the abolition of leasehold. The Commonwealth Government progressively surrendered its powers with respect to land in response to a host of influences including the desire to attract private investment to the capital, its role as the significant employer in the region and as a result of political self-interest.

3.1. The Legacies of Federation

The Federation of the Australian colonies into the Commonwealth of Australia was directly responsible for Canberra’s development. The new Commonwealth Government was bound by the Constitution to establish a city to serve as the nation’s capital. The decisions taken at that time underlie the urban processes studied in this thesis. The adoption of a leasehold system of land tenure and the Commonwealth’s commitment to develop a national capital away from the established urban centres, had a profound impact on precisely how the new seat of government developed. A different location or a freehold system of land tenure, would have, in all probability, resulted in a different set of outcomes. Canberra’s growth has been structured by these two long-term influences. This section examines in some detail the conditions that gave rise to the early decisions of the Commonwealth Parliaments. The decision to build a new city in a large Federal territory was taken at the same time as the Commonwealth Parliament’s commitment to a leasehold system of land tenure was evolving. The two must be considered together as both their genesis and affects are related.

3.1.1. Selection of the Site of the Seat of Government

A series of Constitutional Conferences preceeded Federation in Australia. Conferences were held in 1891, 1897 and 1898 in various state capitals. All states had vested interests they wished to protect or preserve under Federation and negotiated conditions to that end. The rights of the states with smaller populations were guaranteed via the Senate: the upper house of the Federal Parliament to which all states elected equal numbers. More specific interests were also attended: South Australia was relieved of the financial burden of governing the Northern Territory, Queensland interests were reflected in the imposition of a ‘white Australia’ policy, designed to protect Australian-born agricultural workers from competition by ‘blackbird’ or Asian labourers, while West Australia required that a trans-continental railway be built as its precondition for participation in the proposed Federation.3
All colonies wished to have the new Parliament located within their respective boundaries although the issue was not debated widely during the early meetings. The question of the site of the new capital received relatively little attention at the first constitutional conferences as most delegates felt that the new government should be free to choose its location (Birtles, 1980). It was apparent by the 1898 constitutional conference in Adelaide that Victoria and New South Wales felt that they had first claim on the national capital. Both wished to secure the prestige and economic benefit associated with the new national government (Brennan, 1971). New South Wales was especially anxious to secure the capital for Sydney, though it should be noted that this suggestion was often put forward by anti-Federalists who wished to obstruct the progress of the conferences. Sir George Turner, the Victorian Premier, thwarted these efforts at the 1898 convention when he moved successfully to have a clause inserted in the draft Bill which stated that the capital would be within Commonwealth territory (Fitzhardinge, 1983). This condition effectively excluded all existing capitals as no colony was willing to cede sovereignty to part of their own seat of government. The final conditions in the Constitution Bill passed by the United Kingdom Parliament were set at the conference of colonial Premiers held in Melbourne in January 1899. It was agreed that the new capital would be within NSW but would be located at a distance of more than 100 miles from Sydney.

Section 125 of the Commonwealth of Australia Constitution Act, stated;

The seat of Government of the Commonwealth shall be determined by the Parliament, and shall be within territory which shall have been granted or acquired by the Commonwealth, and shall be vested in and belong to the Commonwealth, and shall be in the State of New South Wales, and be distant not less than one hundred miles from Sydney.

Such territory shall contain an area of not less than 100 square miles, and such portion thereof as shall consist of Crown Lands shall be granted to the Commonwealth without any payment therefor (sic).


The NSW state government initiated the search for the site for the Federal capital in 1899 (Birtles, 1980). Alexander Oliver was appointed Commissioner to inquire into the most appropriate location for the new seat of government. He reported to the NSW government on the 23rd of October 1900 that he favoured a site in the Southern Monaro district, with Yass and Orange (then known as Canobalas) his equal second choices (Fitzgerald, 1983). All three sites were offered to the Commonwealth in 1901. In the following years members of both houses of the Commonwealth Parliament undertook inspections of a number of sites. The Commonwealth appointed its own Commission of Inquiry in 1903. The Commission put forward nine sites, with a location near Albury its preferred choice. Parliamentary debate in 1904 led eventually to the selection of Dalgety for the new seat of government. Twofold Bay was to afford the Federal Territory access to the sea. This choice was set down in the 1904 Seat of Government Act.
The 1904 legislation was not enacted as the NSW government, under Premier Joseph Carruthers, refused to release the site. The state government was concerned that the chosen area of 900 square miles was excessive and that the site ran along the border with Victoria and therefore did not meet the strict interpretation of the constitution. Section 125 stated that the federal territory had to be within the boundaries of NSW. Carruthers' attitude was fueled by pressure from the Sydney daily papers. Business and political interests in Sydney feared that the placement of the national parliament in southern NSW would result in substantial economic growth for Victoria and that Twofold Bay would develop into a port to rival Sydney (Brennan, 1971). The 1904 Act was repealed in 1908 with the site of Yass-Canberra substituted for Dalgety. Nominal access to the sea would be achieved through a port at Jervis Bay.

The precise boundaries of the new seat of government were not delineated in the 1908 Seat of Government Act. The state government district surveyor for the area, Charles Scrivener, was
released to the Commonwealth Government to determine the most desirable site for the future capital within the Yass-Canberra region. He was instructed by the Federal Minister for Home Affairs, Hugh Mahon, to bear in mind that

'... The Federal Capital (sic) should be a beautiful city, occupying a commanding position, with extensive views and embracing distinctive features which will lend themselves to a design worthy of the object, not only for the present but for all time' (in Fitzgerald, 1983, p 22).

Scrivener selected the site of Canberra after considering all alternatives within the district. His original choice, however, of a territory of 2,537 square kilometres was rejected by the NSW government because it included the towns of Queanbeyan, Burra and Captains Flat. A roughly equivalent area to the undeveloped and unpopulated west was substituted. The transfer of territory from state to Federal jurisdiction was finalised through the Seat of Government Surrender (NSW) and Acceptance (Commonwealth) Acts. The Commonwealth took charge of the site of its new capital on the 1st of January, 1911.

3.1.2. The Introduction of the Leasehold System of Land Tenure

The implementation of a leasehold system of land tenure was incorporated into the first plans for the new seat of government. Leasehold for the Federal territory was not specified in the constitution although it had been considered before Federation. The leasehold system was adopted because of a number of considerations. Firstly, the whole question of land and its ownership had been subject to vigorous debate in Australia in the latter part of the nineteenth century. Henry George’s ideas were particularly influential during the 1890s. Secondly, leasehold was perceived to be a way of financing the construction of the nation’s capital that would even provide general government revenues. The early Commonwealth governments had few financial resources and were anxious to maximise the returns from their investment in the seat of government. A third, though perhaps lesser, consideration was the administrative power the leasehold system would afford the authorities responsible for developing the national capital. It was believed that private construction could be controlled through lease agreements.

The question of land ownership and property rights had given rise to considerable political agitation in Australia throughout the nineteenth century. The ownership of land was fundamental to production in Australia’s pastoral economy. Access to land and the entitlements it provided was an important issue as squatters and investors had secured large holdings. Australia’s population grew during the gold boom of the 1850s and many ex-diggers sought to move onto the land when mining prospects became less attractive. The ‘free selection’ movement sprung up in response to the demand for widespread land ownership. A number of bills were passed by the responsible colonial parliaments (such as Victoria’s Duffy Act (1862) and NSW’s Robertson Land Act (1861)) to allow the selection of farming properties.
Generally, however, these Acts failed in their purpose with only one selector in nine remaining on their land and farming it (Brennan, 1971). Selection also gave rise to a number of bitter, and often violent, disputes between would-be farmers and squatters determined to protect their pastoral runs. The conflict over land was reflected in the writings, and the popularity of the ideas, of a number of social critics. Social reformers ranging from Melville in the 1830s to Henry George in the 1890s attacked the ownership of land in *fee simple* (Else-Mitchell, 1974). They argued that the rights attached to real property ownership should be either taxed or regulated. There were even calls for land nationalisation during the 1860s and 1870s. The debate over land cooled during the 1880s but the conflicts of that earlier period had entrenched firmly into Australian political life a willingness to review landed property rights.

The works of Henry George rekindled the interest of Australians in questions of land and its ownership. Henry George was an American who lived in California and believed that the ownership of land was the cause of both inefficiency and inequity within society. He believed

"...that the fundamental evil which perverted and distorted the free enterprise economy was the private ownership of land - and land meant all natural resources. Private ownership in land he called a *bold bare enormous wrong*. It acted like a wedge driven into the social fabric, elevating all above, depressing all beneath, enriching the few and impoverishing the many" (Brennan, 1971, p.14, original emphasis).

His ideas were developed in response to the urban poverty he witnessed in America's cities, particularly New York. He argued that land was a special good within society: fixed in quantity, immovable, permanent and the product of God's act of creation, rather than human labour. The solution put forward by George in books such as *Progress and Poverty* (1879), was for the state to confiscate the rent on land and at the same time abolish all other forms of taxation. By rent George meant the charge for the use of the site, not any capital improvements. Under George's scheme the single tax on land was to form the sole source of revenue for the state.

Henry George toured Australia in 1889-90 and was received warmly. The influence of his writings increased significantly after his tour. All political parties of the time examined his ideas. Some of his principles were adopted. George's writings led to local council rates in Australia being levied on the basis of the unimproved capital value of a site, rather on the combined value of the land and its improvements (Clark, 1980). An active single taxers league also ran as a political force for a number of years, the vestiges of which still remain. Most significantly, Henry George stimulated afresh interest in land tenure and land disposal. That concern reached its peak in the decade before Federation when serious consideration was being awarded the question of land ownership in the Federal territory (Brennan, 1971). The decision to impose a leasehold system of land tenure on the new seat of government was influenced largely by Georgist ideas. It must be remembered, however, that the whole history of land
settlement in Australia made the nation open to George's challenge to the system of freehold title (Atkins, 1978).

The first clear indication that a leasehold system of land tenure would be introduced into the new seat of government was given in the speech with which Edmund Barton opened his campaign in Maitland (NSW) on the 17th of January 1901. The constitutional conferences had seen previously a number of politicians call for a leasehold system of land tenure but a binding decision had not been taken. Barton was the leader of the Protectionist Party and had been sworn in as the caretaker Prime Minister immediately following Federation. In his speech Barton foreshadowed a leasehold system of land tenure for the new capital. He said

'...So far as the law of the land allows land within the Federal area will not be sold. Its ownership will be retained in the Commonwealth. The land will be let for considerable terms but with periodic reappraisement so that the revenues will assist the cost of creating the Commonwealth Capital (sic). More than that we shall take care to put no fancy prices on land. We shall not play into the hands of speculators' (in Brennan, 1971, p19).

Barton's Protectionist Party formed the first government with the support of the Labor Party. Both parties had included proposals for a leasehold system of land tenure in their election platforms.

Barton's speech emerged out of a complex political climate. The proposed leasehold system did not reflect merely the influence of Georgist ideas. Many ideologies played a powerful role in shaping the seat of government in this early period (Fischer, 1984). From the first constitutional conventions some politicians had perceived the proposed Federal territory to be an opportunity to create a city free of society's ills. There was a very strong body of thought which saw the new capital as a social experiment and leasehold was simply one dimension of this attempt to produce a more human environment.

The first Commonwealth Governments considered the important features of the proposed leasehold system to be; firstly, its capacity to provide a steady income for the Federal Treasury both to develop the city and add to general revenue, secondly its ability to discourage speculation in land; and thirdly, its potential to make home ownership more affordable within the capital, as lessees would not need to save a deposit. The revenues that were expected to result from the leasehold system were one of the most important aspects of leasehold. The first, and subsequent, Parliaments believed that substantial rents would result from the development of the national capital (Brennan, 1966). Indeed, the notion that the federal capital would result in surpluses was one reason the Commonwealth had sought a large federal territory. The Commonwealth Government had few financial resources in this period. It did not enter the field of personal income tax until 1915, and did not have sole access to this source of revenue until the Second World War. Funds for the Commonwealth Government were expected to come from the Post Office, customs and excise. It is therefore not surprising that the early
governments wished to reap all benefits resulting from their investment in the capital. The desire to thwart land speculators was an allied goal. Many members of Parliament concurred with the views of Senator Smith of West Australia who argued that 'land grabbers, syndicates and speculators' would rush to the lands around the seat of government (Brennan, 1971). It was believed that a large territory would overcome this problem as all land proximate to the capital would be in public hands. Both the nature and the size of the leasehold system were therefore intended to capture the growth in land values associated with the Commonwealth Government's investment in its capital.

The leasehold system finally began to take concrete form with the Seat of Government [Administration] Act, 1910. The Act set in place much of the machinery for the administration of the federal territory. Section 9 of the Act began with the words

'...No Crown Lands in the Territory shall be disposed of for any estate of freehold...'

(Brennan, 1971, p 35).

Parliamentary enthusiasm for a leasehold system of land tenure waned in the years following immediately upon Federation. Georgist ideals lost popularity and Parliaments faced more pressing issues. The particular requirements of the leasehold system were taken into consideration in the planning of Canberra despite the diminishing enthusiasm for this form of tenure. Land acquisitions from private owners in the territory commenced in 1911 and by 1920 212,000 acres (86,000 hectares) had been purchased. This property was added to the Crown lands which had been transferred to the Commonwealth with the surrender of the territory. Canberra's slow progress, however, meant that it was not until 1918 that the first legislation setting down the details governing the release of land was promulgated.

3.2. The Development of Canberra

The Commonwealth Government was ill-equipped to undertake the development of a new city remote from the established urban centres. The first Parliaments either did not comprehend fully the magnitude of the task they initiated or believed, like Barton, that the new seat of government would be a small affair with a permanent population of only 300 persons (Singer, 1985). Public disquiet with expenditure on Canberra through the 1920s and 1930s and the belief that leasehold would provide a rolling fund to finance the city also hindered development.

The Commonwealth Government of Australia began work on the development of its capital as soon as the choice of site was finalised. Surveyors began producing the first detailed maps before the NSW Government had officially ceded the territory. Progress continued at varying rates over the next 50 years but it was not until the establishment of the National Capital
Development Commission (NCDC) in 1958 that the city’s growth achieved any momentum. A number of administrative arrangements had been tried in the intervening years. Difficulties in obtaining adequate funds for construction were the most serious check on Canberra’s development. The Commonwealth had limited monetary reserves to expend on the capital while private funding and development was restricted.

The material limits on Canberra’s growth facilitated changes to the leasehold system of land tenure. The leasehold system was altered to make private investment in the capital more attractive. There was significant agitation by local residents in the 1920s for the introduction of freehold title. The Commonwealth responded by surrendering progressively its power to appropriate part of the rise in land values associated with its investment. The affects of amendments to the leasehold system were not obvious immediately. The absence of growth in Canberra before 1958 meant that there was little pressure on land values. It was not until the city began to expand rapidly that the full implications of the revisions to leasehold became apparent.

3.2.1. Development Under Departmental Control

The Department of Home Affairs was given the task of developing the seat of government. In almost all respects the site of the new seat of government was a tabula rasa, ready for the Commonwealth to make its imprint. Unfortunately, the Commonwealth had neither the direction nor the funds to impose its presence. The Department laboured to overcome the problems presented by Canberra’s isolation and its own administrative structure. Development by a Commonwealth Department tied growth in Canberra to the system of annual budget appropriations and Ministerial oversight. Both aspects of the functioning of a Commonwealth Department did not meet the needs of the seat of government.

Canberra’s development under the Department of Home Affairs was beset by problems. The cost of development checked progress and financial limitations created tensions concerning the most appropriate course of action. The operations of the Department of Home Affairs in Canberra were supervised by a former army engineer, Colonel David Miller. It was at his instigation that an international competition to design the layout of Australia’s capital was announced in 1911. Walter Burley Griffin, a landscape architect from Chicago, won the first prize of £1,750 ahead of a distinguished field. Second prize went to Eliel Saarinan of Finland while the third prize was awarded to Professor D. Alf Agache of France.

Griffin came to Australia in June 1913 when it was suggested that his plan be replaced by an amalgamation of submissions to the contest drawn up by a board of senior officers within the
Department of Home Affairs. The officers claimed their substitution was made necessary by the prohibitive cost of implementing Griffin’s plan. The Department’s proposal was criticised roundly in professional planning journals as being unimaginative and without aesthetic merit (Gibbney, 1988). Further political embarrassment was avoided when the responsible Minister, W. H. Kelly, appointed Griffin Director of Federal Capital Design in October 1913. Griffin’s position was not defined adequately and held no real power. His duties included the completion of the details of his original plan and consultations with the Department concerning development.

Griffin’s appointment was resented by the staff of the Department of Home Affairs. They had been eager to lay claim to the honour of designing the capital. They also felt that they could best execute the establishment of the city. The Department’s officers responded to Griffin’s presence by placing every possible obstacle in his path. The Director General of Works, Colonel P. T. Owen, went so far as to refuse Griffin any influence on the construction program. For his part, Griffin was difficult to deal with and possessed little organisational capacity (Gibbney, 1988). W. A. Archibald became the Minister responsible for Home Affairs as a result of a change in government. He refused to support the "Yankee Bounder" in his dealings with the Department. In 1915 a Royal Commission, set up by yet another government, found that the former minister and members of the Departmental Board had attempted to substitute the Board’s design for Griffin’s, had ignored Griffin’s office, and withheld information. Griffin’s situation improved following the release of the Commission’s report but the demands of the war helped ensure that little progress was made between then and the end of his association with Canberra in 1920.

The development of the national capital was marked by controversy and conflict throughout this period. There were, however, more fundamental issues than the clash of personalities. Financial restrictions limited the city’s growth and fueled the conflict between Griffin and the Department. Griffin’s plan envisaged that the capital would evolve from a number of nucleii which would grow toward each other and emerge as a fine city. This course imposed greater costs in the short-term as services had to be provided to a dispersed population. Development from a single centre would have been less expensive. The Commonwealth had to bear the substantial costs necessary for the construction of the capital without any sign of a return. The officers of the Department of Home Affairs were motivated, at least partly, by the desire to limit costs. The creation of value in land via the public sector had already begun to place strains on the administration of the capital. By 1921 the Commonwealth had spent an estimated £2 million on the Seat of Government. That year the Commonwealth received a land rent of £35,000, an annual return of less than two per cent.
3.2.2. The Federal Capital Advisory Committee

Australia's economy improved after the First World War and the Hughes Nationalist Government, mindful of the failure of the Department of Home Affairs to achieve satisfactory progress, appointed the Federal Capital Advisory Committee (FCAC) to oversee Canberra's development. The FCAC was headed by Sir John Sulman, a prominent figure within the town planning movement in Australia. The Committee was founded on the 22nd of January 1921 with a brief to ensure the transfer of government to Canberra as quickly and economically as possible. The FCAC was an advisory body comprising experts within several fields but had no power to implement its own recommendations. In the Committee’s first general report of July, 1921 it detailed the costs involved in moving Parliament by 1924. It drew up a three stage program of development:

1. A first stage of three years costing £1,799,000 to establish Parliament in Canberra with attendant key branches and departments;
2. A second stage of three years costing £1,294,000 to remove the central administration to Canberra and establish additional railways, as well as some permanent works and architecture; and,
3. A final stage of permanent construction in which the monumental and ornamental works would be completed, no estimate was made of the time or cost in this final period.

The Committee received only half the necessary funding although the proposed construction program had been approved by Cabinet. The government failed to match its verbal commitment because of the considerable antagonism to Canberra then evident in the daily press, particularly in Melbourne. The FCAC also suffered from inadequate oversight, with four changes of Minister in as many years (Brennan, 1971). Despite these difficulties, the Sulman Committee effectively prepared Canberra as the Seat of Government. It maintained Griffin’s plan and it developed Canberra sufficiently to hold the first land sales in the final days of its stewardship. The FCAC was wound down in December 1924 by the Bruce-Page Government which was anxious to demonstrate its commitment to the capital by instituting a new, more effective administrative structure.

3.2.3. The Federal Capital Commission, 1925-1930

The Federal Capital Commission (FCC) began operation on the 1st of January 1925. The Commission was established by the Seat of Government [Administration] Act, 1924. The Commission was granted independence and wide-ranging responsibilities. Its sphere of influence included urban services such as the police, health services, and education as well as development and construction. The FCC was expected to provide the Commonwealth with a financial return. Section 17 of the Act established a Seat of Government Fund, financed by appropriations from consolidated revenue and Commonwealth Cash and Conversion Loans.
The Commission was required to repay all monies spent on the Seat of Government prior to 1924 plus 2.5 per cent interest, while all later funds would incur an interest rate of 5.5 per cent. From its inception the FCC was required to conduct its work as a business undertaking.

Under (later Sir) John Butters the FCC was a dynamic and effective body. In the 30 months to June 1927, when Parliament sat in Canberra for the first time, the Commission spent £9,360,000 and employed 4,000 tradesmen. At its peak it had a staff of 480. Not only did the FCC bring Parliament to Canberra, but it also managed to provide accommodation for 1,100 public servants and their families. The most ambitious plans of the Sulman Committee had envisaged the transfer of only 560 households. On one occasion Butters even managed to force the Board of Governors of the Commonwealth Bank to accept residential leases as security against housing loans. The FCC would have achieved more if it had not been required to reduce its outlays in 1926-27 and again in 1927-28 because of national economic problems.

The FCC's single greatest asset and source of revenue was land. Leasehold for the city area had been introduced into the federal territory in 1918. Rural land had been leased back to farmers since the commencement of the land acquisition program but these arrangements were not an important part of the development of the capital. The Lease Ordinance 1918 was the first legislation to deal with leases in the city area. It allowed for the sale of leases for 25 years with an annual rent of five per cent of the capital value. This legislation contained only the barest outline of the leasehold system. A more substantial version of leasehold was promulgated through the Leases Regulations 1919 and City Leases Regulations 1921, which spelt out the basic conditions of leasehold: the legislation gave the responsible Minister the right to determine (or take back) the lease if the lessee was in breach of any conditions attached to the site, annual rent was set at five per cent of the block's unimproved capital value, land values were to be reappraised after 20 years for rental purposes in the first instance and then every 10 years; and, lessees were required to erect a dwelling within one year of the purchase of the lease.

The first urban land was released under the City Leases Ordinance 1924. No blocks were released under the 1918, 1919 or 1921 legislation although they did form the basis of later ordinances. There were three innovations within the 1924 legislation. Firstly, it set the term of the leases at 99 years. Secondly, it established auctioning as the method of land disposal and decreed that unimproved land values would be set by the prices paid at auction. Thirdly, it established the reassessment of leases after 20 years in the first instance and every 10 years thereafter. The terms and conditions associated with leasehold were of considerable
significance. The Commonwealth's decision to auction land was a reflection of its desire to ensure large financial returns. Fifty years later the Department of the Capital Territory (DCT) commented in its submission to the Commission of Inquiry into Land Tenures:

'The Government adopted the auction system of land disposal rather than the equally available application system. It seems clear its policy was to set high values on the land to maximise revenue from land rent' (DCT, 1973, p12).

The Commonwealth Government did not simply organise leasehold to its advantage. The 1924 legislation gave lessees greater rights and prospects for material advancement than would have been acceptable in an earlier period. The decision to set a 20 year period for land value reappraisals was especially contentious. The extension of lease contracts to 99 years also gave lessees far greater rights than envisaged originally. An amendment to the legislation in 1925 even allowed, at the discretion of the Minister, the sale of dwellings before the erection of a permanent structure. Brennan (1971) estimated that approximately 130 sites were exchanged privately under these terms. It is therefore likely that a substantial proportion of the first blocks to be released in Canberra were sold later for a speculative gain. Brennan (1971) considered that this amendment resulted in inflated land prices as speculative investors purchased leases in anticipation of resale at a later date. The leasehold legislation throughout this period did not exclude the sale of a lease for a profit after construction. The vestigial intent of the 1924 legislation was to prohibit speculation in raw land. No attempt was made to limit the ability of lessees to benefit from their residential property once a permanent structure had been completed.

The first auction of City Area leases was held on the 12th of December 1924, just prior to the commencement of operations by the FCC. Three hundred residential and two hundred business leases were released. The second auction of leases, and the first under the FCC, was conducted on the 10th of February 1926. Auctions continued through 1926 and 1927. Auctions were abandoned as a method of land disposal in 1937 because of rising prices and did not reappear until 1951. Leases could also be acquired through private negotiations after the auctions. The auctions resulted in high prices. The 150 leases sold in December 1924 fetched a nominal capital value of £60,000 (Brennan, 1971). Lessees paid only the first year's rent (five per cent of the sum bid) upon the fall of the hammer. This aspect of the sale of leases meant that many purchasers were more willing to bid vigorously than otherwise would have been the case. Prices rose steeply in 1926 due to competition for land. Some 354 leases had been sold by the end of June 1926, the majority of which were for residential land.

Leasehold became a source of political friction within the territory. Many lessees were unhappy with the conditions attached to their properties. Commercial interests, especially those from Queanbeyan, chafed at the imposition of purpose clauses which restricted the uses
to which their sites could be put. Lessees wished to enjoy the full benefits of land ownership. Many objected to the prohibition on the sale of leases before construction. This feature, however, was essential to check speculation in land, one of the most important reasons the leasehold system of land tenure had been adopted. Some lessees managed to avoid this limitation with the assistance of the Minister but believed that they should have the automatic right to resell their lease. Others believed that the FCC was taking unfair advantage of its position as monopoly-supplier of land by releasing too few blocks, thereby pushing up prices.

There were other sources of discontent in Canberra. Many public servants resented their transfer to the "bush capital" and vented their feelings on the FCC. They complained that the FCC set rents that were too high and imposed unwarranted charges and levies. In 1927 a Representation League was formed to press for a voice in Parliament and a seat on the FCC. The second request was granted in 1928 although little was achieved as the views of the representatives of the residents and the other Commission members were too distant from each other (Commonwealth Grants Commission, 1984). Opposition to leasehold was an important part of Representation League. In February 1928 a large public meeting was held which organised a deputation of eight to call on the Minister and demand the abandonment of leasehold.

One of the fundamental causes of discontent in the capital was the Commonwealth Government’s determination to develop its capital at a profit. The FCC bore the political consequences of the government’s economic decision. The FCC was responsible for collecting land rents, rates and rents on government houses. It also imposed additional levies for special purposes such as the provision of street lighting, sewerage and kerbing and guttering. The Commission faced substantial development charges which it was required to pass on to the users of urban services. Housing cost approximately 20 per cent more to construct in Canberra than Melbourne and there were similar inflated prices in other areas of construction activity. Budgeting was made more difficult by the fact that the FCC was barred by Parliament from charging the true cost of providing urban services and had to be satisfied with rates set at the average Australian cost. The Commission both set the land values and struck the rates charged lessees. The only avenue of appeal available to lessees who disagreed with their valuation for rating purposes was the Commission. Not surprisingly, many of Canberra’s residents became disgruntled with this form of administration.

In 1928 the Public Accounts Committee conducted an ‘Inquiry into Housing and Building Costs Generally in the Federal Capital Territory’. The Inquiry was triggered by on-going agitation with the Commission, especially public service discontent with rents for dwellings.
Many submissions criticised the FCC and its handling of Canberra's development. Even the staff associations representing Commonwealth Government employees claimed that the FCC was imposing an unfair financial impost on their members (Brennan, 1971). The Inquiry established an important principle: Canberra was to be seen as an integral part of the nation's development and therefore the nation was expected to contribute to the costs of building the capital. As a result of this Inquiry the Commission was required to write down housing costs when calculating rentals. The view that the Commonwealth should recognise the necessity of subsidising Canberra's growth was endorsed in the Auditor-General's Report on the capital in 1929. The Auditor-General examined Canberra's growth since Federation and concluded that the cost to date (excluding railways and the provisional Parliament House) had been £9 million and that expenditure had exceeded revenue by £400,000. In addition the Auditor-General commented;

There is no doubt that owing to the conditions which are likely to exist in the Territory for a great many years, the present system under which the Commission is required to carry the whole capital and maintenance costs in the Territory is quite impracticable. The form of that system is that of a business without any sound business or financial basis (in Wigmore, 1972, p124).

The Auditor-General recommended that in future all of Australia's taxpayers should contribute to the development of the capital. By the late 1920s the Commonwealth had acquired greater powers and financial resources than were available in the first years of Federation. The Commonwealth Government had reached a sufficient size to contemplate funding a modest rate of development in Canberra.

Political agitation and worsening economic conditions led to a reconsideration of the desirability and benefits of leasehold. By the late 1920s Australia's economy was beginning to contract ahead of the Great Depression. Conditions were unfavourable for private investment in the new capital. All leases, excepting a garage site, sold at the auction in April 1927 were surrendered by the lessees within twelve months (Brennan, 1971). Leasehold, and its role within the development of the capital had been attacked constantly. A series of Parliamentary Committees of Inquiry were informed that land valuations were unrealistically high as too few blocks had been made available and prices had thereby been inflated. The issue, however, was clouded. Roughly 40 per cent of leases were not sold at each of the sales conducted during the FCC's term of office (Brennan, 1971).

The leasehold system per se created frictions. Many investors were opposed to the principle of leasehold and sought a change to freehold. Financial institutions were uncertain of their rights vis a vis mortgagors who defaulted on repayments. Many banks were unwilling to accept leases as security for loans. Leasehold resulted in problems for the Federal Capital Commission itself. Land rent revenues provided an uncertain income. The FCC had to
effectively forfeit rent on any lease surrendered by its purchaser. In addition, the sale of leases
did not result in the immediate injection of large capital sums, as would have been the case
with freehold. The Commission also was faced with the problem of establishing valuations for
rating and land rent purposes in an uncertain market and with an unfamiliar tenure. Butters
called for the introduction of a ‘premium’ payment to solve some of these problems at the
Public Accounts Committee hearings in 1928. In 1929 the FCC’s Annual Report went further
and called for the introduction of freehold tenure in the capital.

The reports of the Auditor-General and the Public Accounts Committee refuted the assertions
of the politicians of the Federation era who had believed that leasehold would finance the
construction of the capital. The Federal Capital Commission’s obligation to repay all costs
associated with the development of the seat of government resulted in widespread discontent
with its administration. The reluctance of public servants to settle in Canberra and antagonism
to leasehold also contributed to the atmosphere of disquiet. The compound effect of these
factors was to usher in quite significant changes. Most importantly, the Commonwealth
Government accepted responsibility for financing the construction of Canberra both as a
national capital and as the residence of its officers. The demise of the FCC was another
significant change. In 1928 the government sought to extend the term of the Commission by
another five years. That proposal was rejected in the House of Representatives and an
extension for a single year was substituted. Butters resigned in 1929 after the election of the
Scullin Labor Government and it was left to A. J. Christie, a career public servant in the
Post-Master General’s Office, to wind up the FCC in 1930.

The decline of the Federal Capital Commission ended a significant era in Canberra’s
development. More had been achieved in the period 1925-1930 than in the previous 25 years.
Canberra began to emerge as a national capital under the FCC. Other influences, which would
emerge as persistent themes within Canberra’s development had appeared for the first time.
The divergence between the rhetoric concerning leasehold and its application became apparent.
Leasehold did not, in the short-term at least, provide a ready source of funds for national
capital development. In addition, it presented considerable administrative problems and
provoked political agitation. Rapid urban expansion and leasehold did not sit well together.
3.2.4. The Department of the Interior, 1930-58

Responsibility for Canberra's development was handed to the Department of Home Affairs and Works in 1930. The Department was reorganised in 1932 and federal capital responsibilities were vested in the new Department of the Interior.

Canberra's development was caught in an impasse between 1932 and 1958. The Depression and the Second World War limited the availability of finance for Canberra's development and resulted in other concerns of the Commonwealth Government being afforded higher priority. There was substantial growth during the 28 years the Departments of Home Affairs and Works and Interior were responsible for Canberra but even greater expansion was desired by at least some sections of the public service. Growth was made possible by ad hoc developments such as "temporary" housing and offices. The population rose from 9,000 in 1933 to 39,000 in 1957 (Department of the Capital Territory, 1973). The removal of most Commonwealth functions to the Territory could have been achieved if the necessary funding had been available.

There were few pressures on the leasehold system during the period of Departmental control as Canberra's limited expansion resulted in a muted demand for sites. Change was implemented, however, largely on the basis of the tensions evident during the period in which the Federal Capital Commission governed the Territory. The administration also responded to the severe economic conditions in the 1930s. By 1935 the Commonwealth Government had granted 542 residential and commercial leases. At the end of that year 239 leases, or 44 per cent, had been surrendered. The Department of the Interior recommended to the government that leasehold must be made more attractive to private investors. The City Area Leases Ordinance 1935 contained some important amendments. Lessees were provided with some short-term financial relief through a reduction of land rent from five to four per cent of the unimproved capital value in 1935 and 1936. More significantly, the period of second and successive reappraisals was extended from 10 to 20 years. In addition, the 1935 legislation required the administration to notify all parties with an interest in a lease if it intended to determine that contract. Most importantly, the 1935 legislation introduced 'premium' payments. All persons purchasing a lease were to pay any monies they bid in excess of the government determined reserve price as a capital sum. This innovation was intended to 'curb market enthusiasms' and reduce the likelihood of unrealistic values being bid at auction (Brennan, 1966).

The 1935 amendments to the leasehold system had far reaching consequences in the long-term but minimal impact immediately. Premium payments were of no significance in the period 1935 to 1950. Between August 1937 and March 1950 only 550 leases were sold via
across-the-counter sales and the invitation of purchase applications. There was little competition for residential sites and premium payments were required rarely (Linge, 1975). The slow pace of development in Canberra in this period masked the magnitude of the changes to leasehold. The 1935 amendments meant that lessees were no longer free to devote all their capital resources to the construction of their dwelling. Persons intending to construct a home or purchase a dwelling were required from 1935 to pay a capital sum for the use of that land. Previously there had been no capital charge attached to residential leases. Importantly, it also increased the appearance of similarity between freehold and leasehold.

There was an attempt to reform Canberra’s administrative structure just prior to the Second World War. An inter-departmental committee, the National Capital Planning and Development Committee (NCPDC), was established in December 1938. The committee comprised officers from all departments with an influence on Canberra’s growth, with representatives from the Departments of Health, Works, Treasury and the Public Service Board. The NCPDC achieved little before the emergencies of the Second World War placed new priorities on the Commonwealth’s agenda.

The Second World War emphasised the importance of developing Canberra as the Commonwealth’s administrative centre. The headquarters of the defence forces were located in Sydney while other key government departments, such as the Department of War Supply, were based in Melbourne. The defence institutions grew significantly during the war and much of that growth was concentrated in Sydney and Melbourne. Over the course of the war the Commonwealth Government rented an extra 200,000 square feet (19,000 square metres) of office space in Sydney and an additional 250,000 square feet (24,000 square metres) of office space in Melbourne. In the early stages of the conflict Ministers, their staff and senior public servants shuttled continuously between Canberra, Melbourne and Sydney. The cost and effort of this practice was stressed when an aeroplane crash killed a number of senior defence officials. The Curtin Labor Governments after 1941 concentrated the greater part of defence planning in Canberra. The War not only revealed the need to develop Canberra, it also provided the means. The Commonwealth obtained the sole right to tax personal income under the Uniform Tax Legislation of 1941 (Gates, 1964).

There was a greater resolve to develop Canberra after the Second World War but it was a determination hindered both by national and local concerns. The housing shortage continued to impede the city’s growth. Proposals to develop the capital had to compete with larger, national issues. At the behest of the reformulated and revived Public Service Board the National Capital Planning and Development Committee drew up a plan in 1948 for the
relocation of many of the functions remaining in Melbourne. Eight hundred and eighty two officers and their families were to be transferred over the next one to two years and 7,000 more over the next ten years. The plan did not succeed because the Chifley Labor Government of 1947-49 was pre-occupied with constitutional issues, industrial troubles and then an election in which it was defeated (Atkins, 1978). Growth was limited under the Menzies Coalition Governments in the early 1950s by economic conditions. In 1951-52 the Commonwealth Government reacted to a downturn in national economic growth with cutbacks and retrenchments which resulted in the return of a large part of Canberra’s construction workforce to Sydney.

3.2.5. The Emergence of the National Capital Development Commission

Throughout the 1940s and 1950s Canberra grew at a rate which was unable to match the growing needs of the Commonwealth Government. Expansion in the public service had to be accommodated elsewhere. Canberra’s poor prospects in the early 1950s gave rise to renewed Parliamentary interest in the seat of government. In 1957 the National Capital Development Commission (NCDC) was established as a powerful planning, development and construction authority. The NCDC was given the necessary powers to develop Canberra rapidly and successfully. The population of the capital rose from 39,000 persons in 1958 to 226,000 in 1981.

After years of neglect Parliament’s interest in Canberra was revived in 1953 when a Senate Select Committee was appointed under the chairmanship of Senator J. A. McCallum ‘to inquire into and report upon the development of Canberra in relation to the original plan and matters incidental thereto’ (Report from the Senate Select Committee, 1955). The report presented to Parliament in 1955 concluded that the practice of developing Canberra on a day-by-day basis must cease. It recommended that the most appropriate administrative system would be a single authority constituted by a commissioner, responsible to the Minister for the administration, planning, construction and development of the national capital and holding powers similar to the Federal Capital Commission. Under the Senate Select Committee’s proposal government oversight would be exercised through a Minister holding a separate portfolio for the ACT. Parliamentary interest would be reflected via a Senate Standing Committee on the development of Canberra (Committee of Review of the Role and Functions of the NCDC, 1983). At the behest of the Committee, the government appointed Sir (later Lord) William Holford to prepare a report entitled, ‘Observations on the Future of Canberra’, which was completed in 1957 and tabled in March 1958. Holford’s report was written in conjunction with consultations with the responsible authorities. The report endorsed Griffin’s plan for Canberra in the main
and recommended rapid development. The government, however, had acted already. On the 28th of August 1957 the government tabled legislation which brought the National Capital Development Commission into being.

The National Capital Development Act (1957) bore the imprimatur of the Prime Minister (later Sir) R. G. Menzies. The decision to proceed quickly with the construction of the national capital at this time 'owed rather less to national pride than to the resolve of (the then Mr.) R. G. Menzies, six years in the office and with all the status of a permanent resident' (Harrison, 1978a, p109). Menzies enjoyed the role of Canberra's patron (Atkins, 1978). Menzies rejected the first draft of the legislation to establish the NCDC as he believed that it would have created a planning and development authority without substantive powers. In a memorandum to the Minister of the Interior, Alan Fairhall, he established the tone of the new planning authority. He wrote:

'It is, I think, necessary to bear in mind that we would not be contemplating the setting up of a special Commission if we had not concluded that the present arrangements were inadequate and unsatisfactory. If as we all agree, there is to be a Commission, it follows that it must be powerful, responsible and competent; not put into conflict with the Departments of Interior and Works; as far as possible (subject to the responsible Minister), autonomous within its budget' (quoted in NCDC Submission No. 1 to the Review of the Role and Functions of the NCDC, 1982 - emphasis added).

The Commission was granted a wide-ranging brief. Section 11 of the NCDC Act stated that the Commission's responsibilities were:

'To undertake and carry out the planning development and construction of Canberra as the National Capital of the Commonwealth';

and

'To do all things necessary or convenient to be done for or in connection with or incidental to the performance of its functions and the exercise of its power' (NCDC Act, 1957).

The NCDC also received responsibilities by Administrative Order in 1958. It was allocated power over town planning, capital works and services programs, the selection of sites to be disposed of under the City Area Leases Ordinance and the Leases (Special Purposes) Ordinance, the determination of building covenants and the approval of lease variations (NCDC, 1982).

The Department of the Interior was left to administer the Territory that the NCDC built. The Department was responsible for the administration of leasehold and the provision of services, such as housing, education and health. The Commission enjoyed Menzies' patronage throughout the early 1960s, a position of favour which remained until the early 1970s. The Labor Prime Minister, Gough Whitlam took a keen interest in Canberra's development during the period 1972 to 1975. Canberra was presented as an exemplar of what planned urban development could achieve in Australia. The Commission built quickly and built in response to the needs of the ACT community. Harrison (1978a) estimated that in the 18 years to 1976 the
NCDC put in roads and services for 50,000 building blocks and constructed 17,000 dwellings, 55 schools, 73 sports grounds and 80 tennis centres. These "basic community requirements" took up 80 per cent of the NCDC's expenditure. That expenditure amounted to $3.2 billion (1981) in the years 1958 to 1981 and occurred in addition to all preceding investment.

Canberra grew rapidly. Urban expansion and investment in the built form of the city transformed Canberra's land market. Land values spiralled upwards under heated demand for housing. Canberra quickly shed its image as a country town and became a city. The Department of the Capital Territory (DCT) estimated in 1973 that the public sector alone had spent $1.65 million ($1971) on land development in the capital between 1956/57 and 1971/72. Private investment would also have added to the value of land in the ACT. Perhaps more importantly, the Department of the Capital Territory estimated in 1973 that the shortfall of land revenue of land revenue over expenditure alone amounted to $80 million in 1971 or $224 million in constant $1981 terms.

The leasehold system once again faced problems brought about by sustained urban development. Firstly, leasehold did not provide an economic return to the government. Between 1957/58 and 1971/72 premia provided only $65 million ($1971) for Commonwealth revenues while land rent and the land rent component in government housing rentals comprised $17 million and $2.8 million respectively (DCT, 1973). In addition rate revenues fell behind the cost of providing municipal services. Secondly, discontent arose over the reappraisal of land values for land rent and rating purposes. In the late 1960s and the first years of the 1970s land purchased in the immediate post-war period fell due for reappraisal. Households which had been paying land rent on the 1940s value of their property found themselves paying 5 per cent of the much greater 1960s figure. Householders reappraised in 1969 were faced with land rents in excess of $300 (contemporary value) per year while adjoining blocks reappraised in 1954 could attract a rent of $40 (DCT, 1973). A third problem for the administration of leasehold was the commonly held belief that the Commonwealth restricted the supply of land to ensure high premiums. Housing shortages in the early 1960s had resulted in high land prices. The notion that the Commonwealth authorities conspired to raise land prices persisted despite the fact that many households benefited from Commonwealth schemes designed to make home purchase more affordable. Nevertheless, the public's concern led to an inquiry by the Joint Parliamentary Committee (JPC) on the ACT into the demand and supply of residential land which reported in 1965. Agitation over land prices was partly a result of the resentment many public servants felt over their transfer to Canberra. It comprised, however, another difficulty for the implementation and administration of leasehold.
In the early 1970s the Department of the Interior attempted to redress some of the problems associated with leasehold. It proposed the alteration of the system of reappraisals to allow for a more frequent adjustment to land values and thereby rents and rates. Inequities between households were to have been reduced and land revenues rise. The Department’s plans were pre-empted in May 1970 by the Prime Minister, John Gorton, who announced the abandonment of the rental component of leasehold for residential sites from January the 1st 1971. In the future ail residential blocks would pay a pepper corn rental of five cents per annum, if and when demanded. Gorton made his announcement in the Liberal Party campaign office as Canberra prepared for a by-election. The government would recoup the lost revenue through a commensurate rise in rates, which at the time were tax deductible.

The abolition of the rent component of leasehold removed the last formal barrier to the degeneration of leasehold into a *de facto* form of freehold. In addition, it provided many property owners with a substantial capital benefit as all land rent obligations were waived. Almost all commentators have argued that the abolition of land rent signalled the decline of leasehold (Linge, 1975; Atkins, 1978). Brennan (1971) criticised Gorton’s actions most forcefully stating;

‘The abolition of rent or the institution of a pepper corn rental is in effect the abolition of leasehold and whether the last step to freehold is taken is very largely immaterial’ (p200).

The Commonwealth surrendered the right both to impose economic rents at a later date and to redevelop land inexpensively. If nothing else, a future source of revenue had been abandoned. Gorton resolved the tension’s created by the Commonwealth’s reservation of rights with respect to land by handing them to the lessees.

The removal of land rent payments was the last in a long series of modifications to leasehold which advanced the position of lessees to the detriment of the Commonwealth. The leasehold system of land tenure declined for a number of reasons. Political considerations prompted successive governments to improve the position of the lessees. Leasehold was shaped by, and dependant upon, the Parliament of the Commonwealth and was influenced by the concerns of the governments of the day. Political advantage was an inevitable factor in the implementation and continuance of leasehold. The Commission of Inquiry into Land Tenures stated this argument clearly

‘...We believe that in the long run it would prove to be politically inexpedient to exact full economic rents from residential land. So far as we know, no government has ever succeeded in doing this consistently over a long period. The reason is simply that a lease is simply a contract between two parties, and if one of the parties is the government (or a government agency) and the other the voter who determines whether the government stays in office, the system is inherently unstable! Even if a rental system was to be introduced and economic rents charged by the government, it would be tantamount to inviting the opposition to change the system...’ (1973, p53).

The Inquiry added that a rental leasehold system would only survive if it generated increasing benefits to lessees at the expense of the taxpayer.
The legislation that established the leasehold system contained deficiencies and omissions which contributed to the demise of that tenure as an instrument for social policy. The ACT’s leasehold system had provided economic benefits for residents through a variety of means. It was the resident’s desire for unconstrained benefits which resulted in conflict. Many home owners and home purchasers experienced reduced housing costs as a result of the leasehold system of land tenure. Land rents and municipal rates were low and for many years there was no need to outlay capital to secure a site. Lessees were also able to benefit from their holding of land. The leasehold system did not prohibit the sale of housing. When dwellings were traded a site or land component was included in the price. Every time an established home was sold the spirit and intent of the leasehold system was breached as the vendor received a payment for the land. During periods in which there was a shortage of housing, such as between 1962 and 1964, the value of both undeveloped sites and new houses rose rapidly. Land rent captured part of that rise in value. It did so, however, by imposing an increased annual charge for a benefit that individual residents would receive once as a capital sum but only upon the sale of their house. Under these conditions political opposition was unavoidable. The leasehold system of land tenure could limit only partially the capacity of some residents to benefit from their housing and it did so by imposing an enhanced financial burden on all residents (DCT, 1973).

3.3. Conclusion

An understanding of the leasehold system of land tenure in Canberra is fundamental to any attempt to interpret the ability of Canberra’s residents to benefit from their ownership of housing. The original Lease Ordinances restricted the capacity of lessees to accrue any gain from the rise in the capital price of their properties. Land rents would have appropriated part of the rise in value. The leasehold system of land tenure was a conscious attempt by a public institution to use property rights to its financial advantage. In doing so it challenged the history of land ownership in Australia.

Leasehold, and the amendments that were introduced subsequently, can only be understood with reference to the political and administrative arrangements which governed the territory. Leasehold neither arose nor declined within a political vacuum. Identifiable economic, political and administrative factors shaped the history of land tenure in the ACT. Property ownership constituted an arena in which the balance between public and private sector interests in society were played out. The leasehold system of land tenure demonstrated the limitations of public sector urban development. The shifts in the Commonwealth Government’s perspective on the capital had a crucial influence on leasehold. For example, the difficulties experienced by the Commonwealth in its attempt to develop the seat of government conditioned it to look for alternative funding and administrative arrangements for the capital.
The leasehold system of land tenure declined because of the combination of a number of factors. Firstly, the demise of leasehold was partly a result of the changing relationship between the Commonwealth Parliament and its capital. The delays and problems of early development meant that the Parliament’s interest in the seat of government evaporated quickly. Ultimately, Parliament was in a position to make Canberra what it wished. Its willingness to introduce amendments which degraded leasehold reflected the Parliament’s equivocal attitude to national capital matters. Secondly, the Commonwealth’s reservation of property rights associated with land resulted in conflict with lessees over the increase in the value of land. Leasehold had always been opposed by members of the public, and the Parliament, who considered the public ownership of land abhorrent. During growth periods leasehold also attracted opposition from residents who resented the additional costs associated with the rise in the value of their land. In many respects leasehold failed as a feature of a highly politicised environment. It did not provide sufficient revenue to be valued by the Commonwealth and it created frictions which would have been avoided by other tenure arrangements. Leasehold was not an effective policy instrument per se. As Else-Mitchell, Mathews and Dusseldorp noted:

‘Land policies cannot meet the efficiency criterion unless they are politically acceptable. Although the major political parties may have different philosophies and seek different goals, a particular policy must not evoke so much opposition as to lead to its eventual demise’ (1976, p53).

Thirdly, the leasehold system failed in its own terms. It imposed conditions which prohibited speculation in raw land but did not address the capacity of lessees to sell developed sites at a profit. The continual trading of houses created an expectation of perpetuity which would have eventually forced the abolition of leasehold. The only way to stop the sale of land with housing was through massive government intervention in the form of agencies responsible for the purchase of all dwellings on the market. The leasehold system introduced an element of social intervention into Canberra’s development. It was, however, incomplete as its successful implementation would have required innovative administration, a supportive government and greater levels of Commonwealth investment in the city. Leasehold eventually operated to the advantage of Canberra’s residents. The abandonment of land rent payments resulted in inexpensive sites for many new households and the removal of the only check on an asset whose value was rising.
Chapter 4
The Evolution of the Australian and Canberran Housing Systems

Canberra’s housing system is a product both of national and local processes. The detailed features of housing in Canberra arose in response to the peculiar circumstances associated with the establishment of the seat of government. Those processes, however, operated within the framework of national economic growth, demographic processes and housing trends. Distinct ‘structures of housing provision’ emerged at both the national and local levels. Commodity relationships with respect to housing were strengthened over time in both cases as capitalist social relations came to assume absolute dominance in the provision of housing.

Canberra’s housing system was essentially publicly owned and dependant upon public finance until the 1960s. The Commonwealth was involved in almost every sphere of activity relating to housing production and consumption. It was responsible for the construction of most housing and the majority of public servants rented their dwellings from the government. The influence of the private sector was limited. Most government dwelling construction work was sub-contracted to self-employed tradesmen or small businessmen but private firms took no substantial initiatives with respect to Canberra’s development. Public sector processes were therefore central to the emergence of Canberra’s housing system. Limited Commonwealth funding meant that the national capital’s rate of growth was checked and there were periods of chronic housing shortage from the 1940s to the early 1970s.

Private interests in Canberra’s housing system grew from the 1960s. The NCDC initiated policies in the first years of that decade which encouraged private sector development in general and owner occupation in particular. The Commission was concerned to limit its commitment to dwelling construction in order to free capital resources for other projects. The impact of the NCDC’s policies was reinforced by programs run by the Department of the Interior (and its successors) which encouraged home purchase through the sale of government housing under favourable terms and schemes which provided inexpensive loans for persons who purchased privately-built dwellings. Other, smaller scale, policies and programs resulted also in opportunities to benefit from the ownership of housing. Canberra’s housing system
went from predominantly public, to private ownership between 1962 and 1981. This shift provided owner occupants with many opportunities to gain from residential property ownership.

The distinctive aspects of Canberra’s housing system determined the precise outcomes within the ACT but were themselves affected by the wider influences shaping housing in Australia. Canberra grew as an undeniably Australian city despite its special characteristics and history. Housing styles, the sets of living arrangements within dwellings and the social processes which produced housing, were typically Australian. Economic and population growth following the Second World War resulted in the rapid expansion of Australia’s cities. Overwhelmingly, that expansion took the form of suburban development associated with owner occupation. National policies and changes within home purchase finance saw owner occupation become the tenure within Australia. The owner occupied sector, consisting of building firms, fabrication industries, land developers and financial institutions, became an important part of the Australian economy. The policies and processes which resulted in the rapid growth of home purchase across Australia applied also to Canberra. Their presence provided a unifying influence: reducing the significance of the local aspects of Canberra’s housing system and linking it directly to the wider economy.

This chapter examines first the emergence of Australia’s housing system since World War Two. It traces the demographic and economic trends which produced the pronounced growth of the cities. Attention is directed to the national policies and financial structures which facilitated the growth of owner occupation. The evolution of Canberra’s housing system is traced with reference to these national trends. Canberra moved from being a city dependant upon the public sector to finance almost all investment in housing, to one in which the private sector played a leading part. There was a quantitative change in Canberra’s housing system and the associated structure of housing provision. The shift in the source of funding allowed Canberra to grow quickly during the 1960s and 1970s. One consequence of the sweeping changes to housing in Canberra was that it produced conditions which allowed many residential property owners to benefit from their housing. The benefits received by Canberra’s residential property owners were the unintended consequence of policies intended to expedite growth in the capital. Owner occupants received the value of the Commonwealth’s direct subsidies to home ownership as well as the Commonwealth’s investment in the physical infrastructure of the city.

Australia's housing system experienced fundamental change between the end of the Second World War and 1981. Firstly, the production of housing boomed as Australia's population expanded and previously unmet housing requirements were satisfied. The population of Australia grew rapidly and changed in character. Australians became more diverse ethnically and lived in different types of households. Living standards rose and with them housing standards. The Depression and the Second World War created a substantial backlog of housing completions. Population growth outstripped dwelling construction which resulted in overcrowding and a fall in the general quality of available accommodation. Housing standards increased through the 1940s and 1950s as a result of high levels of dwelling construction. The "baby boom" in the late 1940s and 1950s restructured the demands placed on Australia's housing system. Secondly, the structure of housing provision in Australia was altered radically as the emphasis on public sector production to meet human requirements was replaced by the production of housing for profit. There had been sustained calls for a substantial public housing sector during the Depression (Barnett and Burt, 1942; Pugh, 1976). The first Commonwealth State Housing Agreements (CSHAs) attempted to promote public housing but were replaced by sets of arrangements that assisted owner occupation.

4.1.1. Population Movements and their Impact on Housing

Demographic processes had a profound impact on Australia's housing system. Hutton (1970) argued that the most important factor behind Australia's post-war development was the rapid change in the number and nature of the population and workforce. He saw three distinct components within this population change. Firstly, Australia's population grew rapidly after World War Two. Population increase averaged two per cent per annum between 1945 and 1970 and the number of persons escalated from 7.5 million in 1947 to 14.5 million in 1981. Secondly, Australia had a youthful population, a consequence both of migration policies and the "baby boom" of the late 1940s and 1950s. The third demographic factor was the continued concentration within the cities. The primary state capitals, such as Adelaide, Melbourne and Perth, have held roughly two thirds of their respective state populations. New South Wales has had an even greater degree of centralisation with three quarters of its population living in the central conurbation comprised of Newcastle, Sydney and Wollongong.

Population changes had a pronounced impact on Australia's housing system. The broader processes, such as the degree of centralisation and the overall rate of growth, acted in conjunction with less obvious processes. The age of the population, the nature of common living arrangements and housing preferences exerted an impact on the types of dwellings built.
For example, accommodation for families was the most significant component of the requirement for housing in the twenty years following the Second World War. The increase in the number of families was a result of discrete demographic trends. Later changes in family structure facilitated other developments within housing. Immigration had secondary consequences, it increased the level of total demand for housing and in addition had a direct influence on parts of Australia's housing system. The flow of migrants fluctuated over time as both their number and origins shifted. Importantly, the nature of housing requirements changed as the characteristics of the population moved in response to wider forces within society and their own internal dynamics.

Australia's population grew rapidly after World War Two. This growth had an important generational dimension: there was a boom in births in the late 1940s and 1950s which helped shape the nature of housing requirements. The consequences of the shortfall in housing construction during the 1930s and 1940s were exacerbated by the rapid rate of household formation associated with demobilisation and a revolution in the popularity of marriage. The 1940s and the 1950s both produced "boom" generations (Rowland 1983a, 1983b; Hugo, 1984, 1986). Australia's European population had grown rapidly during the latter half of the nineteenth century, rising from 1.5 million in 1861 to 4.5 million in 1911. Strong immigration rates were matched by high rates of natural increase with Australia's population growing by roughly 2 per cent per year as a result of the high fertility level and comparatively low death rate. The mean completed family size stood at five to six children. The fecundity of the population was boosted by the age-selective nature of immigration and it was in the cities that most migrants settled.

Population growth declined in the late nineteenth century and the early twentieth century. Family sizes fell with the average number of children borne by married women tending towards two. Between 1911 and 1921 Australia's growth rate stood at 2.2 per cent per annum but slowed to 1.8 per cent per annum in the period up to 1933. Immigration and birth rates were eroded significantly during the Depression and the Second World War. The decline in the rate of natural increase was at first due to the tendency to marry later, resulting in fewer fertile years of married life. Further reductions were a consequence of the lowering of infant mortality rates, which reduced the need for replacement births (Rowland, 1983a). By the 1930s this falling away of births had increased to such an extent that the birth rate was below the replacement rate for the years 1932 to 1939. The Depression saw a reduction in the number of unmarried pregnant women, the delay of marriages and the postponement or cancelling of pregnancies after marriage.
Population trends were reversed in the 1940s and 1950s. The rate of natural increase within Australia's population boomed as a result of demobilisation and marriages which had been held back by the War. There were over half a million more births in the 1940s than in the previous decade (Rowland, 1983a). The "baby boom" continued in the 1950s, partly as a result of a revolution with respect to marriage. Much higher proportions of people were marrying and having children and there was a tendency for married women to have children younger, especially before age twenty five (Rowland, 1983a). Effectively, this trend compressed into the 1950s some of the child-bearing which normally would have been expected to occur in the 1960s. Post-war immigration added to the baby boom as many migrants were within the years of family formation. Overall, there were approximately one million more births in Australia in the 1950s than there had been in the 1930s.

Net reproduction fell after 1961 and the baby boom came to an end. Nevertheless, the 1960s still had slightly more births than the previous decade because of further rises in the proportions marrying, an increase in the number of pregnancies out of marriage and a continuing high level of immigration which boosted the numbers in the prime child-bearing ages (Rowland, 1983a). In the 1960s the birthrate fell while the number of births increased. The drop in the number of children per capita was lost amidst the increase in the number of women of reproductive age.

The social processes resulting in natural population increase weakened during the 1970s. The 1970s, like the 1930s, was a decade of a shortfall in births with the net reproduction rate plummeting to levels comparable with the lowest figures of the 1930s. Marriage remained popular but fertility within marriage was lower than ever previously. Many couples either postponed children or had fewer because of economic difficulties or problems of child care associated with the increasing participation of married females in the workforce. Importantly, more efficient contraceptive methods meant that couples had a good chance of having the number of children they wanted and extra-marital pregnancies were avoided more easily than in the past.

Immigration exerted a direct impact on Australia's population and indirectly, the type of housing sought by the population. Australia accepted high levels of immigrants after World War Two. It did so for a number of reasons. Firstly, it was considered necessary to build up the population for defence purposes. Secondly, the Chifley Labor Governments desired to expand the labour force. Finally, there was international pressure for Australia to accept persons displaced by the War (Birrell and Birrell, 1981). Over the 25 years 1945 to 1970 Australia gained directly 3.2 million persons via immigration. More significantly, almost 60 per cent of
the nation's growth between 1947 and 1971 was due to migrants and their children (Birrell and Birrell, 1981).

Post-war migration contained three features which affected Australia's housing system. Firstly, it increased the nation's ethnic diversity. Prior to World War Two the majority of migrants to Australia were from Northern Europe, especially Britain. Post-war migration contained a greater mix, with significant numbers coming from the Netherlands, Germany, Greece, Italy and Yugoslavia. The migrants brought new attitudes to housing with them, with important repercussions for particular sections of Australia's housing stock. Badcock (1984) and Paris (1988) noted that Southern European migrants, had very high rates of home ownership at the 1981 Census. Italians, Greeks and Yugoslavs were far more likely to own or be purchasing their dwelling than Australians or British-born migrants. The second important feature of international migration to Australia was that most migrants were both economically active and within their child-bearing years. These two considerations affected housing preferences and the ability of migrants to achieve them. Thirdly, migrants were concentrated in the major cities. In 1981 56 per cent of Australia's population resided in the six state capitals and Canberra. Those same urban areas held three quarters of all migrants. Thirty one per cent of Perth's population had been born overseas in 1981 while approximately a quarter of the populations of Sydney, Melbourne and Adelaide had been born overseas.

Demographic changes assisted in the reshaping of the inner regions of Australia's cities. The public sector commitment to "slum clearance" was matched in the 1960s by a private sector flat building boom, with Sydney being affected especially. Traditional working class housing was replaced by three and four storey walk-up flats intended to house the first cohorts of the "baby boom" generation as they left home and sought accommodation convenient for city life. The rising importance of office work located within the central business district encouraged young persons to move into the city. Immigrants had also a profound impact on the inner urban areas. Immigrants had begun to move into the older parts of the cities during the 1940s and 1950s. Distinct ethnic areas developed in suburbs such as Leichhardt in Sydney, Richmond in Melbourne and Thebarton in Adelaide.

The nature of housing requirements changed during the 1970s. The ageing of the population was one of the significant developments. Couples who had established households during the 1940s were approaching retirement by the end of the 1970s and no longer had offspring in residence. Between 1971 and 1981 the number of Australian's over 65 years in age increased from 8.3 per cent to 9.8 per cent of the total population. The growth in the aged population brought with it new housing patterns as a result of retirement migration and specialised
accommodation needs. Household size began to fall at a sharper rate during that decade and non-traditional household types assumed a greater significance (Burke, Hancock and Newton 1984; Hugo 1984). The number of Australian families increased by 46 per cent between 1966 and 1981 while the total population grew only 28 per cent (Hugo, 1984). Household formation rates exceeded by far the net growth within the population. Traditional stereotypes of the Australian "family" became less representative of living arrangements as the number of persons living alone increased, households comprising a head and spouse only became more common and the number of single parent families rose by 90,000 to 5.4 per cent of all households (Hugo 1984). Hugo noted also that there had been an appreciable decline in family size due to the reduction in fertility, improved life expectations at old age, which meant that single and widowed persons could maintain themselves as an individual family for longer, higher divorce rates, and the greater propensity for younger persons to leave the parental home at an early age and establish separate households.

4.1.2. Housing Provision in Post-War Australia

Australia’s dwelling construction industry developed in the 30 years following the Second World War. The industry increased in size and changed in its character. Dwelling construction moved from being an industry organised on a small scale to one dominated by large firms. Unfortunately, there is little reliable data on the nature and organisation of Australia’s building industry. The topic has received only cursory treatment in the literature with the last substantial study dating back to the late 1960s (Hutton, 1970). It is therefore possible only to identify broad trends within the industry. Throughout the period 1945 to 1981 investment in housing comprised a substantial proportion of gross fixed capital formation. Hutton (1970) estimated that expenditure on dwellings absorbed nearly 20 per cent of gross fixed capital expenditure from 1946 to 1969. The number of dwellings completed, and housing standards generally, rose. The investment in new and higher levels of housing consumption was fueled by pronounced economic growth. The low rate of official unemployment, limited inflation rates and sustained increases in real wages resulted in an increasing number of households with sufficient funds to purchase new housing.

Australia’s rapid growth resulted in a substantial expansion in the demand for housing. This growth in the level of housing requirements occurred in addition to the already high levels of demand resulting from the virtual absence of dwelling construction between 1930 and 1945. Both demobilisation and the growth in the popularity of marriage resulted in increased household formation amongst native-born Australians. The number of households in Australia rose from 1.9 million in 1947 to 2.4 million in 1954 (Neutze, 1981). Dwelling construction
increased quickly through the late 1940s, leaping from 15,400 completions in 1946 to 80,100 in 1952 (Jackson and Bridge, 1988). The rate of dwelling construction stabilised in the 1950s before rising again in the 1960s (Figure 4.1). The overwhelming majority of dwellings built in this period were houses and comprised roughly 97 per cent of the roughly 900,000 dwellings built between 1947 and 1960. The type of dwellings constructed was due, at least in part, to the nature of the requirement for accommodation. Australia’s cities mushroomed in size as the suburbs of detached bungalows moved further and further from the city centres. Paris (1985) estimated that Sydney developed at one tenth of the density of Paris.

Australia’s dwelling construction industry was small-scale and organised on a piece-meal basis in the years following immediately upon the Second World War. There was a shortage of both skilled labour and building materials. The regulation of the supply of timber and other construction materials was not lifted until the early 1950s and indicated clearly the extent of the difficulties facing the industry. In the late 1940s and early 1950s many dwellings were erected by owner-builders. Householders would purchase a block of land and erect their dwelling out of normal working hours, often with the assistance of neighbours and friends. Frequently the householders lived in a shed or other temporary dwelling at the back of their lot while their new structure was being completed. Owner building was particularly prevalent in Sydney. Large areas in municipalities such as Bankstown and Liverpool were developed in this fashion. In 1951-52 owner builders were responsible for one third of all dwelling completions
(Neutze, 1981). By the mid-1960s, however, owner builders accounted for only 13 per cent of total completions although their share of dwellings increased again in the late 1970s to approximately 20 per cent (Neutze, 1981).

The government sector, especially the state housing authorities, was responsible for a sizeable proportion of dwelling completions in the immediate post-war years (Hill, 1954; Hutton, 1970). In the main the government authorities acted as developers: contracting out the work and supervising construction. This form of public authority housing construction boosted directly the private home building industry. Government contracts were an important component of the activities of even the largest builders (Steutz, 1986).

The private development of housing grew substantially, becoming responsible for the dominant proportion of all dwelling completions. In 1965 over 82 per cent of all new houses and 92 per cent of new flats were completed for private ownership. Two trends can be identified within the dwelling construction industry. Firstly, employment relationships changed. Employees were replaced by sub-contractors who performed exactly the same task, but bid for the contract to do the work rather than received a wage. Neutze (1981) indicated that sub-contractors accounted for 11 per cent of the building workforce in 1951 and 28 per cent in 1978. Ball (1983) reported a similar trend in employment patterns in Britain. Secondly, the industry as a whole restructured in the 1950s and 1960s as demand abated and distinct niches appeared within the market. Hutton (1970) noted three tiers within the structure of the Australia’s building industry. At the base he identified a multitude of small, local general builders who operated on a speculative and individual contract basis. He estimated that they accounted for approximately one quarter of all completions. The second group comprised middle-sized firms many of whom concentrated on project homes. This group of builders emerged when the demand for housing fell in the late 1950s as the housing shortage eased and speculative construction became less attractive. Many firms then moved into project home construction, building one of their range of homes for clients who commissioned the erection of a dwelling on their land. Hutton (1970) estimated that this type of firm was responsible for two thirds of all completions. Large builders occupied the highest position within Hutton’s typology. A few large firms, such as A. V. Jennings, Strata Developments Corporation and Lend Lease Homes, built many hundreds of homes and operated on an inter-state basis.

Hutton’s (1970) description of the housing construction industry was appropriate for the late 1960s but substantial changes occurred during the 1970s. The position of the large builders became more prominent with widespread interstate activity. Neutze (1981) estimated that the 41 per cent of housing construction enterprises with turnovers in excess of $100,000 in
1978/79 were responsible for 86 per cent of the value of all work. Large firms played an increasingly important role within the dwelling construction industry during the 1960s and 1970s. Several substantial builders, such as A. V. Jennings, emerged to dominate most metropolitan markets. Smaller builders continued to play an important part in all cities. Financial institutions developed more direct links with the home building industry in this period through investment in raw land and sub-divisions. Daly (1982) noted that many corporations invested in residential land during the late 1960s and early 1970s. Their involvement was indicative of the importance, and anticipated profitability, of this sector of the economy.

4.1.3. Housing Finance and the Growth of Owner Occupation

Changes in the way in which housing was financed after the Second World War largely determined how Australia's housing system evolved. Capital was directed into residential property as a result of the development of a specialist housing finance sector. Savings banks and permanent building societies were both the most obvious manifestation of the emergence of this sector and the leading actors. They were able to direct substantial capital into home ownership through their ability to raise retail funds. Other institutions provided, and have continued to provide, money for housing loans. Savings banks and building societies, however, were by far the most significant lenders. Changes to the system of housing finance were initiated by the Commonwealth Governments for a range of reasons. Both the desire to increase the effectiveness of monetary policy and the deliberate promotion of home ownership were important policy goals. The two most important sets of policies were firstly, the War Service Home Loans Scheme in conjunction with the sale of government housing after 1956 and secondly, the introduction of a range of banking legislation which nurtured the successful development of financial institutions which specialised in housing mortgages.

The Curtin and Chifley Labor Governments which held power from 1942 to 1949 paid considerable attention to planning for Australia's post-war development. Policy bodies, such as the Commonwealth Housing Commission and the Department of Post-War Reconstruction, were established to formulate programs which would overcome the social deficiencies which developed as a result of the Depression. The provision of adequate and affordable housing was a high priority, the significance of which was reflected in the first Commonwealth State Housing Agreement (CSHA), signed in 1945. Under this agreement the Commonwealth assumed responsibility for the provision of funds with which the states were to develop a public housing sector (Kemeny, 1983a). In addition, funds were made available for home mortgages through the Commonwealth and State savings banks.
The public sector dominated directly the provision of housing in the decade after World War Two. The government provided finance for the private housing industry through the War Service Homes Division which arranged loans for men and women who served in the Australian Armed Forces. Between 1945 and 1956 the War Service Homes Division provided 113,000 loans, accounting for 10 per cent of new dwelling completions (Hill, 1959). Almost 120,000 government rental dwellings were built in Australia between 1946 and 1956 (Hill, 1959). The original CSHA envisaged the development of a strong public rental sector to serve as an alternative to privately financed housing. Practical difficulties, however, prohibited the expansion of public rental housing. By the early 1950s many states wished to sell housing built with CSHA funds because of financial losses. The position of most states was enunciated at the 1954 Premier’s Conference by Premier Cain of Victoria. He said:

'I believe that the Commonwealth in conjunction with the States is destined to lose large sums of money unless houses are sold, or alternatively, the rents are increased substantially. We do not believe that the latter can be adopted while rent pegging is being held as it is in most states. Therefore the only sensible thing to do is sell the houses.' (quoted in Jones, 1972, p 119).

In 1956 the Menzies Coalition Government renegotiated the CSHA and shifted the emphasis to the promotion of owner occupation. The state authorities were encouraged to sell their stock of dwellings and funds were directed into a Home Builders Account which provided finance to Co-operative Building Societies. Home ownership was boosted greatly as a result of these policies: in 1956 the Commonwealth Government provided almost 30 per cent of all funds for home ownership. Commonwealth subsidies for home ownership were an important part of the expansion of that tenure. Jones (1972) estimated that 36 per cent of all new homes and flats completed in Australia between 1945 and 1970 were funded on terms and conditions which made them much cheaper than if they had been produced by the private sector alone. Co-operative building societies, the War Service Homes Scheme and the sale of public rental housing made important contributions to the growth of owner occupation. Support for home ownership became an important feature of political life at both the national and state levels. State governments continued to sell their public rental stock to tenants and pursued their own policies to encourage owner occupation. Commonwealth Governments introduced a range of measures over subsequent years designed to assist persons to own their own home.

The major financial changes which enabled the expansion of home ownership after the Second World War were centred around the savings banks and building societies. Credit foncier loans dominated and lending for housing developed into an important component of the financial industry. Credit foncier loans are a form of mortgage in which the principle and interest are repaid at a constant rate over a fixed period of time (Labour Resource Centre, 1987). The housing finance industry developed a direction and momentum all of its own under the conditions introduced by the Menzies Coalition governments in the 1950s. The new
arrangements affecting housing finance in Australia represented a fundamental disjuncture with past financial practices which had been based on the British trading banks (Lewis and Wallace, 1974). Building societies were the major source of housing finance in the nineteenth century. They declined after the 1890s depression and their position as principal lender was taken by trading banks which lent on normal overdraft terms. The large deposits and substantial repayments resulting from this form of finance reduced housing standards and limited owner occupation (Hill, 1959). Friendly societies and life offices also advanced monies to persons wishing to buy or build homes. All forms of housing finance were reduced by the Great Depression which resulted in limited investment in the housing stock and a consequent decline in housing standards.

The Commonwealth Government’s intervention in the housing finance market after the Second World War was part of a suite of legislation designed to improve the effectiveness of monetary policy. The Chifley and Curtin Governments believed in the public control of banking activities and used the National Security (War-Time Banking) Regulations to control the flow of money. Peacetime control of the finance sector was brought about by the Commonwealth Banking Act and the Banking Act of 1945. These proclamations defined the duties of the central bank and provided powers to implement government policy. The Commonwealth Banks Act, the Reserve Banks Act and the Banking Act 1959, altered the earlier legislation by establishing the Reserve Bank as the central bank and encouraging the participation of private banks in all financial markets (Gifford et al, 1967).

The rapid growth of the savings banks was a product of the post-war financial legislation. In the late 1940s and early 1950s the Commonwealth and State Savings Banks were the only members of this sector of the banking fraternity. Private companies did not enter this market as they clung to the traditional interests. The Chifley Government’s attitude to nationalisation also retarded private entry into savings bank activities. The dominance of government owned savings banks in this period meant that in 1956 governments and their associated bodies provided 56 per cent of finance for home ownership (Kemeny, 1983)! Private savings banks did not appear until the 18th of January 1956 under the Banking Act, 1945-1953. Their activities and investment portfolios were heavily regulated - a substantial proportion of their funds, at first 70 per cent but later reduced to 65 and then 60 per cent, had to be invested in loans to government or semi-government authorities. Within this 70 per cent, there was a requirement that 10 per cent of deposits had to be secured with the Commonwealth Bank or as Treasury notes. The remaining 30 per cent or so could only be used for housing loans or on security of land to individuals or building societies (Gifford et al, 1967). Home loan interest rates were subject to regulation by the Reserve Bank, a power which passed to Cabinet after
1973 (Lewis and Wallace, 1974). The government’s power to limit home loan interest rates was called upon rarely as the private savings banks were usually content to charge one half to three quarters of one per cent above the Commonwealth Savings Bank. The private banks established themselves quickly and the whole sector grew rapidly. There was a continuing demand for home loans which saw many banks ration funds. One measure of the savings banks’ success was their share of the market; in 1945 savings banks accounted for only 14 per cent of outstanding housing advances, by 1972 they were the single largest lender with 31 per cent of all loans and they have retained a predominant position ever since (Hill, 1974).

Building societies were a second important source of housing finance in Australia. Both permanent and terminating co-operative building societies exist today, however, their respective contributions to housing finance in Australia changed considerably over the 40 years since the Second World War. Terminating co-operative building societies were an important source of housing finance in the 1940s and 1950s. As their name suggests, they exist for a fixed period of time and involve a limited number of households acting co-operatively to secure finance. Funding is sought from a bank or other lender for an amount equal to the capital requirements of the members when the terminating building society is established. Individuals subscribe shares, repaying a monthly rate based on the value of their commitment plus interest. The society’s indebtedness is gradually reduced and the corporate body is dissolved when all monies have been repaid. Terminating societies are dependant on external sources of funding.

The Commonwealth Bank and life offices financed many terminating societies in the first decade after the Second World War but this source of funds shrunk as other avenues of investment in housing established themselves. The share of the housing finance market held by the terminating building societies began to fall after peaking in 1947 with 17 per cent of all loans. This trend continued through the 1960s and 1970s as permanent societies took over many co-operative funds. Permanent building societies were not dependant solely on loans from banks or other institutions although they received some funds from these sources. Shareholder’s capital provided the bulk of operating finance for permanent building societies. The ability to attract investors allowed the permanent building societies to expand and compete with savings banks. Throughout the 1950s, 1960s and 1970s the rate of return from shareholdings in permanent building societies was significantly higher than saving bank interest rates. Building societies operated under fewer regulations than savings banks which enabled them to charge higher mortgage rates and provide loans under more flexible conditions. Through the 1960s and the 1970s permanent building societies captured an increasing share of both retail funds and home loans.
The sources, nature and extent of finance for owner occupation changed in the period between 1945 and 1981. Home ownership was encouraged by the development of Australia's post-war financial system. Home loans at low interest rates were made possible by the even lower returns to persons holding passbook accounts. Savings banks in particular offered very low returns on personal savings accounts. Interest rates for retail accounts of this nature hovered between three and three quarters and four and one quarter per cent. Often the real returns to passbook holders were negative as interest rates were outstripped by inflation. Persons attempting to save funds effectively subsidised home purchasers through the low mortgage rates and subsequent small returns on savings.

In 1966 owner occupation peaked with 72 per cent of all households. The development of a home finance sector was instrumental in the emergence of owner occupation as the tenure. Other factors, however, played important roles. Importantly, the other major forms of housing tenure, public and private rental, did not expand during this period nor did they receive major financial advantages associated with owner occupation. Public housing did not emerge as an alternative to home ownership because the policies which promoted owner occupation through the sale of government housing limited the growth of that sector. By the early 1970s only five per cent of all dwellings were owned by public housing authorities despite the fact that that sector was responsible for 10 per cent of all dwelling completions in the post-War period (Stretton, 1970).

The growth of owner occupation was accompanied by other changes within Australia's housing system. The relative importance of private rental housing declined; the proportion of households in private rental fell from roughly 40 per cent in 1947 to around 20 per cent in 1981. In New South Wales and Victoria landlords were disadvantaged in the immediate post-War years by rent control legislation. Many landlords sold their dwellings in inner city areas, in part assisting the newly arrived Southern European migrants into home ownership (Kendig, 1979). The rate of growth of private tenancy was outstripped by that of owner occupation. Tax concessions, low interest rates and government sponsorship made home ownership a far more attractive tenure. Private rental developed into a 'residual' tenure, which as Kendig noted, 'stems primarily from its disadvantages relative to other tenures' (1982, 2-3, quoted in Paris, 1984). Despite its less attractive status, private rental housing accounted for 19 per cent of all Australian households in 1981. Many of the households within this tenure were on low incomes and paid a high proportion of their earnings to secure housing (Paris, 1984).

There were economic and political dimensions to the growth of home ownership. Political ideologies certainly played a role. Williams (1984b)and Hayward (1987) noted that owner
occupation was an important tenure in Australia before the Second World War and that housing production was geared to the market. Labor Government policies of the 1940s attempted to reverse that direction and develop a public rental housing sector as a genuine alternative to the market. John Dedman, the Labor Minister for Post-War Reconstruction eschewed government sector promotion of owner occupation in the late 1940s as he believed it would turn workers into 'little capitalists' (Jones, 1972). The conservative political parties had no such qualms. The housing market regained prominence within Australia's housing system under the Coalition Governments. The expansion of owner occupation after World War Two occurred within a buoyant national economy and investment in housing made a substantial contribution to that prosperity. Importantly, the emergence of a specialist housing finance sector was made possible through access to retail funds. A greater number of institutions competed for personal savings which were then channelled into home ownership. In this way the housing sector benefited directly from national economic growth. Cheap housing loans were made possible by even lower savings bank rates.

The growth of owner occupation reinforced the importance of housing as a commodity to be traded. Housing had been purchased and sold for profit before the Second World War but post-War developments increased the importance of trading in houses with respect to both the number of dwellings and their share of the total stock. Mass home ownership created distinct social relations with respect to housing.

4.2. Housing in Canberra: 1945 - 1981

Canberra's housing system experienced profound change over the period 1945 to 1981 as it came increasingly to resemble other Australian capital cities. The public sector was replaced by the private housing market as the most important source of accommodation. Up until 1960 housing in Canberra was isolated largely from national housing processes. Commodity relationships were relatively unimportant for the provision of housing in Canberra as most households rented their dwellings from the Commonwealth. Throughout the 1960s and 1970s, however, the importance of the idiosyncratic features of Canberra's housing system was reduced as Australia-wide influences exerted greater control. The shift from public to private sector dominance facilitated the transfer of value in housing from government to individual hands. The shift in sectoral alignment was a consequence of discrete decisions, taken largely to assist the growth of the capital. As with the national housing scene, Canberra's structure of housing provision changed to one dominated by commodity relations. The exchange of housing services on, and the production of housing for, the market became the most important element within the housing system. The new structure of housing provision had important
affects as it created tensions within the leasehold system of land tenure. It created mass private interests in land juxtaposed against the Commonwealth's legislated rights. This section examines the evolution of Canberra's housing system between 1945 and 1981. It traces the shift in emphasis within Canberra's housing system from the public to the private sector and focuses upon the causes and consequences of that change.

4.2.1. Canberra's Housing System before 1958

The need to provide adequate accommodation challenged all bodies charged with the development of the seat of government. Canberra was developed to house the national Parliament and the Commonwealth Public Service and its expansion required the transfer of many government officers and their families from Melbourne. Most public servants were reluctant to move to Canberra and expected the Commonwealth to provide housing. The housing system that emerged set the stage and established the terms of Canberra's rapid development in the 1960s and 1970s. The nature of the dwelling construction industry, the quality of accommodation and tenure preferences were indicative of conditions at this time.

The requirement upon the government to house all transferees to Canberra acted as a serious check on the city's growth. The Depression had limited the availability of finance for Canberra's development with one result being a shortage of housing. The accommodation problem was exacerbated during the Second World War when additional government officers were posted to the capital. Although 500 housing units were built between 1939 and 1945, the waiting list for government accommodation rose from 400 households in 1941 to 1,500 by 1947 and 2,700 by 1948. Married couples were spending up to three years in single sex hostels (Wigmore, 1972). In June 1946 the Permanent Secretary of the Public Service Board sent a memorandum to his counterpart in the Department of the Interior stating:

'As you know, the shortage of accommodation in Canberra is having a serious effect on the administration of Departments. Officers are reluctant to accept transfer or promotion to Canberra because of the difficulties in the way of securing suitable accommodation, particularly housing, and the greatest difficulty is being experienced in keeping up a steady flow of officers' (Australian Archives, (ACT): DepL of the Interior).

The need to develop Canberra was recognised by the Department of the Interior. Throughout the late 1940s and the early 1950s the Department attempted to develop Canberra in the best manner possible. Every effort was made to see Canberra grow quickly and in accordance with Griffin's gazetted plan. A number of initiatives were adopted to speed construction of the capital and in particular, the provision of housing.

There was a shortage of building materials and skilled labour across Australia throughout the late 1940s and early 1950s. This problem was more acute in Canberra because of the city's relative isolation and subsequent high building costs. The Department of the Interior attempted
to overcome these difficulties by inviting large building firms into the capital and by using non-traditional construction methods. Jennings was one firm contracted to build housing on a large scale in the ACT (Steutz, 1986). Companies were contracted to build several hundred dwellings at a time. The larger builders were able to fulfill contracts for government housing through scale economies and the use of migrant labour. The use of cheaper forms of dwelling construction was another way of dealing with the housing crisis. Housing which was no longer required at other Commonwealth projects was brought to Canberra. Officer’s housing from the air training base at Tocumwal was transported to the capital, as was Mulwala House from the Murrumbidgee Irrigation Area. Pre-fabricated housing was also used. Dwellings were imported from the Riley-Newsum company of England. These homes (which did not meet NSW building standards) could be bolted together on concrete foundations and required little skilled labour. Monocrete, timber, steel frames and fibro-asbestos were also used to construct dwellings. The majority of government dwellings were built of non-standard materials during this period. For example, in 1951-52, 635 housing units were completed by the Department of the Interior, 113 were brick, two were brick veneer and the remaining 420 were pre-fabricated or built of timber, monocrete or Econo Steel. Construction workers and their families were Canberra’s first residents but little attention was paid to their needs. They lived in camps near the Kingston Power House, the Cotter Dam, Yarralumla Nursery and Black Mountain at various stages between 1911 and the end of the Second World War (Gibbney, 1988). The camps were often of very poor quality with workers and their families living in jerry-built accommodation lacking basic services such as running water. Many lived in humpies built of hessian cement bags in the early 1920s. The bags were split, sewn together and watered, creating a more or less stiff sheet (Gibbney, 1988). Queanbeyan also played a significant role in housing Canberra’s building workforce because of their ineligibility for normal government housing. As with other private employees;

'It was not thought that the Government had a duty to house these people, although it was advantageous to accept them in certain cases' (Dept. of the Capital Territory, Calendar of Important Events, 1978)

Hostels were one option but they did not provide for workers with families. At various stages 'workers cottages' were built by the Commonwealth. These dwellings tended to be of poor quality and were frequently demountable units. There were significant concentrations of these units in suburbs such as the Causeway and Narrabundah. In 1947 the government decided to allocate one house in ten to private employees. Previously persons working outside the public service had been eligible for housing, as the third priority.

Public housing was constructed to accommodate government officers and their families. There was a conscious separation of persons according to income and employer. The quality and nature of government housing available to persons coming to Canberra varied markedly
according to their status with respect to the public service. The FCC and its successors built an unequal city: prestigious housing was built on large blocks of land for senior public servants while junior government officers, who could not afford the high rents charged in Deakin, Forrest and Red Hill, lived in more modest homes in Kingston, Ainslie and Braddon (Fischer, 1984). This difference was reinforced by the use of building covenants to ensure that private home builders also created the type of residential environment the planners desired. In many cases the minimum cost of the dwelling to be constructed was set by the planners. There was a very real schism between North and South Canberra. Many senior bureaucrats in the 1940s and early 1950s saw no point in building a substantial bridge across the Molonglo as there was no need for the two populations to interact (Gibson, 1987 pers. comm). Housing was allocated to government officers first and government employees second (Dept. of the Capital Territory, 1978). Single persons were eligible only for hostel accommodation and by 1957 1,600 persons could be housed in varying levels of comfort (Dept. of the Interior, 1957). The Department of Works also operated two hostels for construction workers with a total capacity of 874 beds.

Owner occupation was uncommon in Canberra in the 1940s and early 1950s. Some persons purchased a lease and built a dwelling but they were a rare exception. Many of the leases sold during the FCC’s administration of the capital were surrendered in the early years of the Depression as owners could no longer afford land rents or anticipate development. By June 1930 260 of the 636 leases granted had been surrendered or determined (Brennan, 1971). Only 550 leases were offered for sale between 1930 and 1950 and there was little competition to obtain them. Public servants (and before 1943, any member of the public) could purchase a government dwelling but few did so because they were reluctant to acknowledge a permanent bond with the 'bush capital'. In 1945 the sale of government housing was suspended due to rising building costs and the pegging of property values at 1943 levels under the National Security Regulations. Sales were not resumed until June 1950. All of these factors combined to produce a city in which government tenancy was the norm. At the 1947 census 2,286 or 84 per cent of the 2,721 families in private houses rented their dwelling. Only 232 families owned their dwelling outright and 159 households were purchasing their dwelling. Private housing construction was severely limited even after the war. In 1949-50 27 houses were completed by the private building industry, in 1950-51, 54 houses were completed, 1951-52 saw the private sector provide 40 dwellings and by 1955-56 94 houses were accounted for by private investment (Dept. of the Interior, Annual Reports).

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1This figure includes private tenants but it is reasonable to assume they were a relatively small part of the total market. Nevertheless, there are some indications that this sector of the housing market played a significant role as many the first building permits were issued to persons holding a number of properties. The oral record suggests boarding houses and bed and breakfast accommodation were important.
Housing provision in Canberra until 1958 was almost entirely dependant on public investment. The private sector made little contribution to housing construction because public servants were unwilling to invest their savings in the purchase of a dwelling. The terms of government rental, moreover, were far too generous to push them into home ownership. The history of public service dependence on the largesse of the Commonwealth was to prove a liability when large-scale development was initiated by the NCDC.

4.2.2. Housing after 1958: Establishing a Private Housing Market

The NCDC commenced operations in March 1958 and embarked on an ambitious development program. Construction activities were set out in a series of five year plans beginning in 1959. At first the Commission developed the existing urban areas in North and South Canberra but by 1962 the NCDC had begun building the new town of Woden (Report of the Review of the Role and Functions of the NCDC, 1983). The NCDC borrowed liberally from contemporary British and American planning practices: Canberra’s growth was funneled into new towns and suburbs were designed on neighbourhood principles (Harrison, 1965).

The NCDC met many of the problems which had retarded Canberra’s development in the past, especially, limited funding, high construction costs, and rapid population growth. Funding was still insufficient to meet all demands. The Commission discussed ‘The Growth Problem’ in its Third Annual Report (1959-60). In January 1959 a series of transfers of Commonwealth personnel from Melbourne to Canberra commenced. The Commission was placed in a difficult position because it felt the rate of growth was too high and ‘that an increase in excess of 50,000 persons in the next 10 years - which will double the existing numbers - would exceed the Commission’s resources contemplated at present’ (NCDC, 1960 p7). Although the NCDC had been granted substantial powers and had the benevolent eye of the Prime Minister surveying its activities, its construction budgets in the late 1950s and early 1960s were little greater than those of its predecessor. The cost of providing housing was one of the most substantial impediments to providing for the increased numbers. In large part, this was due to the fact that the government sector was still responsible for providing the bulk of construction activity (Figure 4.2).

The NCDC resolved the problem of supplying sufficient housing units to Canberra’s growth by shifting the initiative for housing provision to the private sector. Increasingly, larger proportions of the total construction budget were devoted to land development rather than government housing construction. Housing fell from almost 60 per cent of the NCDC’s total construction budget in 1960 to less than 20 per cent in the early and mid 1970s (Figure 4.3). The relative shift between expenditure on housing construction and land development
Figure 4-2: Investment in Building Construction in the ACT, 1951-60

Figure 4-3: Housing as a Percentage of NCDC Construction Expenditure, 1958-81
demonstrated this change most clearly. In 1962 almost three times as much money was spent on building houses than developing land, in the early 1970s slightly more was spent by the NCDC on land development than housing (Figure 4.4). The provision of inexpensive residential land was an important component of the NCDC’s strategy for developing the private housing market. Reserve prices for land were set to recover costs, not to make a surplus and the system of averaging used to determine prices reduced the cost of larger blocks (Kirk, 1983).

The Commission went to considerable lengths to establish a private home building industry. On the production side, it provided a continuous and growing stream of construction contracts. Both large and small tenders were offered to allow every size of firm to participate. The Commission also attracted some of Australia’s largest civil engineering firms into Canberra to facilitate the process of land development. The Commission kept firms such as Teece Brothers and Citra in the capital by making sure there was sufficient work to keep their capital equipment and workforce fully employed. Demand for privately constructed housing was stimulated. In the last years of the 1950s and the early 1960s the NCDC organised home building exhibitions where persons establishing a household could obtain information on building materials and home styles. The Commission also ran a Homes Advisory Service to assist those interested in building their own homes. In 1959-60, this service sold house plans
worth £625,000 (NCDC, 1960). The NCDC even intervened in the financing of home purchase by assisting the fledgling building societies. Funds were made available to local terminating building societies for disbursement to prospective home purchasers.

The NCDC’s policy of stimulating the home building industry was highly successful. The number of residential leases sold grew rapidly through the 1960s, peaking at 3,300 leases sold in 1974 (Figure 4.5). Private housing production showed a similar rise (Figure 4.6). The government did not dominate house production after the early 1960s although it continued to play the largest role (within Canberra) in the provision of flats. This rapid growth in private housing production was attributable directly to the NCDC’s determination to shift the greater part of the responsibility of accommodating Canberrans to the private sector. By doing so, it was able to provide for massive population growth. In 1960 the NCDC was concerned that the ACT’s population would double to 100,000 persons by 1970. Canberra’s population stood at 130,000 persons that year, 60 per cent greater than they had been anticipated. The NCDC’s policies were extremely effective in housing Canberra’s burgeoning population.

The emergence of Canberra’s private housing market was assisted by the practices of the Department of the Interior, in particular, the sale of government housing and the pricing of urban land. The sale of government housing to existing tenants had resumed in June 1950 (Department of the Interior, 1978). Prices were set by independent valuation with a minimum
deposit of five per cent for houses valued at £3,600 or less and a ten per cent deposit for more expensive dwellings. Interest was set at 3.9 per cent per annum with a repayment term of 35 years for brick houses and 25 years for other houses. Purchasers were to offer to sell the house back to the Commonwealth if they wished to dispose of the dwelling within five years of purchase. Until 1971, persons who purchased from the government could transfer their mortgage to the new occupant when selling their dwelling. Another advantage to purchasing a government home was that before 1969 interest rates were fixed, that is, the rate at time of purchase applied for the period of the loan. In the 1970s the conditions of purchase became less favourable and more restricted with a 'needs' test being applied for the first time in 1973.

Throughout the 1950s, 1960s and 1970s, large numbers of publicly owned dwellings were sold. By 1959, 1,500 or a quarter of the publicly-built housing stock had been sold. This trend gained momentum and by 1972 there were more former government houses than current government houses. In the early 1950s it was hoped that the sale of public housing would encourage a feeling of permanence and belonging in Canberra’s resident population. There is some evidence to support this belief, as Canberra began to retain its ageing residents in the 1950s, whereas previously they had tended to return to Melbourne. The original purpose of the sale of government dwellings was lost in the 1960s with public housing construction coming to perform the role of de facto developer for the lower end of the home purchase market.
Importantly, the government continued to play a large, though declining, part in the provision of housing. By 1981, the public authorities had built 23,000, or roughly one third, of the total stock of 67,000 detached dwellings but owned only 7,000 houses and 4,000 medium-density dwellings.

The land pricing policies followed by the Department of the Interior were important in promoting home ownership. The ACT had retained the premium leasehold system of land tenure. Between 1930 and 1950 there had been a limited demand for residential leases which had been released by tender or across the counter sale. As the requirement for land slowly increased, the Territory returned to a land auction system with the first sale in 1951 (Brennan, 1971). Persons purchasing a lease at auction bid a capital sum, which could be as little as $1 or £1 (before 1966), above the reserve price. The amount bid above the reserve was paid as a premium and land rent was charged at five per cent of the reserve price, which was reappraised after 20 years. The auction system worked satisfactorily when there was a muted demand but resulted in high land prices during periods of rapid growth. In 1962 premiums shot up as public servants transferred from Melbourne bid large sums to obtain preferred sites. There was considerable concern at the rise in land prices as it was feared it would impede the city’s development. The Joint Parliamentary Committee on the ACT held an Inquiry into the cost of land which resulted in the introduction of auctions restricted to first home buyers and a substantial increase in land lot production. The NCDC had previously begun group auctions in 1960 for builders in which a number of adjacent blocks were made available to allow the co-ordination of construction activities.

Both the group and the restricted auction systems lowered the price of land for eligible purchasers and, in conjunction with the development of a stock of blocks, lowered the price of all land. The curious nature of Canberra’s development in this period is underlined by the fact that the Commonwealth, as monopoly producer of land, went to great efforts to limit the return on its product. The effect was to ease entry into home ownership at the expense of the Commonwealth and provide some owner occupants with an effective subsidy through the sale of discounted land.

The growth of Canberra’s residential property market created distinct interests in residential property ownership. The expansion of home purchase was a real factor within the decline of the leasehold system of land tenure. The sheer weight of interests made the resumption of the Commonwealth’s rights impractical. The commodified nature of housing production from the late 1950s was inimical to the spirit and intent of the leasehold system. The nature of Canberra’s structure of housing provision eroded further the position of leasehold. There was
no clear distinction between the public and private sectors. Every facet of Canberra's housing system encouraged private interests at the expense of public rights. The sale of land and housing at discounted prices provided residential property owners with subsidies which could be realised only upon the sale of the dwelling. The right to collect all capital benefits associated with a sale was therefore crucial.

4.2.3. The Nature of Canberra's Housing Market

Government institutions and agencies sponsored the emergence of Canberra's housing market during the 1960s and 1970s. The housing market developed with distinct features which have influenced the ability to benefit from housing. Canberra's population has been young, relatively affluent and highly mobile. These attributes resulted in high levels of household formation and an increased propensity to move between dwellings. In most cases movement has involved the purchase and sale of a home. The characteristics of the dwelling stock have also influenced the market. Canberra's dwellings are youthful, of high quality and predominantly detached houses. Almost all of Canberra's suburbs were developed in the same fashion, especially after 1958. Few low-status areas developed with most suburbs comprising middle class housing. Movements in the dwelling purchase market have affected consequently all areas. The high degree of homogeneity across suburbs meant that none were excluded from price rises or falls. Owner occupants in virtually all parts of Canberra had roughly equal opportunities to benefit from the housing market. Queanbeyan was the only major district within Canberra's housing system whose housing stock has differed from the metropolitan norm. Less expensive accommodation forms were concentrated in Queanbeyan. This section examines the characteristics and form of the housing market in Canberra in 1981 in order to establish the social conditions which influenced price movements within the housing market and the likelihood of benefiting from the ownership of dwellings.

Canberra's population grew rapidly from the late 1950s to the early 1970s (Figure 4.7). Migration was an important component of that growth accounting for more than half of the total increase until 1976. Migration influenced Canberra's housing system in two important ways. Firstly, the population of the ACT has been highly mobile (Rowland, 1979; 1983c). Although Canberra experienced more arrivals than departures up to 1976 there was still a considerable countervailing flow. Gross migration into and out of the ACT between 1976 and 1981 constituted 36 per cent of the total population. This was second only to the Northern Territory with 46 per cent. Such high migration flows contrasted dramatically with the states where figures ranged between seven and 12 per cent (Young, 1985). The high rate of movement within the population boosted demand within the dwelling purchase market. The
age of the persons involved was the second notable feature of migration. Young (1985) has shown that for Canberra a large proportion both of arrivals and departures were between 19 and 40 years of age. These people were economically active and most likely to establish a family. Traditional ‘family’ housing was their first requirement. In 1981 the median age within the ACT was 26.8 years, significantly lower than the national median of 29.6 years.

Canberra has exhibited distinctive features with respect to occupational status and income. Canberra has had very high levels of white collar employment, most of which was associated with the public sector. Almost 60 per cent of the ACT’s workforce was classified as either a professional, technical, administrative or clerical worker at the 1981 census. The comparable figure for Australia was 36 per cent. White collar and professional employment resulted in higher than average incomes. Thirty per cent of households earned $26,000 per annum or more in 1981 compared to 20 per cent in Sydney and just under 20 per cent for Australia as a whole (Adrian et al 1986). High personal incomes were raised further by the number of households in which both partners worked. Women comprised 45 per cent of the labourforce in 1981; the highest level of female participation in the workforce in Australia.

There were approximately 71,000 dwellings in the ACT in 1981. Fifteen per cent were owned publicly. A number of features stood out with respect to Canberra’s housing stock. Firstly, Canberra’s housing was youthful, with one third less than 10 years old and 75 per cent
less than 20. Fewer than ten per cent of dwellings were greater than 30 years old. Secondly, detached houses comprised a large proportion of the total pool of dwellings. Nine out of every ten occupied private dwellings in Canberra in 1981 were enumerated as detached dwellings; more than ten per cent above the Australian average (Adrian et al 1986). Canberra’s detached housing was constructed mainly of brick or brick veneer. Nearly 60 per cent had three and 20 per cent had four bedrooms. Thirdly, housing standards have risen over time in the ACT. Forty five per cent of dwellings had five rooms in 1954, 20 per cent had six rooms and five per cent had seven. The average house size increased so that, by 1981, 23 per cent of dwellings had five rooms, 30 per cent six, 18 per cent seven and 15 per cent eight or more rooms.

Owner occupation was the most common tenure in Canberra in 1981 encompassing 67 per cent of all households. This figure was comparable with other metropolitan areas in Australia. A significant difference did exist, however, with respect to the number of dwellings owned outright. Fifteen per cent were owned by their occupants in 1981 compared to 30 per cent in Sydney and 33 per cent nationally. The ratio of purchasers to owners in 1981 across Australia was one to one, compared to four to one in the ACT (Adrian et al 1986). Outright ownership was more common in the established parts of Canberra than the newer areas such as Tuggeranong and the most northerly suburbs of Belconnen (Adrian, 1983).

Part of Canberra’s growth was accommodated outside of the ACT’s border in Queanbeyan. Queanbeyan lies just inside New South Wales, 12 kilometres east of Civic. The city was settled originally as a service town for the pastoral industry in the Molonglo-Queanbeyan basin, to the south of Goulburn. The decision to locate the seat of government in Canberra resulted in growth for Queanbeyan. The city has housed both workers and industries associated with Canberra’s development, especially the fabrication and construction sectors. Roughly 60 per cent of Queanbeyan’s workers were employed in Canberra in 1981 (Adrian et al 1986). Queanbeyan became an integral part of Canberra’s housing system because it traditionally offered comparable housing at lower prices and more varied and affordable stock. Many people moving into the area after the Second World War chose to take up residence in Queanbeyan. For some it was a matter of choice as it offered an urban landscape similar to the rest of Australia. Others, particularly migrants, were attracted to the freehold tenure. There were other direct economic advantages in settling in Queanbeyan. The council’s more permissive building standards reduced costs and allowed land owners to live on their properties while they built their dwelling.

Queanbeyan offered types of dwelling unavailable in Canberra. There was a boom in flat construction in Queanbeyan during the 1960s and early 1970s. New South Wales introduced
strata title legislation in 1965, several years before the ACT. Developers were able to construct blocks of flats which were sold to individual investors to be let on the private market. More flats were completed in Queanbeyan than detached dwellings between 1964 and 1975, with a peak of 680 new units in 1973 (Withycombe, 1985). Just over 40 per cent of private dwellings in Queanbeyan were other than detached houses by 1975. In large part, these dwellings were let to young persons seeking inexpensive rental accommodation. In her study of the demography of Canberra, Young (1985) drew attention to the very high representation of the 20 to 24 year groups in Queanbeyan and their reduced presence in the ACT. It appeared that many of Canberra’s young people chose to live in Queanbeyan because of the greater availability of rental housing.

4.3. Conclusion

Both Australia’s and Canberra’s housing systems experienced fundamental change between 1945 and 1981. Population growth and the expansion of owner occupation were the most notable features in both instances. Demographic processes fueled growth while government policies and the development of a specialist housing finance sector made the rapid increase in owner occupation possible.

Canberra’s housing system was a product both of national and local forces. It came to increasingly resemble housing in other Australian cities through the growth of the private housing market. That market arose in response to discrete public sector policies designed to facilitate the growth of the national capital. Government housing was sold under favourable terms in order to encourage a sense of permanence amongst public servants. The NCDC encouraged private housing construction through a range of actions. It brought large engineering and development firms to the capital, encouraged consumer interest in home ownership and made residential land available at low prices. The government housing sector waned after 1960 as dwellings were sold and private production outstripped the public sector. National housing policies took on an increasing significance as more Canberra households relied upon the national housing finance sector to purchase a dwelling.

A distinct residential property market developed in Canberra with youthful, high quality housing dominated by detached dwellings. Canberra’s suburbs were developed as relatively homogenous units after 1958. Mostly they accommodated middle class families on relatively high incomes. In many cases both partners worked. The population of the ACT has been both affluent and mobile. Both factors would have affected housing preferences and the ability to achieve them. The relatively uniform nature of the population meant that there has been far less heterogeneity within Canberra’s dwelling stock than in other cities. In broad, households across
the city would have had fairly uniform opportunities to benefit (or suffer losses) from movements in the price of dwellings. In detail, significant variations have emerged between areas with respect to accessibility, the quality and age of the housing stock as well as the presence or absence of public housing.

Developments within both Canberra's and Australia's housing systems after World War Two strengthened commodity relationships in housing. Owner occupation reinforced the position that shelter was a commodity to be traded and a potential source of profit. Mass home ownership meant mass property rights and the evolution of a sector devoted to trading in housing. Owner occupation grew as a consequence of a number of factors. It was an important part of the immense growth of Australia's housing system after World War Two. The development of a specialist housing finance sector made the use of retail funds for housing possible. The growth of home purchase was accompanied by rising accommodation standards associated with Australia's period of sustained economic growth. Owner occupation was expanded in the ACT because of similar considerations. The public housing sector sold dwellings in order to encourage a sense of belonging, while the NCDC promoted home purchase in order to free-up its capital resources for other projects. The growth of owner occupation created conditions antagonistic to the leasehold system of land tenure. The leasehold system was confronted with a complex set of tensions in the late 1960s as the full consequences of the amended legislation became apparent for the first time. Housing was a commodity open to all the laws of capitalist exchange when produced, but a special form of property once purchased. This contradiction was not as readily apparent when few persons owned their dwelling and the majority of residents relied upon the government for housing.

The growth of owner occupation in Canberra had profound consequences. It was an important factor in the demise of the leasehold system. In addition, the manner in which home purchase was encouraged provided owner occupants with a number of opportunities to receive special benefits from their ownership of housing. They were able to capture within the resale value of their dwellings the subsidies made available by the government.
Chapter 5
Dwelling Histories in Canberra: Property Ownership in Nine Suburbs

The ability to benefit from residential property ownership varies according to the complex factors that shape the housing system and the individual's experience within it. These factors include both personal elements, such as the duration of residence within any one dwelling and broader processes which affect the housing system as a whole. An understanding of the interaction between households and dwellings is pivotal to any explanation of material gains through housing. Residential property markets are complex. One of the principal priorities of this thesis was to capture that complexity within the analysis while presenting the material in a manner that can be understood readily. To achieve this end, work on housing market processes and housing histories was adapted to the purposes of this study. Research on housing careers and pathways has focussed upon the balance of constraints and opportunities affecting households (Forrest, 1987; Payne and Payne, 1977; Farmer and Barrell, 1981; Kemeny and Forrest, 1983). This perspective examines the progress of groups of individuals through the housing market. Other research concentrates on the processes which act within the market for accommodation. Work on housing sub-markets and price movements provide important insights into the processes which influence the attractiveness of residential property ownership.

The theoretical and practical considerations associated with the examination of the housing market in nine Canberra suburbs between 1962 and 1981 are discussed in this chapter. Two separate but related decisions were taken on the method of analysis used within this thesis. Firstly, it was decided that dwelling histories provided the best indication of the extent of the benefit available to residential property owners and the processes which created them. Secondly, a random sample of dwellings was rejected in favour of the analysis of the housing market in a number of suburbs. These areas were selected as type examples of the processes operating within Canberra's housing market. These decisions were taken in order to elucidate the mechanisms which have provided Canberra's residential property owners with material benefits. Suburbs with differing administrative histories, dwelling stocks and resident populations were examined. The social and economic conditions within these suburbs form the
second part of this chapter. The socio-economic status of the residents, the nature and age of the dwelling inventory and the historical processes which have shaped each suburb are addressed in detail.

5.1. Housing Market Processes, Housing Histories and Dwelling Histories

Housing markets are highly segmented and respond to disparate influences. The processes of differentiation and change play a crucial role in establishing the value of a dwelling. The market assessment of a dwelling will depend upon the location and the state of the housing market at that time, as well as the characteristics of the dwelling. Market evaluations are not static and the value of dwellings within a location may rise or fall as a result of renewed investment in the dwelling inventory or changes in the relative advantages (or costs) that site may bestow. Common factors shape the price of dwellings within any area. Housing outcomes, however, cannot be equated simply with the processes that have defined the localised residential property market. Instead they will vary between neighbouring households. Capital gains or losses will depend upon individual considerations such as the state of the market at the time of purchase and resale, the amount of money borrowed by the household and the period of ownership. Any assessment of the material outcomes resulting from the ownership of housing must therefore allow for factors relating both to the housing market and the household’s experience within it.

This section discusses the processes which have influenced the ability to benefit from housing and the research methods which have been used to address similar problems within the literature. Much is made of the importance of combining the processes which formed the history of dwellings with factors relating to individual occupancies. The first part of this section sets out the reasons for choosing case studies as the most appropriate form of analysis. Secondly, housing histories and their relationship to the accumulation of wealth through real property are scrutinised. Finally, the notion of dwelling histories is surveyed.

5.1.1. Place, Time and Process within Housing Markets

The economic and social processes which create cities create uneven cities. Housing markets are differentiated spatially with respect to the nature and age of the dwelling stock, the demographic profile of the residents and their socio-economic status. The segmentation of housing markets has a number of implications for the social geography of the city. It has compounded existing social inequalities by limiting the level of access enjoyed by the poor to society’s scarce resources (Stretton, 1976; Harvey, 1973) and it has been both a product and a consequence of locally distinct housing processes. The importance of localities within housing
markets has resulted in a sizeable literature on sub-markets. Many authors have argued that
sub-markets exist within the larger housing system (Grigsby, 1963; Schnare and Struyck, 1976;
Bourne, 1981; Stimson, 1982). Sub-markets have been seen to be the result of barriers to
movement between housing situations which give rise to discrepancies in the prices charged
for comparable housing services. Other research has either argued against the existence of
sub-markets or has failed to identify them within empirical studies (Olsen, 1969; Flood, 1982;
Beer and Paris, 1988). The literature on housing sub-markets reflects the importance of
variation within the housing system. Clearly, housing markets have been structured in a
complex fashion and some of those divisions have constituted possibly separable units within
the wider housing market.

Residential differentiation has had important implications for the ability to benefit from the
ownership of housing. It has been assumed commonly within both the vernacular literature
and the debate on domestic property classes that wealthy households receive more substantial
benefits from their ownership of housing (see Thorns, 1981). The various price niches within
the market should provide therefore differing benefits, with the greatest gains in the most
expensive areas. Badcock (forthcoming) has questioned this assumption, arguing that more
attention must be paid to the processes of value creation within the built environment. In his
view, the most important issue is not how housing benefits are distributed across the city, but
instead, the identification of the processes which generated those advantages. Location is one
dimension of differentiation. Other factors and their interactions also must be considered. It is
reasonable to assume that the benefits associated with residential property ownership (and
owner occupation especially) were distributed unevenly across time periods. The
consequences of dwelling ownership may be unevenly distributed with respect to other
dimensions of society. Dwelling ownership may favour households of common ethnicity,
source of finance or other characteristic. The precise nature, however, of the distribution of
benefits has not been documented to date. It is quite possible that generational differences,
between both dwellings and persons, had greater significance than social factors such as the
market value of the dwelling or the household income.

Housing markets are dynamic and are being restructured continually at a variety of scales. As
Grigsby (1963) noted;

'In short, there is a ferment of physical, social and legal movement that takes place within the
housing stock as the inventory is continually adapted to the changing requirements of society.
In no other sector of the economy is there a comparable phenomenon' (p22).

The changes that Grigsby referred to occur unevenly across the city and created the different
sets of opportunities within the housing market. Grigsby (1963) related specifically the
processes of 'physical, social and legal' movement to the creation of differentiation or sub-
markets. He argued that an understanding of the interaction of sub-markets was central to an understanding of the market as a whole; in short, that we must comprehend housing market processes at the local scale if we are to interpret the complete entity.

Research into the benefits available through housing must recognise that the differentiated character of housing markets is a product of historical as well as spatial processes. Households within a residential precinct will share a development history, a regime of investment in the housing stock and a common market perception of the relative desirability of that location. The history of the dwelling stock and population will exert an important influence on the housing market. Any attempt to comprehend housing outcomes must recognise the significance of both space and time. An area's history and spatial relationships will have been an important influence on dwelling values. It may be impossible to explain fully trends or differences in the prices of dwellings if either dimension is ignored.

The ability of Canberra's residential property owners to benefit from housing was gauged from a series of case studies rather than a random sample. Every effort was made to incorporate into the study the history and geography of the dwellings examined. The first concern was the benefits available to residential property owners as a result of the special conditions associated with Canberra's development as the national capital. It was considered necessary to focus upon a number of suburbs as type examples in order to identify specific mechanisms. Put simply, case studies allowed the clearest insights into the processes operating within Canberra's housing market.

Practical considerations helped hone the decision to examine housing within a number of areas as opposed to a sample of dwellings. It would have been completely impractical to collect data on additions from a random sample. Information concerning dwelling sales were accessible readily but the data on renovations and extensions were organised in a fashion which did not lend itself to the identification of individual dwellings. A second factor was that social and economic stratification by area would be less readily apparent within a sample. This consideration was accorded considerable importance as much of the debate on residential property ownership has addressed the significance of differences across social classes (Pratt, 1982, 1986a; Thorns, 1981). The suburbs discussed in this thesis cover the entire range of socio-economic conditions in Canberra and their relative positions can be identified readily. By contrast, the identification of differences in social position in a sample would be confounded by other factors such as the age of the dwelling stock and the characteristics of the population.
5.1.2. Dwellings and Households within the Housing Market

Housing histories have been developed as an heuristic tool to explain differential outcomes within the housing market. A number of authors examined this concept and placed competing interpretations on the expression of residential assignment processes at the level of the individual household (Forrest, 1987; Kendig 1984, Payne and Payne, 1977, Pickvance 1974). There is a strong correlation between stage in life cycle and the type of housing an individual occupies. Households progress through the housing market in response to their changing demographic and social circumstances. Housing histories are also partly a reflection of local housing processes. Households are constrained in their choices by a host of external influences which determine opportunities at any point in time. Housing histories reflect the balance of constraints and opportunities which direct households into particular situations within the housing system. In a similar vein, houses have histories too. Their relative position in the market may wax and wane as a consequence of a number of factors, many of which will affect all dwellings. The movements in the market evaluation of residential areas will thereby influence the ability of property owners in those districts to receive a material gain from their ownership.

The concept of a housing career has been used to explain the strong correlation between the type of dwelling a household occupies and its stage in the life cycle. Kendig (1981) examined the housing careers of households in Adelaide, South Australia, in his study of household moves during 1975/76. The principle concern of his study was the motivation behind moves between residences. Importantly, Kendig (1981) tested the common assumption, 

"...that nearly everybody follows the same housing progression or 'career'. It is usually supposed that young adults with their own income leave the family home to rent a flat and enjoy the single life. After marriage, both partners work and economise on rent so that they can save a deposit to buy a house in which they will rear their children. Although a few move later to bigger houses before their children grow up or to their own flat after children leave home. It is usually assumed that most households remain in their first owned home into old age, enjoying the low costs and security of outright ownership' (Kendig, 1981, p1).

Housing careers have been used to explain the capital benefits associated with movement between dwellings. This use of the concept has focussed upon owner occupation especially. Socially and economically aspiring households are considered to possess a housing career that parallels their career within the work place. A series of moves into progressively more expensive housing accompanies occupational success. Dwellings are exchanged to either improve the level of housing amenity enjoyed by the household, increase opportunities for 'capital gains' through housing or as a consequence of the movement to a new housing market as a result of a job transfer. Thorns (1981) considered the latter to be a significant influence within the housing market in Christchurch, New Zealand. Forrest and Kemeny (1983) outlined a typical housing career for owner occupants in Britain in their discussion of the relationship
between furnished private rental housing and home ownership. Owner occupants were seen to become involved in that section of the rental market as their economic position changed and as they took advantage of the housing circumstances around them.

Farmer and Barrell (1981) considered the case of middle-class British households seeking to maximise their returns from housing. It is important to note that the authors considered behaviour that optimised hypothetical opportunities. The results of their analysis related to possible outcomes within the British housing system. Farmer and Barrell (1981) examined conditions in Britain's housing and financial markets between 1965 and 1979. They concluded that owner occupants would have received the greatest possible gains from their participation in the housing market if they followed a deliberate career involving the sale and repurchase of a dwelling every three years, at high rates of borrowing. They estimated that households which moved frequently and purchased dwellings at low capitalisation rates received an average return of 15.7 per cent per annum on their initial outlay of £1,000. Non-movers and persons who moved infrequently received slightly lower returns of 11.7 and 14.7 per cent respectively. Farmer and Barrell's (1981) analysis made home purchase look very attractive indeed! Significantly, the source of material benefits varied between housing strategies. Conservative households accumulated capital through the establishment of equity in their home. Households which moved frequently accrued their benefits through the rise in the capital value of their dwellings. One of the important conclusions to be drawn from Farmer and Barrell’s analysis was that owner occupants can benefit from their housing in more than one way.

The notion of housing careers has provided useful insights into the ability to benefit from the ownership of housing. Its exposition of the processes associated with residential property ownership has been its most valuable contribution. Two difficulties have discounted the value of this approach. Firstly, the careers discussed by Farmer and Barrell (1981) were notional and may bear no relationship to real world events. It is highly unlikely that a substantial number of British households moved every three years between 1965 and 1979. Secondly, it has not accounted fully for the processes that have operated within the housing market. There is no indication of which features within the housing system have produced these benefits. The examination of housing careers, however, has highlighted the complexities of participation in the residential property market and the potential extent of those gains. The benefits received through residential property ownership have come from more than one channel and at a rate that is dependant upon the source of advantage and the time period.

The concept of a housing career can be criticised in more general terms. It is predicated upon several assumptions whose bases can be challenged. Firstly, it has assumed that households
move to achieve greater levels of satisfaction in their housing. People have been seen to advance their position, choosing only to consume less housing during the latter part of their life when a substantial dwelling may no longer be appropriate. Secondly, it has emphasised choice within the housing market and the individual household’s ability to achieve its desires. It has presented an interpretation of personal experiences within the housing market which suggests that housing outcomes are a product of free will. Each household has been seen to be linked causally with a dwelling because that structure has matched their housing requirements. Thirdly, demographic factors alone have been related to the accommodation of a household. Housing and stage in the life cycle have been related in a purposive manner without reference to other influences.

Forrest (1987) discussed the definition of housing histories and their relationship to the specific processes shaping housing markets. He distinguished the term housing history from the alternative notions of housing career and housing pathways (Payne and Payne, 1977). Forrest (1987) argued that there are sets of housing experiences shared by persons on the basis of class, gender, race and locality. Groups of households will experience particular outcomes with respect to their housing on the basis of where they live, what they are able to earn and the accommodation subsidies available to them. Factors external to the housing market will in large part determine outcomes. The household’s position within the labour market will have exerted the single greatest influence on the range of available housing. Other factors, such as location, ethnicity and gender, may have acted as additional influences on housing opportunities.

Structural influences have had a substantial impact on the types of dwellings households occupy and the nature of their occupancy. Payne and Payne (1977) argued from their study of tenure change in Aberdeen, Scotland that a household’s accommodation is a function of the householder’s ability to gain access to housing first and stage in the life cycle a distant second. The household’s economic resources dictated the type of housing they occupied and there was little movement between public tenancy and owner occupancy. Life cycle characteristics altered merely their position within this framework. Couples who could not afford to purchase a home, languished in private rental as public housing was usually denied to childless families. The majority of households renting from the council in Aberdeen were only able to move into public housing after the birth of the first, or more commonly the second, child. Similar limiting influences operated within the private sector. Households did not enter owner occupation after the birth of the first child because of the substantial costs associated with raising a family. In short, owner occupation in Aberdeen was a closed shop in which economic resources were the key to access and household characteristics played a peripheral role. A compatible argument
can be developed with respect to other factors within the housing system. Forrest (1987) noted that a home owner in the English Midlands was in a very different position from an outright owner in London. The huge discrepancy in dwelling prices between the two areas meant that a house in the Midlands could not be substituted easily for a comparable dwelling in the capital. The spatial characteristics of the British housing market was the limiting influence in this instance.

The importance of the constraints that operate within the housing market cannot be denied. Forrest (1987) recognised that while many housing histories contained a strong career element, ‘others are chaotic and characterised by constraints and coping strategies’ (Forrest, 1987, p1624). Kendig (1984) found corroborating evidence. Fully 43 per cent of movers in Adelaide in 1975/76 changed their residence for reasons that had little to do with dissatisfaction with their previous dwelling (Kendig, 1984, p274). Moves compatible with the concept of ‘a housing career’ did occur, especially among young people. Other influences, however, precipitated moves also. Housing careers were lost amidst the multitude of social processes shaping the housing market. Clearly, the notion of a housing career provided an insufficient explanation of all events within the housing market.

‘Housing careers’ and ‘housing histories’ are diametrically opposed concepts in many respects. The concept of a housing career has emphasised free choice within the market and has implied an upward trajectory. Households were seen to move to better their situation with respect to tenure or the quality and quantity of housing consumed. Housing histories, by contrast, relate households to the structural constraints on their housing situation, especially their position within the productive sphere. Both perspectives must be considered. Individuals act according to their free will and attempt to satisfy their personal needs and wants. They act, however, within a range of limiting factors which may proscribe the outcomes available to them.

The process of ‘trading up’ dwellings discussed by Farmer and Barrell (1981), Kendig (1984) and Thorns (1981) referred to the strategies available to households within a single set of housing opportunities and limitations. The housing career interpretation of housing market processes was unable to identify the role of structural influences in determining housing decisions. By contrast, Forrest’s (1987) argument on housing histories subsumed the decisions made by the individual household within the network of wider social processes. Factors external to the housing market were considered to exert the greatest influence. A compromise position is possible. It is possible to recognise the ability of individuals to act within a given set of constraints by accepting that housing careers are but one type of housing history. They
constitute one direction within the wider group of accommodation experiences. Some households have been able to obtain the greatest possible benefits from the housing system via astute or fortuitous movements. Often those movements accompany the sort of career advances described by Forrest (1987) and Thorns (1981).

Housing histories carry important connotations with respect to participation within the market for accommodation. Badcock (forthcoming) argued that tracing the movement of individual households through the market is the only way that is certain to establish who has benefited from housing and how. There are, however, limitations to the housing history approach. The notion of housing histories, and housing careers especially, has emphasised the importance of movement between dwellings. "Trading up" is one possible mechanism for ensuring capital accumulation through housing. This strategy, however, has not guaranteed success in the past nor has it resulted necessarily in the greatest returns. Households exchanging dwellings have to sell and purchase at the same time and have faced either a low return on their existing dwelling if the market was flat, or high repurchase costs if the market was booming. In addition, substantial transaction costs are incurred with every sale. Trading houses can be an expensive proposition. The greatest overall benefits may accrue to households which have remained in a single dwelling for a substantial period of time. Their reduced housing costs may outweigh by far any increase in capital accumulation foregone.

The concept of housing histories must be paired with a recognition that dwellings have histories too. In most cases, there will be a significant relationship between the character of the dwelling and the nature of the occupants. Social processes assign dwellings in a purposive manner. Dwelling histories must be considered an important facet of the housing system as they contain both active and reactive elements. They reflect the broader decisions about investment and disinvestment in the accommodation stock, while allowing also for the significance of changes at the level of the individual dwelling. Dwelling histories have the advantage of incorporating causative factors, such as investment and dis-investment decisions, while allowing for individual outcomes. Those decisions and outcomes can be studied at a variety of scales, over a range of time periods and with respect to a number of facets of society.

The examination of dwelling histories must refer to the type of residents and the physical characteristics of the structures under study. A number of aspects relating to the individual dwelling can be analysed. Dwellings are built, occupied, purchased, resold and added to. Individually these events are of little relevance to the interpretation of the housing system but the investment they represent in aggregate has a profound impact on the city's profile. The discussion of one dwelling sale is of limited value; the examination of a large number of sales,
and associated construction activity, can provide an invaluable window into the processes shaping the housing system. Moreover, the fact that a group of dwellings were not sold or renovated can be as significant as frequent sales or additions. Dwelling histories are not limited to changes in the physical characteristics of the structure. The nature of the residents is an integral part of dwelling histories. The ability to purchase a dwelling, the type of housing acquired and subsequent investment in the physical structure of the dwelling will all reflect upon the character and social position of the household. There is an important dynamic relationship between the household and the dwelling. Both can change over time and one may precipitate new developments within the other.

Residential property markets are made up of the dwelling histories of single dwellings. The type of residents, the value and extent of any additions and the market value of the dwelling all reflect the processes that have shaped the housing system as a whole. Both locally distinct housing processes and the consequences of more general influences can be studied via dwelling histories. There will be readily apparent differences in the character and price of dwellings in a low status area compared to a district of substantial prestige. It is reasonable to assume that the levels of addition and renovation activity will reflect social and spatial differences. Individual housing histories reshape also the total housing system. Renewed investment in the dwelling stock within an inner city area or demographic change may initiate the re-evaluation of the relative worth of that locality by the market place.

Dwelling histories have obvious applications for any attempt to evaluate the benefits associated with residential property ownership. Capital gains (or losses) can be calculated from the movement in the value of the dwelling, while other factors, such as the period of ownership and any additional investment in the dwelling can be investigated also. Additional elements can be assumed from our knowledge of the general housing market. Dwelling histories vary from housing histories in their focus. The former has provided information about the material benefits associated with particular dwellings while the latter is used to examine the position of the individual household. Housing histories and dwelling histories provide comparable information on the extent of any benefits derived from residential property ownership. The latter, however, provides greater insights into those processes within the housing system which have made gains possible. Less emphasis is placed on factors related to the individual and more attention paid to the processes within the housing market.
5.2. The Case Study Areas

Dwelling histories within nine Canberra suburbs were examined in order to gauge the sources and extent of any benefits associated with residential property ownership between 1962 and 1981. The location of the suburbs examined within this thesis is shown in Figure 5.1. (Maps of each suburb can be found in Appendix A.) Many researchers have used a case study approach to facilitate the identification of key processes and movements within the housing market (Badcock, 1981). The position with respect to Canberra is even stronger as each suburb represents a policy outcome in addition to a discrete set of housing market conditions. The type of dwellings constructed, the size of the blocks of land, the pricing of that land, conditions of disposal and the proportion of government-built dwellings within each suburb were determined by public planners and developers. Government agencies set the mould that gave each residential area its shape. The housing market in each suburb has encapsulated a complete series of decisions by public institutions concerning the nature of Canberra's development.

The study areas were chosen because they were considered to be indicative of important sets of housing experiences created by the history of residential development in Canberra. It was not possible to select areas representative of all housing environments. The most important aspects of Canberra's development were covered. Suburbs such as O'Malley (which has been dominated by the Diplomatic Corp for both residences and embassies) were excluded because they resulted from special circumstances which did not reflect accurately the dominant processes within Canberra's housing system. The study areas were selected because their development history and housing markets contained elements in common with other suburbs and, in combination, these groups of suburbs formed an important strand within the total market. For example, Chifley contained elements in common with other areas in Woden such as Lyons, Pearce, Mawson, Farrer and Hughes. The examination of Chifley's housing market shed light also on other districts developed at the same time. It is reasonable to assume that the three North Canberra suburbs most distant from Civic, namely Downer, Watson and Hackett, would have experienced a number of processes relating to their development in common with Chifley. Higgins can be considered indicative of the development that occurred in the outer suburban areas during the late 1960s and early 1970s. Similar arguments could be developed about all of the study areas addressed in this chapter.

Case studies were used to identify the most influential processes and housing experiences within Canberra's housing market. It is important to recognise and accept that the conditions within the study areas were not replicated within every suburb, or even those developed
Figure 5-1: The Case Study Areas
contemporaneously. They provide, however, detailed insights into the operation and affects of
government policies and market conditions. The conclusions drawn from the study areas can
be applied to all dwellings affected by those policies. Further, qualified judgements relating to
shifts within the market _per se_ can be applied to other suburbs.

The approximately 9,000 houses included within this study represented 15 per cent of all
detached dwellings in 1981 and 12.5 per cent of the total housing stock. Only houses were
considered for two reasons. Firstly, they formed the major part of the housing inventory and
their development was more indicative than other dwelling forms of the formative ideologies
and mechanisms within Canberra’s housing system. Secondly, and more significantly, there
was a strong relationship between dwelling type and tenure. Owner occupation has been
concentrated in detached dwellings, while private rental has been more prevalent within
dwellings classed as ‘other house or flat’ by the census (Adrian _et al_, 1986).

This thesis focussed upon owner occupation as that tenure received subsidies from the
taxation and finance systems, as well as the government agencies responsible for Canberra’s
development. Substantial subventions were received by private tenants in Canberra over the
period of the city’s growth. Many public servants transferred or recruited to Canberra collected
a rental allowance as a condition of employment. This housing subsidy made an important
contribution to the welfare of the households involved. Public tenants received housing
subsidies too (Seek, 1982). Public rentals lagged behind market rents and a sizeable proportion
of tenants have received rental rebates since the mid 1970s. On the other hand, landlords were
able to capture part of the rise in land values in Canberra through their property. All persons
involved in housing benefited potentially. The material outcomes associated with home
ownership, however, were far more advantageous for the households concerned and far more
significant for the development of the housing system, than the social relations that affected
other tenures.

The position of owner occupants alone has been addressed in this thesis. Owner occupants
became the dominant tenure within the ACT because the Commonwealth programs designed to
promote Canberra’s growth were directed almost exclusively to them. As property owners,
they were able to capitalise those benefits. Public, and certain private, tenants may have had an
advantage through reduced housing costs but that benefit was conditional upon the terms of
their tenancy. Their gain could not be transferred easily into a capital form. The policies
designed to promote owner occupation, by contrast, would have been incorporated into the
value of the dwelling. In addition, landlords had little, or highly restricted, access to these
programs.
Each of the study areas is described in the remainder of this section. Data from the 1981 Census were used to present the social, economic and housing conditions in Kambah, Weetangera, Chifley, Reid, Higgins, Narrabundah, Forrest, O'Connor and Kingston. While 1981, the close of the study period, was taken as the reference point for this exercise, any changes in conditions over time were discussed also. The study ends in 1981 as the partial de-regulation of the Australian banking system from that date ushered in a new era for housing. An emphasis was placed on the processes and influences which prevailed during the periods in which the suburbs were established and especially the role of government housing in each area. Decisions taken at the time of settlement influence residential areas for a prolonged period because of the longevity of the stock and the expense of replacing, or upgrading substantially, those dwellings. In turn, the judgements made at that time reflected the conditions influencing development generally. Administrative structures and the pressures that were brought to bear upon them will therefore have been an important component of the history of any residential environment.

Public housing was one of the most influential elements within the total structure of causative relations in Canberra's housing market. The nature and proportion of government constructed stock had a substantial impact on residential environments. Housing constructed by the public sector has comprised some of the most expensive and some of the worst accommodation in Canberra. It is necessary to understand fully the interaction between the private and public spheres in each suburb as movements within the housing market will depend largely on how the publicly-constructed stock was perceived.

5.2.1. O'Connor

O'Connor is a suburb of North Canberra only a few kilometres north and west of the central business area, Civic. O'Connor was established in 1948, a period marked by substantial pressures for Canberra to develop. Sixty five per cent of all dwellings in the suburb were constructed by the public sector. O'Connor's development was not completed until the early 1960s and the private sector played a more significant role in the suburb's growth during the latter part of that period. Many of the dwellings erected by the government in O'Connor were constructed of materials used rarely today. Mono-crete, fibro-asbestos and Riley-Newsum homes were built in the suburb. Some of O'Connor's housing stock was the result of one of the large dwelling construction contracts released by the Department of the Interior. Just after the Second World War A. V. Jennings Pty. Ltd., constructed some of the brick-veneer houses in O'Connor as part of a contract for roughly 500 dwellings. Many of the government dwellings were let to Defence Services personnel. Development left the suburb with a highly
differentiated housing inventory as many of privately-constructed dwellings were of high quality, especially those in the elevated parts of the suburb.

The history and geography of O'Connor affected the nature of its population and housing. By 1981 the population had aged and there were few children within the suburb. O'Connor’s proximity to both Civic and the Australian National University (ANU) at Acton influenced the types of persons resident there. O'Connor has been a popular residential location for households in which one or more members work or study at the ANU. In consequence, there were greater numbers of professional workers, graduates and complex households than would otherwise have been the case.

Five thousand two hundred and sixty six persons lived in O'Connor in 1981. The median household income of $18,300 was very close to the ACT median of $18,000. As with Canberra as a whole, professional, administrative and clerical workers made up 60 per cent of the suburb’s workforce. O'Connor, however, had a slightly higher proportion of professionals, with 23 per cent of its population within this category, compared to 20 per cent for the entire metropolitan area. This bias was reflected in the qualifications held by the population. Seventeen per cent of residents held a bachelors or a higher degree, only 12.5 per cent of all of Canberra residents held these qualifications.

The family and population structure in O'Connor at the 1981 Census emphasised the age of the suburb and the impact of institutions and processes which encouraged the movement of young people into the area. There were relatively few children in O'Connor in 1981. Sixteen per cent of the population was aged 14 years or less compared to 29 per cent for all of the ACT. Family structure in O'Connor differed from the norm for Canberra. Both single person households and traditional families were under-represented in O'Connor. Families consisting of ‘head spouse and dependants’ constituted only 26 per cent of households compared to the Canberra-wide figure of 37 per cent. Only 14 per cent of families in O'Connor were made up of one person in 1981, whereas 18 per cent of households in the ACT fell in this category. The proportion of ‘head and spouse only’ households was fractionally above the metropolitan figure of 18.5 per cent. The most significant increase in family types occurred in the categories dealing with the more complex households when compared to the city as a whole. Family groupings made up of ‘head spouse and other adults’ and ‘head spouse other adults and dependants’ were roughly four times more common in O'Connor than across Canberra. In addition, non-family members were found within 11 per cent of the suburb’s households compared to seven per cent for Canberra. Many of these households would have consisted of students or other young people. It is interesting to note that the modal age group in 1981 was
between 20 and 24 years, many of whom were tertiary students. The ANU has consciously encouraged this concentration. The University has let a number of houses to undergraduate students each year, many of which are located in O’Connor.

The overwhelming majority of dwellings in O’Connor in 1981 were houses. There were 1,636 detached dwellings and 248 medium density dwellings in the suburb at the time of the census enumeration. In 1981, 56 per cent of O’Connor’s households either owned or were purchasing their dwelling. Two thirds of the publicly owned stock had been sold, to leave a public rental sector of 461 households or 23 per cent of all households. Private tenants comprised 16 per cent of the total. The age and method of development affected mortgage repayments: 45 per cent of purchasing households paid less than $100 per month in 1981. The extended period for which many of the loans were held, and the generous conditions usually associated with purchase from the government, would have been responsible for the low payments.

5.2.2. Reid

Reid is a small suburb immediately to the east of Civic. Residential development began in the suburb in 1927 under the supervision of the Federal Capital Commission. The suburb has a distinctive environment with public parks in the centre of the residential precincts and distinctive architecture stemming from the period of control by the Federal Capital Commission. Like O’Connor, the status of Reid declined in the 1960s and early 1970s but rose throughout the latter part of that decade. Housing in the suburb became expensive and highly desired. In 1980 a Heritage Order was placed on the older residential areas in Reid. The Order excluded commercial development or similar intrusive investment and sought to maintain the residential landscape. Privately-owned housing is the principle concern of this discussion but it should be recognised that a substantial proportion of the total area has been devoted to other land uses. The south west corner of the suburb was occupied by the Reid College of Technical and Further Education while a large number of government flats were erected along the northern boundary.

Reid housed 1,400 persons in 1981 within 640 dwellings. Medium density dwellings of three stories or less were the most numerous dwelling type with 330 units, separate and semi-detached houses together accounted for 250 dwellings. The majority of persons living in medium density units were public tenants, with 300 households renting from the Commonwealth. Houses, by contrast, were either owned outright or were being purchased. Eighty three households owned their dwelling outright while the remaining 137 households were in the process of purchasing their dwelling. The median monthly mortgage repayment
was $218 but there were two distinct clusters within the distribution of housing repayments. Fully 30 per cent of households paid less than $50 each month while another group of mortgagors paid in excess of $399. It appears reasonable to assume that this difference was due to a polarisation between recent arrivals and long established households.

Up until 1981 the public authorities had built almost all dwellings in Reid. Only 39 of the suburb’s houses were built by the private sector. Home ownership was possible in Reid only because of the Commonwealth’s policies promoting the sale of government houses. Two hundred and forty six houses had been sold to sitting tenants with just 31 houses remaining in government ownership. No flats or other medium-density dwellings had been sold in Reid as government policies had prohibited the sale of this type of dwelling.

Census information concerning the private housing sector in Reid was overshadowed by the sheer weight of numbers in public tenancy. Almost half of all households in Reid at the 1981 Census consisted of one person, the majority of whom were public tenants residing in a flat or similar unit. Households comprised of ‘head and spouse only’ constituted a further 20 per cent of the total, while traditional families accounted for only 12 per cent of households. As far as it is possible to draw conclusions concerning the private housing sector in Reid, the data have suggested an aged population consisting of single persons and couples. There were few traditionally-defined families. Many households had finished child-rearing and their off-spring had left home. Some support is given to this argument by the high median age of 34.2 years. The median household income in Reid in 1981 was $13,700, well below the metropolitan average. Undoubtedly this figure was skewed by the high proportion of public tenants and did not reflect accurately the economic position of home owners and home purchasers.

5.2.3. Narrabundah

The suburb of Narrabundah is located in South Canberra adjacent to Griffith and Red Hill. Development did not begin in Narrabundah until 1947 despite the establishment of the neighbouring suburbs some 20 to 25 years earlier. As with its contemporary, O’Connor, publicly constructed housing had a profound impact on Narrabundah. Three quarters of all houses were built by the government. Housing located in Narrabundah performed a special role within Canberra’s public housing system. Put simply, most of Narrabundah was developed as working class housing, the dwelling stock was intended to accommodate government workers and their families who were employed in construction or labouring tasks, rather than clerical officers. One section was developed in the 1940s with numbered streets. Numbers not names were not attached to the streets because of the intended temporary nature of the development. Initial intentions were forgotten and the numbered streets remained throughout the period of
this study. Residential development in Narrabundah was initiated in the immediate post-War years when Canberra was expected to grow. The suburb offered the dual benefits of being close to the industrial area of Fyshwick as well as several major government institutions in Kingston.

Narrabundah’s physical infrastructure differed markedly from other suburbs in South Canberra. Residential lots were smaller, the design of many of the dwellings meaner, and little was done to improve the residential environment. Some sections of Narrabundah were developed with concentrations of ‘temporary’ dwellings, such as demountable homes. The north east corner evolved into a significant pocket of social deprivation, with a population of low socio-economic status residing in dwellings of limited amenity. Public sector redevelopment of the housing stock in this part of Narrabundah commenced in the late 1970s (NCDC, 1983a). Other sections of Narrabundah took on some of the characteristics of the suburbs they abutted because of subsequent improvements to the stock or the nature of the dwellings constructed there originally. For example, it is difficult to distinguish between the upper middle class dwellings of Red Hill and nearby houses in Narrabundah.

Five thousand five hundred people lived in Narrabundah at the 1981 Census in 1,980 dwellings, 1,835 of which were occupied. Median household income stood at $17,300. The most pronounced feature of the suburb’s occupational structure was the greater proportion of tradesmen and labourers. Twenty two per cent of workers fell within this category compared to 12 per cent for the city as a whole. Just under fifty per cent of persons in the labour force were classified as professional, administrative or clerical workers. Narrabundah’s age contributed to a population profile in which there were comparatively few children and traditional families. Children under the age of 14 constituted only 19 per cent of the suburb’s population. Households comprised of the head only were the most common type of living arrangement, followed by couples and partners with children.

Owner occupation was the most common tenure in 1981, accounting for 48 per cent of dwellings. Two hundred and forty nine households, or 13 per cent, owned their dwelling outright while the remaining 644 dwellings were being purchased. Private rental made up 11 per cent of the total and public rental a further third. Separate houses were the major component of the dwelling stock, with 83 per cent of all accommodation units. Semi-detached houses and medium density dwellings were the only other housing styles, with five per cent and eight per cent of units respectively.
5.2.4. Forrest

Forrest, is the most expensive and prestigious address in Canberra. Its highly valued status is partly a reflection of its geography. The suburb lies on the flanks of Red Hill and runs down toward Capital Hill and the shopping district of Manuka. Immediately to the West lies Deakin and to the East, Barton, Griffith and Red Hill. All of these suburbs are highly sought after in their own right and contain valuable dwellings. Forrest, therefore, lies at the centre of the belt of desirable accommodation which runs along the northern slopes of Red Hill.

Development began in Forrest, or Blandfordia as it was known originally, in 1926. The suburb developed partly in response to the Commonwealth Government’s need to produce high quality housing for senior public servants. Persons appointed to responsible positions in Canberra or transferred at those levels from Melbourne, expected suitable accommodation as a pre-condition of employment. A substantial number of government houses were erected in Forrest and the neighbouring suburbs to meet this particular need. The private sector recognised also the quality of Forrest’s residential environment and many expensive dwellings were built by individuals. Diplomatic missions recognised the benefits associated with Forrest’s location and ambience. A number of embassies were located in the suburb and many of their senior staff live in the vicinity.

A series of planning decisions contributed to the concentration of desirable residences in South Canberra and to Forrest’s cachet especially. Griffin’s (1918) plan called for the development simultaneously of North and South Canberra. Less expensive government dwellings tended to be constructed in the former. These dwellings were let at lower rents with the result that lower grade public servants and workers of similar status were located on the plains of North Canberra while personnel in more elevated positions were located South of the Molonglo. South Canberra offered the twin advantages of proximity to Parliament House in Parkes and at least partial shelter from Westerly winds by Red Hill. The decision to not further subdivide Forrest had a more direct impact. The major avenues and streets had been set out by Griffin in his gazetted plan of 1918, with the intention of later private subdivision when dwelling construction commenced. Griffin’s departure left the matter in the hands of the planners within the Federal Capital Commission who chose not to proceed with additional land division as any change to the street layout would have required the consent of Parliament (Fischer, 1984). In consequence, Forrest was developed with very large blocks of land indeed.

One hundred and eighty of the 383 houses in Forrest were constructed by the Federal Capital Commission or the Department of the Interior. Nine houses remained in public ownership in 1981. The remainder of the suburb’s occupied dwelling stock at the 1981 Census was made up
of 56 medium density units and five semi-detached houses. Sixty five per cent of households owned or were purchasing their dwelling. Of that tenure, just over half owned their dwelling outright. Surprisingly, the category 'other tenants', which is usually construed to mean private rental households, constituted 22 per cent of the total. It is probable that many of the households within this classification were either members of legations or were recipients of housing assistance from their employer. Monthly mortgage repayments appeared within the census data as two distinct clusters: 26 per cent of households had mortgage commitments of less than $100 per month, while 34 per cent repaid more than $399.

The 1,200 residents of Forrest in 1981 lived in households consisting of ‘head, spouse and dependants’, ‘head only’ and ‘head and spouse only’, in that order. Twenty nine per cent of households were comprised of traditionally-defined families, slightly more than 28 per cent of households consisted of a person living alone. There was, somewhat surprisingly, a significant proportion of the population aged 14 years or less. Twenty two per cent of the residents of Forrest fell within this category on 1981, just below the metropolitan figure of 29 per cent. It is likely that the age of the suburb in combination with the size and quality of the dwelling stock resulted in a second generation of upwardly mobile families settling in the suburb. More than half of all households in Forrest had incomes in excess of $26,000 at the 1981 Census. The structure of the workforce matched the income profile of the suburb. Professionals constituted 35 per cent of the workforce in 1981 while three quarters of the population active economically at the time of the census fell within the combined categories of professional, clerical and administrative workers.

5.2.5. Kingston

Eastlake, known now as Kingston, was one of the first residential areas in the ACT, with the first dwellings erected in 1922. The first commercial and residential leases offered in the ACT in 1924 were for sites in Kingston and had been preceded by the construction of government cottages. The Causeway was a distinct and separate residential precinct within the suburb and was comprised totally of government housing. The Causeway was set up to house construction workers and their families and was distant from the major body of the suburb, both physically and socially. It was bounded by Jerrabomberra Creek and Lake Burley Griffin to the North, the Canberra Railway Station to the South and government utilities, such as the Government Printing Office and the Bus Depot, to the West. Dwellings in the Causeway were not available for purchase by the tenants and declined over the years from an originally low standard. The Causeway was a distinct niche within Kingston’s residential scene and must be recognised as such in any description of housing processes in that suburb.
Kingston has had a mixed history. It was not developed on the grand scale that marked housing construction in many other parts of South Canberra. Many of the dwellings erected privately were described in the Record of Building Permits as 'cottages' rather than 'residences', although some more substantial dwellings were built. Kingston did, however, perform an important role within Canberra. The shopping centre in the centre of Kingston was one of the most important retailing and commercial areas in the Territory from the 1920s through to the 1950s and the strength of its commercial function reflected the health of its local community (Fischer, 1984).

Kingston declined after Second World War as its population aged, its dwelling stock deteriorated slightly and as urban growth moved further afield (Wensing, 1984). Kingston’s population declined from over 1,000 persons in 1947 to just under 700 in 1966. The NCDC decided upon redevelopment for Kingston/Griffith because of the suburb’s age and pressure for change from the residents. The redevelopment policies were announced in 1970 after consultation with the community. The plans favoured comprehensive redevelopment on sites of more than one acre (.4 ha) and emphasised private redevelopment by lessees acting jointly. The Commonwealth, for its part, initiated redevelopment with the upgrading of its properties on Section 18. The Kingston Guest House and four adjoining cottages were demolished and 104 flats erected in their place. The private sector, however, took a considerable amount of time to commence redevelopment activities. The first concrete proposals were not submitted for Kingston until 1975/76 and there was sustained speculative investment in leases in the intervening years (Wensing, 1984).

By 1980 only four redevelopment projects had been completed by the private sector. As Wensing (1984) noted, the considerable period in which redevelopment was planned but not implemented resulted in a marked reduction in physical and social standards. In plain terms, Kingston suffered from planning blight. Landlords holding properties for speculative gain did not maintain those dwellings. Owner occupants were encouraged to leave the area by the rise in the rateable value of their land, associated with the change in planning designation. Home owners who stayed in their homes faced increased rates as the notional value of their dwelling rose rapidly. Redevelopment meant that the housing market in Kingston was dominated by the land component, which discouraged investment in the buildings themselves.

The 850 persons resident in Kingston at the 1981 census occupied 346 dwellings. Forty eight dwellings, or 12 per cent of the total stock was unoccupied. The dwelling stock included 124 separate houses, 41 semi-detached houses and 176 medium density units. Eighty one per cent of houses had been built by the public authorities and eighty seven of those remained in public
ownership. It should be noted that the majority of those houses were located in the Causeway. Twenty seven per cent of households only, were purchasing or owned their home in 1981. Public rental was the most common tenure with 55 per cent of all households while private rental accounted for the remaining 15 per cent.

Kingston possessed an unusual demographic profile at the 1981 census. Families were a small part of the suburb’s population. Just less than ten per cent of households fell within the parameters of the conventional use of that term. ‘Head only’ households accounted for 40 per cent of the total, with couples and sole supporting parents making up 23 per cent and 15 per cent of living arrangements respectively. There were relatively few children in Kingston. Persons 14 years of age or less constituted 19 per cent of the population. The substantial number of government dwellings, and government owned flats especially, would have been responsible largely for the atypical population characteristics. The median income of $13,300 reflected the sizable presence of public housing. Forty per cent of Kingston’s labour force fell within Canberra’s main employment categories of clerical, administrative and professional occupations. Tradesmen and labourers were slightly over represented at 15 per cent of the labour force.

5.2.6. Chifley

The suburb of Chifley was founded in Woden in 1966 during the years of feverish growth within Canberra. Physically, the suburb is like many laid out by the NCDC during the 1960s. Chifley was planned as a neighbourhood in which the community of individual families was brought together by a school and shopping facilities located at its geographic centre. The streets were set out with a series of distributor and lesser roads in order to reduce traffic through residential areas and maximise the householder’s amenity. Under this planning regime, the new suburbs were disposed around a a town centre, intended to serve as a major employment node and retailing centre. Chifley was part of the rapid expansion of owner occupation in Canberra in the 1960s and is typical of much development in this period. Chifley can be contrasted with O'Connor which was established earlier to house a comparable population. O'Connor was developed for a population that would reside in public rental housing while Chifley’s establishment was attuned to owner occupation. Even government dwellings were sold quickly into owner occupation.

There were roughly 1,040 private dwellings in Chifley at the 1981 Census, eight hundred of which were houses. The Department of the Interior built 362 or 45 per cent of all detached dwellings. The 242 flats in Chifley were built privately and were comprised of several large blocks of units located on the Eastern side of the suburb, overlooking Melrose Drive. Data
from the Roll Books of the Valuation Branch of the Australian Tax Office indicated that 45 per
cent of all detached dwellings were erected by the householders after the purchase of a block of
land. The home buyers either engaged a builder to construct a dwelling for them or undertook
the building work themselves. One third of the remaining 240 houses were developed and sold
on a speculative basis by the financial body, Mercantile Credits. Seven other building
construction firms erected more than ten dwellings and in total they accounted for 107 units, or
44 per cent of all completed houses. Hookers and A. V. Jennings were prominent companies
within this group.

Chifley’s demographic and socio-economic profile reflected its status as a middle-class
suburb in which the majority of residents were conventional families. Chifley demonstrated
characteristics which typify suburban life. The preponderance of traditional families with
children reinforced this point. A quarter of Chifley’s population was less than 15 years of age
in 1981. Families comprised of ‘head, spouse and dependants’ were a third of all households at
the census. The other major household categories were persons by themselves and couples,
which made up 29 per cent and 19 per cent of the total respectively. Both would have been far
less common in the absence of the privately-rented flats. Chifley’s median household income
was marginally above the metropolitan median at $21,300. Its occupational structure
paralleled the general pattern within the ACT. Like the ACT as a whole, sixty per cent of the
workforce fell within the categories covering professional, administrative and clerical workers.

Fully 78 per cent of occupied private dwellings in 1981 were owned or were being
purchased. The latter was the most significant component of owner occupation, accounting for
80 per cent of that tenure. All 67 dwellings occupied by public tenants were houses. Private
rental was restricted largely to the blocks of flats along the eastern boundary of the suburb. The
234 households renting from private landlords matched closely the 210 identified as medium
density housing.

5.2.7. Kambah

Kambah is the most northerly suburb of the district of Tuggeranong. It was the first suburb to
be developed in Canberra’s most recent New Town, with construction commencing in 1974.
Tuggeranong had been planned on different principles than those that guided development
earlier in Woden, Weston Creek and Belconnen. Firstly, it was designed as a much larger New
Town. The original plans envisaged that Tuggeranong would develop with a population in the
vicinity of 110,000, compared to a planned peak of 70,000 in Woden/Weston Creek and
80,000 to 90,000 in Belconnen. The new district was to have boasted amenities such as its own
university (McCoy, 1976). Secondly, residential areas were planned as territorial units rather
than neighbourhoods. Suburbs were defined according to natural features such as watersheds and local topography, rather than the arbitrary limits imposed when planning for suburbs of between 700 to 1,000 dwellings. The new planning schema emphasised social movement by motor car, with services and retailing located along arterial roads (Pritchard, 1985). In consequence, larger suburbs were built in Tuggeranong.

Residential development was checked in Tuggeranong by the stagnation of Canberra’s economy in the late 1970s. Canberra boomed under the Whitlam Labor Government but its growth was limited severely after 1976. The population ceased to expand and in fact fell in one year in the latter part of that decade (Adrian et al, 1986). It was the outer, developing suburbs and Queanbeyan that felt the full impact of the slump. Tuggeranong simply did not develop at the pace envisaged originally and many services were either not provided or arrived far later than previously intended.

Roughly 16,500 persons lived in Kambah at the 1981 Census, in 4,500 occupied private dwellings. Kambah’s demographic structure was dominated by families with young children on household incomes slightly above the Canberra median. Slightly more than 40 per cent of all residents in 1981 were children of 14 years of age or less. The youthful nature of Kambah’s population in 1981 was emphasised by the fact that 16 per cent of the population were infants of less than five years of age. Conventionally-defined families were in the overwhelming majority and accounted for 57 per cent of all living arrangements. Families comprised of ‘head spouse and dependants’ were four times more numerous than the next most common category of ‘head and spouse only’ at 14 per cent. Median household income stood at $22,000 though it should be recognised that the small number of households comprised of a single person only, would have contributed to the above average income. Exactly 60 per cent of the workforce fell within the major employment classes of professional, clerical and administrative workers.

Ninety five per cent of the 4,500 dwellings in Kambah at the 1981 Census were separate houses. Twelve hundred dwellings, or 28 per cent of the stock, were built by the government and just over 700 of those were sold to the sitting tenants. Owner occupation was the most common tenure in 1981 accounting for 75 per cent of all households. The majority of owner occupants were still purchasing their home. Ten per cent of households were tenanted privately, with the remaining 13 per cent in government ownership.

Data were collected on the first of the four districts within Kambah only. This section of the suburb contained 1100 dwellings and was therefore approximately the same size as the other complete suburbs examined within this thesis. The area identified as ‘Kambah 1’ for planning, administrative and statistical purposes was the first part of the suburb to be developed. It
displayed many features in common with the suburb as a whole: for example, some 33 per cent of its dwellings were erected by the Commonwealth and its housing stock was almost entirely detached houses. Three hundred blocks in Kambah 1 were developed by individuals who purchased a site and then arranged the erection of a dwelling. Some 425 dwellings were constructed by speculative builders. The firm Canberra Valley Homes was responsible for the largest proportion of speculatively-built dwellings, with 20 per cent of this market. The large builder and property investment firm Hooker Corporation had the next greatest representation at 11 per cent. Willemsens, Orlit Nominees, A. V. Jennings and Stocks and Holdings Pty. Ltd were other well known builders with a significant presence within this section of Kambah.

5.2.8. Weetangera

The suburb of Weetangera was established in Belconnen in 1970. Belconnen was the second New Town developed by the NCDC. Most of its suburbs were developed in a comparatively short period during the 1970s when there was a substantial requirement housing. Weetangera was built as a consequence of the perceived need for a suburb of new housing of considerable prestige. The suburbs of Chapman in Weston Creek and Campbell in North Canberra were developed with similar intentions. The suburb has offered three advantages. Firstly, it was built along the slopes of Mt. Painter, overlooking the broad valley of Belconnen. Its elevated position gave it an advantage over some of the neighbouring suburbs such as Page, Scullin and Macquarie. Secondly, government housing was not erected in Weetangera. Privately-built dwellings have been preferred in Canberra's housing market despite the high quality of the publicly constructed stock. It was felt that the absence of public sector housing in Weetangera would appeal to socially aspiring households. Thirdly, the suburb was planned with a significant number of large blocks at the top of the ridge.

Three thousand three hundred people lived in Weetangera in 1981 and were accommodated within 900 occupied dwellings. Household incomes were high, with the median in excess of $26,000. Seventy two per cent of economically active persons in Weetangera were classified as professional, clerical or administrative workers at the 1981 Census. Weetangera can be contrasted against Forrest, the other suburb of high status considered in this thesis. Weetangera had fewer professional, and more clerical workers in 1981. Sixty per cent of Weetangera’s workforce were employed within the community services and administrative sectors, compared with 50 per cent for Forrest. Most importantly, 40 per cent of Weetangera’s labour force worked for private industry as opposed to 55 per cent in Forrest. The data suggest that residents of Weetangera were more likely to be public servants on high incomes, whereas a greater proportion of households in Forrest have one or more members employed in the private sector.
The latter was likely to be an important consideration as persons employed in the private sector, and self-employed persons especially, have far greater opportunities to accumulate the substantial wealth needed to purchase a home in Forrest.

Traditional, youthful families overshadowed all other types of living arrangements and all other generations in Weetangera. Just under half of all households fell within this category. Fifteen per cent of families consisted of couples and a further 12 per cent were single person households. Children under 15 years of age made up 30 per cent of the population, while persons over 65 years contributed just 3 per cent of the total. The adult age cohorts with the greatest numbers straddled the prime family-rearing ages of 30 through to 45. Clearly, young families were the most common element within Weetangera's demographic profile at the 1981 Census. Age may have been another factor influencing Weetangera's population compared to Forrest. Even the most successful public servant or entrepreneur would have had little opportunity to accumulate significant capital to purchase in South Canberra at the relatively young ages observed in Weetangera.

There were 826 occupied private houses and 68 medium density units in Weetangera at the census. The absence of public rental dwellings resulted in greater numbers in the other tenures. Fully eighty three per cent of households owned or were purchasing their dwelling. The former accounted for roughly one quarter of owner occupied dwellings. Another 12 per cent of households rented their dwelling from private landlords. Speculative builders were responsible for 425 of the separate houses erected in Weetangera. The largest single builder was Mercantile Credits which accounted for 24 per cent of all dwellings constructed by speculative builders, followed by A. V. Jennings at 11.5 per cent and Hookers Homes at seven per cent. Interestingly, 27 per cent of all houses were erected by small builders responsible for less than 10 dwellings in the suburb.

5.2.9. Higgins

Higgins is a suburb in the south west of Belconnen. It was established in 1969 and is typical of many of the suburbs built in that period. Higgins are Chifley are broadly comparable. Higgins exemplified much residential development in Canberra during the late 1960s and early 1970s: the suburb was planned as a standard residential neighbourhood intended to accommodate families and public housing was an integral part of its development. It shared many features with suburbs developed at or around the same time. Hugh Stretton examined in some detail the planning and layout of Higgins in *Ideas for Australian Cities*.

Housing construction in Higgins was dominated by two large builders: the public housing
authority and Mercantile Credits. Sixty per cent of the housing stock in Higgins was constructed by private enterprise. Publicly-constructed housing added also to the number of privately-owned houses as all but 107 of the 446 detached dwellings erected by the Commonwealth were sold. In large part, the Commissioner of Housing acted as a speculative builder catering for the lower end of the market. Thirty five per cent of all government dwellings erected in Higgins were sold within two years of the suburb’s development. By the end of three years, fifty two per cent of public housing had been sold. This rate was far higher than in other suburbs, such as Chifley, where the comparable figures were 26 per cent and 34 per cent. Fourteen of the 57 dwellings identified as medium density units at the 1981 census were rented out by the government. Of the privately constructed homes, roughly 300 had been erected by householders who purchased a block of land and arranged for construction of the dwelling of their choice. Almost 40 per cent of the 400 dwellings erected by speculative builders were the product of one firm - Mercantile Credits. No other firms were responsible for a substantial proportion of dwelling completions although Orlit Nominees, Jennings and Hookers all erected more than ten dwellings.

Four thousand persons lived in Higgins in 1981. Sixty per cent of all residents and 45 per cent of households were families in the conventional sense. Head only households and couples each accounted for 15 per cent of families. There were substantial numbers of children in Higgins with thirty per cent of the population under 15 years of age. Median household income stood at $20,500. Clerical workers were the single most common component of the labour force and accounted for roughly a third of all workers. Fifty five per cent of persons working in 1981 were either clerical, administrative or professional personnel. Higgins followed the other relatively youthful suburbs in having a high rate of owner occupation. Seventy per cent of households either owned their dwelling or, as in the majority of cases, were purchasing it. Private rental accounted for a further 18 per cent of households.

5.3. Conclusion

This chapter has addressed the use of housing histories and dwelling histories to investigate the processes affecting residential property ownership. It has examined also the conditions which shaped the housing market in each of the nine study areas considered in this thesis. Differentiation has always been an intrinsic feature of housing markets. Each district, suburb and street was the product of a unique set of factors. Housing markets can be divided and sub-divided to the individual dwelling, as each unit of aggregation will contain some internal variation. It is, however, possible to construct logical groupings shaped according to the purposes of the study and causative processes. Areas can be defined in which a set of
influences had a common guiding effect upon the housing inventory and its residents. The incorporation of residential differentiation into the discussion of housing outcomes recognised that there are significant processes within each housing system that lead to unequal consequences.

Individuals have differing experiences within the housing market. The divergent conditions within the housing market has been one reason that quality of accommodation and associated costs vary across the population. Housing experiences vary also in response to personal circumstances. Stability of employment, level of remuneration and the frequency of movement between employers, may all affect the ability of a household to maximise its opportunities within the housing system. The concept of a ‘housing career’ has been developed to account for the movement of households through the housing sector. Numerous papers have discussed the manner in which housing situations change over time as households form, age and break up (Kemeny and Forrest, 1983).

The career interpretation of the phenomenology of housing has been challenged by other work which has stressed the need to examine constraints within the housing market and their impact on the individual. Forrest (1987) argued that the notion of housing careers should be replaced by a perspective based on housing histories. This approach, he contended, would recognise that there are sets of common experiences within the housing system. Structural constraints such as ethnicity, class and gender were seen within this perspective to have assigned households to a particular housing niche and thereby determined the costs or benefits attached to their accommodation. It can be argued, however, that careers are one type of housing history and the sets of opportunities they imply are simply the converse side of the housing constraints Forrest (1987) discussed.

Dwelling histories offer insights into the consequences for the individual of participation in the housing market that varies slightly from those derived from the examination of housing histories. Dwellings have histories which reflect their position in the market and the nature of their occupants. The number of additions and renovations, the frequency of sale and any rise in the dwelling’s value both reflect change within the housing system and contribute to it. The investment and dis-investment decisions that make up individual housing histories will, in aggregate, have a profound impact on the relative desirability of each area. More importantly, individual dwelling histories determine the level of benefits associated with residential property ownership. Each episode of purchase and resale will set the material conditions of occupancy.

The historical and geographical conditions affecting dwelling histories in nine Canberra
suburbs were examined in this chapter. Case studies were selected as the most appropriate research method as it was felt that they would best elucidate the processes by which value flowed through the housing market. The use of case studies allowed for a greater capacity to identify causative mechanisms. The study areas differed widely: some housed middle-class families while others accommodated significant proportions of low income households resident in flats. The sample of suburbs included some of the most desirable, and some of the least prestigious residential areas in Canberra. The areas chosen were intended to cover almost all sets of experiences within Canberra’s housing market. Some pathways through the housing system were ignored deliberately: members of the Diplomatic Corp, for example, were likely to have had distinctive housing histories unrelated to the central concerns of this thesis. No specific attempt was made to incorporate their probable housing situations into the analysis although a proportion of this community would have been included inadvertently. The results of the analysis of dwelling histories in nine suburbs can be generalised as an analogy can be drawn between almost every suburb in Canberra and one of the study areas.
Chapter 6
Investment and Market Conditions in Canberra’s Suburbs

Historical and geographical factors both had a profound impact on the ability to benefit from residential property ownership. The previous chapter examined the demographic, administrative and housing conditions in each of the study areas. The population and dwelling stock in Kambah, Weetangera, Reid, Higgins, Forrest, Kingston, Chifley, Narrabundah and O’Connor were related to the policy decisions and events that determined the singular character of each of those areas. This chapter continues the review of the history of each suburb through the discussion of those factors which impinged directly upon their housing markets and therefore influenced the opportunity to receive an advantage from residential property ownership. This chapter is intended to fulfill three purposes. Firstly, it will indicate those conditions inherent to the housing market which have facilitated, or militated against, the receipt of a material gain. The data analysis undertaken here is a first step toward understanding who has benefited from Canberra’s housing market and how. Secondly, it will inform the reader of the conditions under which gains accrued. The discussion of housing related benefits cannot proceed within a vacuum, a working knowledge of the formative conditions within the housing market is essential. Thirdly, the data to be used in the following chapter will be introduced and their deficiencies and limitations discussed.

Knowledge of the factors that contributed to market prices is of considerable importance for this thesis. In many cases, prices determined the attractiveness of residential property as an investment. That price reflected in turn a host of other variables such as the original construction cost, the size of the block, the level of additional investment in the physical infrastructure of the surrounding environment, expenditure on the dwelling itself and the state of the housing market at that point in time. Spatial factors played a crucial role as geography bestowed both a relative location within the wider housing system as well as imposed positive or negative externalities. The characteristics of the housing market in each suburb varied significantly. The age of the stock, the relative affluence of the residents and the perception of the relative desirability of that location within the market, affected dwelling prices in each area. Location, however, was but one of the factors to set the market worth of dwellings. Other
features of Canberra’s housing system modified further dwelling prices. For example, government-built houses were likely to attract lower prices than otherwise comparable dwellings because of a market perception of inferior quality.

6.1. The Data

Data were collected on all dwellings held under Torrens title in the nine suburbs studied. Strata-titled dwellings were excluded as they represented less than ten per cent of the total stock. Further, the majority of these dwellings were flats rather than town houses or other medium density units. It was felt that the strong association between units and the private rental sector would introduce an unacceptable margin of error into the estimation of gains received by owner occupants.

The Property Books of the Valuation Branch of the Australian Tax Office provided all information concerning dwelling and land sales. The Valuation Branch has been responsible for establishing land values in Canberra since the early 1960s. An accurate record has been kept of all transactions for every block in the ACT. A separate entry sheet has been maintained for each house to allow a rapid assessment of each dwelling’s history. Data were collected and transcribed onto computer sheets in roughly the same format as the Roll Books: each record represented the history of a dwelling and the episodes associated with its occupancy. In almost all cases information was unavailable on sales prior to 1960.

A number of pieces of data were gathered for all eligible dwellings. The property was identified by suburb, block and section. The size of each block was recorded, as was the unimproved capital value of the land (UCV) at each reappraisal period. Residential land values were reviewed every five years from 1960 through to 1970 and every three years subsequently, commencing in 1973. The land valuations applied from the first day of that year. Information was collected on land sales. Importantly, only a proportion of the dwellings studied here were the result of the sale of a lease direct to the public. Data were obtained on the date and method of land disposal, as well as the reserve and premiums paid by the lessees. Material was collected on up to six sales of the completed dwelling. This limit was more than adequate given the relatively short duration of the study. No dwellings were sold more than six times and more than three sales were in fact rare. Information was collected on the date and price of each sale, the value of any chattels included in the sale price, the status of the vendor and purchaser, as well as the names of any companies participating in a sale. Some of the information was of little significance. For example, later analysis showed that there was no purposeful pattern to the nominated value of the chattels. They tended to total close to ten per cent of the purchase price. Chattels did not vary according to the status or value of the suburb. In short, it appeared
that some real estate agents tended to include a figure for fixtures and fittings within the purchase price, while others did not. The value of chattels was therefore ignored in later analysis.

Data were collected on building additions. A number of sources were consulted as there was no complete and accessible compendium. A permit from the Building Controller has been a requirement for construction work within the ACT. The Building Controller is an office within the Commonwealth Government department responsible for the administration of Canberra. In 1981 the Building Controller was located within the Department of the Capital Territory. Unfortunately for the purposes of this study, some work is invariably carried out without a permit. It is, however, reasonable to assume that applications have been submitted for the overwhelming share of major work.

In the past a number of copies were made of each successful application for building approval. One has always been kept on the Departmental files, while others were used for various purposes. I obtained my data from these alternative sources: notably the A1585 series in the Mitchell Repository of the Australian Archives and the notice of permits held by the Valuation Branch. The data pertaining to building additions before 1969 were not wholly reliable due to some small gaps between the information sources. These omissions, however, did not present an insurmountable problem as the time periods were comparatively short. Data on public sector construction was a notable second absence within the record of building permits. The public housing authority was not required to submit permit applications and there was therefore no indication of the value of the construction work undertaken by that body. It is reasonable to assume that the value of construction on government dwellings would have been incorporated into the price charged purchasing tenants.

All investment in the physical stock of detached dwellings in the study areas was recorded. Very small additions, such as the erection of fences and sheds, were encoded alongside major investments such as dwelling construction. Approximately 8,000 permits covering roughly 5,500 dwellings were included. Two thousand of those permits were related to the erection of a house. Each building permit was recorded separately and there were many dwellings with a number of entries relating to different work. As with all the data collected for the study areas, there was a degree of uneveness within the information on additions and renovations. The record of construction activity for the suburbs constructed after 1962 was virtually complete. The older areas underwent their period of initial development and major investment at an earlier date. More recent suburbs therefore may have been over-represented relative to the older areas. The format under which the data concerning construction work was recorded, was
designated to be compatible with the information on house sales. The location of building work was identified by suburb, block and section, the nature and value of that work was recorded, as was the date and status of the persons seeking the permit.

6.2. Dwelling Prices

The dwelling purchase market in Canberra between 1962 and 1981 was characterised by volatility and differentiation. Residential land and house prices swung from boom to bust and back again as a consequence of shifts in the balance of accommodation supply and demand (Adrian, 1986). The social differentiation that was such an intrinsic feature of Canberra’s housing system during the period of public sector dominance was carried into the emergent housing market. Variations in dwelling stock, housing quality, block size and accessibility resulted in the various suburbs commanding quite different prices. Movements and variability within the residential property market have obvious implications for the capacity to benefit from the ownership of housing. The price paid and received for a dwelling will be a crucial component of any gain associated with owner occupation. Purchase costs not only determine capital gains, they also set mortgage repayments and transaction costs. Moreover, the Commonwealth Government manipulated deliberately land and house prices to ease entry into home ownership. Households who purchased with the benefit of these terms accepted a public subsidy unique to Canberra.

This section examines dwelling prices in Kambah, Weetangera, Forrest, Reid, Higgins, Narrabundah, O'Connor, Chifley and Kingsion. The data were used to address three questions. Firstly, how have social differences described in the previous chapter influenced the price paid for real property? Secondly, were capital gains a uniformly significant factor in the housing histories of Canberrans? Thirdly, what was the position of government-built dwellings within the wider housing market? These queries underlie the interrogation of the data on house prices. Approximately 9,500 dwelling sales were transcribed and analysed from all nine suburbs. Some 2,500 houses included in this study were not sold during the period under scrutiny. Many of these dwellings were owned publicly and were therefore outside of the housing market. There was a sizeable concentration of government-owned dwellings in lower Narrabundah and much of that stock was excluded from consideration. A smaller proportion were acquired as blocks of land by lessees and not resold by the end of 1981. Dwellings that did not appear in the record of sales for this reason were concentrated in the suburbs which were built after 1962, such as Weetangera and Kambah. A third cause for the absence of dwellings from the record was the purchase of completed dwellings and their continued occupation by the original household. This situation was more common in established areas such as O'Connor and Reid.
Most houses were sold once or twice only, and there was a rapid decline in the number of properties involved in each additional sale. Five thousand two hundred dwellings were sold at least once, 2,500 dwellings were exchanged twice or more frequently and three transactions or more were recorded for just under 1,000 dwellings. Only 13 houses were sold six times over the period of this study.

Figure 6-1: Number of House Sales in All Suburbs Studied, 1962-1981

Variability was a fundamental influence on the housing pool within the nine suburbs studied. The market comprised of all dwellings in the suburbs examined grew rapidly in size (Figure 6.1) and experienced shifts in price (Figure 6.2).\(^1\)

The expansion of Canberra and the development of new suburbs resulted in an appreciable escalation in the combined size of the individual markets considered. The substantial slump in the number of dwellings sold in the study areas during 1974 and the rapid recovery experienced during the next year was a function of the timing of development. Construction work and associated sales in Weetangera and Higgins ceased by 1974, while dwellings in Kambah did not become available generally until 1975. The number of sales also reflected market conditions. The slump in dwelling prices during the 1970s discouraged further investment in new housing construction and may have dampened the desire of established

\(^1\)All sums referred to in the reminder of this thesis are in constant S\textsubscript{1981} unless explicitly stated otherwise.
residents to sell their homes. The sustained growth of the total pool of housing discussed here, and its relationship to the state of the market, has been an important influence on dwelling histories.

The fluctuations in dwelling prices documented in Figure 6.2 were a function of the relationship between supply and demand for dwellings in the face of spectacular population growth and radical changes in Canberra’s prospects for expansion. Both the mid-1960s and the mid-1970s were periods in which the demand for housing exceeded the rate of new dwelling construction. Two points stand out from the distribution of house prices over time. Firstly, the shifts and swings in the cost of purchasing a house in the ACT created considerable scope for capital gains and capital losses. Secondly, government-built dwellings occupied an inferior position within the purchase market for dwellings. Government constructed housing consistently sold for prices $15,000 to $20,000 less than the general market level. The substantial rises in the market value of dwellings during parts of the 1960s and 1970s created opportunities for home owners to profit from trading in housing. Despite these differences, owners of privately- and publicly-constructed stock appeared to enjoy comparable opportunities to benefit from market fluctuations. Much research and writing on capital gains has emphasised the roller-coaster nature of housing markets and has encouraged the notion that gains can be made by selling and purchasing at the right time. The data certainly suggest that such strategies are feasible. The period of entry and exit from the housing market was the most
critical factor. It should be noted, however, that Flood (1986) estimated that market-wide price rises actually dis-advantaged home owners. Any gains they received were eroded by the higher prices they had to pay for their next dwelling.

The data on house prices in Canberra can be used to test the validity of other author’s interpretations of the outcomes associated with owner occupation. Thorns (1981) based his argument concerning capital gains and social class in Christchurch, New Zealand, on aggregate price rises. It would be expected that if Thorn’s interpretation of the material gains associated with housing was valid generally, there would be a rise in average price as dwellings were traded up. In this study, it would follow that the median price paid for dwellings sold for the sixth time would be higher than the figure for fourth sales, which in turn would be greater than the value of dwellings upon their first sale. The data in Figure 6.3 do not support this interpretation of housing market processes. Although there was a $50,000 difference in

Figure 6-3: Median Price by Sale Count, All Suburbs

nominal terms between the first and the sixth sales, the gradient between the two was far flatter in constant dollars. The apparent rise in the value of dwellings was an aberration resulting from general inflation. As a first analysis of house price movements we have to conclude that residential property owners have not benefited from increases in the capital value of dwellings as a class. Canberra’s growth has not resulted in the sort of uniform and persistent rises in the value of dwelling’s that would have provided widespread capital advantages. Any benefits received as a capital gain by vendors occurred to the potential detriment of the purchasers.
Government-built dwellings attracted lower prices on the open market than dwellings built privately (Figure 6.4). There were two possible causes of this phenomenon. Firstly, the

**Figure 6.4:** House Prices for Ex-Government Houses, Privately- Constructed Houses and Commonwealth Sales

Commonwealth and the privately-constructed stock were different. The Departments of the Interior and the Capital Territory constructed relatively modest dwellings which offered a substantially lower level of amenity compared to more expensive housing. There is certainly an element of truth to this perspective on the data. The Commissioner of Housing simply did not construct luxurious dwellings such as may be found in Weetangera. The second explanation is that market prejudice has resulted in lower prices for ex-government stock. Government dwellings did not compare favourably with dwellings erected by speculative builders and therefore attracted lower prices on the market. While recognising that differences in dwelling standards are important, the magnitude of the difference between privately-constructed and government-built houses suggests that lower prices have been received for otherwise comparable dwellings. The difference in price persisted even when relatively modest suburbs were examined. Privately-built housing in Chifley and Higgins attracted greater prices than ex-government dwellings. In both areas, the privately-constructed stock offered only marginal improvements with respect to overall housing quality. It should be noted that the true median price for privately-constructed stock was almost certainly higher than indicated as it was not possible to identify all government-built houses that were sold prior to 1962. Some government-built houses were therefore included amongst privately-constructed dwellings.
The prices charged for government-built dwellings sold by private vendors varied considerably from those set by the Commonwealth. There were relatively few sales of ex-government houses in the early 1960s and the dwelling values indicated in Figure 6.4 for that period must be discounted because of the absence of sufficient numbers. In all other years there was a substantial discrepancy between the two. Some of the difference could be a result of further expenditure on the dwelling. Additions and renovations, however, are unlikely to have been responsible for such a substantial and sustained price gap. One cannot escape the conclusion that public tenants were able to purchase their dwellings at a discounted rate. Persons purchasing a dwelling from the government paid between $10,000 and $15,000 less than the true market value of that housing. That discount amounted to a substantial subsidy as it reduced housing costs and made possible a capital benefit upon resale.

Dwelling prices varied significantly between suburbs with a range of almost $70,000 in the median price paid for housing between the most and least expensive suburbs. Forrest was the most expensive suburb in which to purchase a house. Its median house price of $110,000 across the entire period of this study eclipsed by far all other suburbs. Weetangera was the next most expensive suburb. The median purchase price for a house in Weetangera was just under $73,000. Reid and Kingston both recorded a median house price in the vicinity of $60,000 and were followed by Kambah where dwellings sold at roughly $50,000. The high price of housing in Kambah, compared to some of the other suburbs, was at least partly a function of its later development. Housing development began in Kambah at the apex of the mid-1970s price boom. Average house prices were therefore boosted. The substantial number of large and prestigious dwellings built along the flanks of the Tuggeranong Valley contributed also to the higher prices. The base of the housing market over the 20 years of this study was composed of a broad group of suburbs. Median house values in O'Connor, Chifley, Narrabundah and Higgins were clustered between $42,000 and $45,000. The median prices of government-built dwellings exhibited a similar pattern, although at a slightly lower price level. The rank order of the suburbs did not vary, except in the omission of Weetangera. Overall, Forrest led the purchase market for dwellings, followed by Weetangera, the inner suburbs of Kingston and Reid and with the other districts trailing behind.

The median price of dwellings indicated the status of each suburb. That statistic, however, incorporated significant changes over time as there were considerable movement in the attractiveness of individual suburbs. Kingston's position within the market in particular, shifted considerably.

Movements in the price of dwellings for each suburb are set out in Figure 6.5. A number of
trends are apparent within the data. Firstly, the history of dwelling prices in each of the suburbs has mirrored the broad trends within the market to a greater or lesser degree. Most developed suburbs experienced a price rise in the early to mid 1960s and 1970s. Secondly, a number of price trends were identified. At the lowest end of the market, the suburbs of Narrabundah, Chifley, Higgins, O'Connor and Kambah offered relatively consistent and stable prices, at or around the $50,000 mark. In aggregate, they constituted a stable platform within the market.

Forrest occupied the other end of the spectrum. House prices there rose at a trend of strong increase to a median in excess of $150,000. Forrest’s housing stock behaved in a markedly different manner from the other suburbs. There overall growth of house prices was punctuated by substantial drops. House prices in the remainder of the suburbs were more variable. The housing market in Kingston was biased by the relatively few sales and by speculative investment. The peaks in 1971, 1973 and 1979 were a product of the redevelopment proposals for the area. Houses in Reid were always more expensive than dwellings in O'Connor or Narrabundah and the premium paid for accommodation there increased over time. It is possible that the rising dwelling values in Reid were the consequence of a growing appreciation of its accessibility and housing stock now protected by a heritage order. This is akin to the process of gentrification that occurred in other Australian cities. Dwellings in Weetangera also sold at higher prices than those paid in contemporary suburbs such as Higgins. Weetangera was developed specifically to accommodate the upper end of the market and dwelling prices
reflected this. Finally, the data suggest that the significant swings in the state of the market had a far greater impact on the more expensive areas. House values in less expensive suburbs fluctuated far less than prices in suburbs such as Weetangera, Forrest and Reid.

The median price of housing constructed by the Commonwealth produced a price ranking of suburbs similar to that found for the entire market (Figure 6.6). The differences between the

**Figure 6-6: Median Price of Government-Built Dwellings by Suburb, 1962-1981**

The graph of sale prices for publicly-constructed stock had consistently less variation over time. Reid and Forrest were the only suburbs in which movement in prices for publicly-constructed dwellings varied in any substantive manner from the major body of sales. This difference can be attributed to the extreme volatility of the market in these suburbs and the small proportion of dwellings identified as having been constructed by the government. The high land values in these two suburbs contributed also to price fluctuations.

The analysis of the data on dwelling prices in Canberra clearly showed three things: firstly, the market was volatile between 1962 and 1981; secondly, the market was differentiated spatially; and, thirdly, that the public sector produced the dwellings that constituted the bottom of Canberra's housing market. These influences on Canberra's housing market had a weighty
impact on the capacity of individual householders to benefit from owner occupation. In the first instance, owner occupants did not constitute a ‘class’ in objective economic terms. The evidence does not support the view that house prices rose consistently and provided thereby a set of uniform gains. Any benefits of this nature were received by individual owners at the expense of those households entering the market at a later date. A second point to arise out of the analysis was that Canberra’s housing market, as seen through the examination of all transactions in nine suburbs, was highly structured. There were clear price differences between areas. Moreover, the housing markets of the more expensive areas were more likely to suffer substantial jumps and falls in price. From this we can conclude that the potential for capital gains, or losses, was far greater in Forrest than in Narrabundah, or Higgins. Finally, publicly-constructed housing formed a sizeable sub-stratum within the total market. Ex-government housing sold at consistently lower prices than both the total market and the privately-erected stock. In addition, there was far less variation over time in the market value of this type of dwelling. The public housing authority sold its stock at prices appreciably below its market value. Ex-government houses sold at higher prices than those charged by the Commissioner of Housing. The discount incorporated into sales by the government was an important subsidy for those persons to whom dwellings were sold.

6.3. Additions and Renovations

Dwelling prices over time are at least partly a function of value added to dwellings through additions and renovations. Investment subsequent to the purchase of a dwelling affects the circulation and appropriation of value through residential property in two ways. In the first instance, the material advantages of owner occupation may be reduced or enhanced by further investment. A building extension or major renovation may boost the market value of a dwelling or constitute an additional cost of occupancy that detracts from price rises. For this reason alone, expenditure on the dwelling structure must be incorporated into any calculation of capital gains. Clearly, a person who purchased a dwelling in 1976 for $50,000, financed an extension to the value of $5,000 and sold that house after five years for $60,000 made a capital gain of $5,000, not $10,000. Any estimate of capital gains through the ownership of housing that has not included the value of additions has taken on board an unacceptable error. Secondly, addition and renovation work adds to the total pool of value within a district. On-going investment is necessary to maintain dwellings adequately, especially over the long term. Even higher levels of expenditure are required to upgrade an area. Put simply, the number and value of additions will affect profoundly the externality field within a residential precinct. A strong level of investment will contribute to the restoration of an area while the absence of additional construction activity may signal the decline of a precinct.
This section examines the nature and value of additions and renovations undertaken in the nine study areas. Special attention is paid to variations between the suburbs. The substantial differences in the age of the dwellings, the socio-economic status of the residents and the quality of the stock should have resulted in markedly different investment regimes. The literature on dwelling maintenance has suggested that the age of the structures will have been one of the most important influences on the level of expenditure. Recent research by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the South Australian Public Accounts Committee has identified peaks in expenditure around 30, 40, 50 and 60 years (in Beer and Paris, 1988, p 45). Almost all dwellings in the older suburbs of Forrest, Reid, Kingston, O’Connor and Narrabundah were within that range of years by 1981.

Further, many of the dwellings constructed by the Federal Capital Commission or the Department of the Interior in suburbs of substantial prestige were, by the standards of today, small and of basic design. It is to be expected that the majority of these dwellings experienced wholesale renovations. Newer suburbs can also be expected to have required additional investment, though of a different nature and for different reasons. There are significant expenditures associated with establishing a new home: fences must be set, carports or garages erected and other small-scale changes effected. Although this investment involves modest sums with respect to the individual investment, in aggregate the apparent minutiae of suburban life can be a powerful influence within the housing market. Households may also elect to add rooms to their current dwelling rather than move between dwellings (Seek, 1980).

The number of building permits issued varied noticeably between suburbs (Figure 6.7). Kambah and Weetangera had the greatest number of permits issued for all types of work, followed by Higgins and O’Connor. A significantly different pattern of investment emerged when dwelling construction was excluded. O’Connor recorded the greatest number of permits, trailed by Higgins, Kambah, Narrabundah and Chifley. Kingston and Reid, had relatively low numbers of permits even allowing for their smaller size. Importantly, both O’Connor and Narrabundah experienced high levels of additional construction activity despite the fact that major construction ceased prior to 1962.

Differences in the rate of investment subsequent to construction stood out more clearly when the number of permits was divided by the number of dwellings in each suburb. Additions worth $1,000 or more were considered in order to separate out major and minor investment in the dwelling stock. Forrest had the greatest number of building permits per household, followed by Weetangera (Figure 6.8). Both suburbs are of high socio-economic status. There was little difference in the number of building permits issued per household for the three remaining suburbs constructed after 1962. The rate of applications of all values for Kambah,
Figure 6-7: Number of Building Permits by Suburb

Figure 6-8: Number of Building Permits Worth More than $1,000 Per Dwelling Exclusive of Construction, 1962-1981
Higgins and Chifley ranged from .86 per household in Chifley to .75 in Kambah. Significantly fewer building permits were recorded in Reid and Narrabundah, while applications for addition or renovation work were rare for Kingston.

The number of permits issued each year for the combined suburbs increased substantially over the period of the study (Figure 6.9). There were 6,700 permits issued, exclusive of dwelling construction, to a value of $47 million. A further 2,100 permits were recorded for the erection of new houses. The apparent slump in building permit approvals in 1966 and 1969 was an artifice within the data and coincides with periods for which reliable information was not available. A number of conclusions can be drawn despite these absences within the record of building permits. Approvals peaked in the study areas in the late 1960s and early 1970s as first the suburbs of Chifley and Higgins were developed, followed by Weetangera and Kambah. The disparity between the number of permits issued when dwelling construction was combined with other work and when it was not, has highlighted the importance of the initial phase of construction within a suburb. Substantial investment occurs when a suburb is developed. This tendency has been exacerbated in Canberra by the requirement within residential leases that a dwelling be completed within twelve months of the acquisition of a lease. Canberra’s suburbs literally mushroomed once the blocks were released for sale. In addition, the peaks in dwelling erections were followed by one to two years in applications for approval of additional investment.
Average expenditure on upgrading and additions for all blocks was calculated by dividing the total expenditure on construction after erection by the number of blocks in each study area. On average, $5,300 was spent upgrading or renovating each dwelling within the study areas. Forrest had the greatest addition of value. Some $18,300 was spent on additional work in Forrest. Kingston had the lowest budget of additional investment, with roughly $2,000 worth of extra work for each house. Older suburbs had the largest expenditures with work to the value of $10,500 in O'Connor, $6,000 in Reid and $3,500 in Narrabundah. Dwelling improvements per property totalled roughly $6,000 in Chifley and Weetangera, $5,000 in Higgins and $3,500 in Kambah.

Most permits were issued for work of relatively small value. Three categories dominated the list of worktypes recorded by the Building Section of the Department of the Capital Territory: dwelling construction, garages/carports, and additions and renovations (Figure 6.10). In many cases it was impossible to separate the last two types of work. Over 90 per cent of investment subsequent to construction was worth less than $20,000 and 65 per cent less than $5,000. Eighty per cent of all permits were taken out by members of the building industry. The amount of work undertaken by owner builders may in fact have been underestimated. Individuals adding to, or modifying their home were more likely to neglect to inform the Building Controller of their actions. In addition, owner builders may have carried out a greater amount of work in the early phase of the study period. It was not possible to determine the status of permit applicants prior to 1979 as the Department of the Capital Territory's records did not keep track of this data before that date. The main categories of work undertaken by owner builders were additions, external additions and the erection of garages or carports. Interestingly, some 12 per cent of all dwelling construction permits issued between 1979 and the end of 1981 went to owner builders.

The newer suburbs initiated a continuing demand for further investment in the dwelling stock. For example, 98 permits were issued in Higgins during 1974. Fourteen per cent of all dwellings required some sort of structural addition or change, if we assume that the permits were issued for different houses. This level of extra investment was maintained until 1981. A similar investment trend occurred in Chifley, Weetangera and Kambah. There was some evidence to suggest that the number of permits taken out in Reid, O'Connor and Narrabundah has increased over time. The lack of reliable information for 1966 and 1969 has confounded the picture. Nevertheless, it does appear that the amount of additional investment in the dwelling stock rose in the inner suburbs.

The value of additional work approved by the Building Controller differed noticeably across
the suburbs. In all areas, except Kingston, the greatest percentage of permits were for work valued between $1,000 and $5,000. There were appreciable differences between suburbs, however, outside of this general trend. In the main, a greater proportion of permits were issued for more expensive work in the older areas. To take diametric opposites, approximately one quarter of all building permits issued in Forrest were for work worth between $5,000 and $10,000. The majority of building permits issued for Forrest were for work with a value in excess of $10,000. Well to do households spent considerable sums upgrading the small dwellings that were erected there in less prosperous times. By contrast, over 60 per cent of applications from Kambah fell between $5,000 and $10,000. Comparable differences applied with respect to the frequency of more expensive work. Approximately 15 per cent of additional investment in Forrest ranged between $10,000 and $20,000, whereas only five per cent of permits issued in Kambah were for work within this price range. The other suburbs varied between these two poles in accordance with their age and socio-economic status. Reid exhibited a distinct bi-modal distribution with a significant percentage of work in excess of $10,000. Kingston was the second aberrant suburb. There were very few permits taken out over the period of the study and half of all applications in Kingston had a nominated value of less than $1,000.

The type of work undertaken varied considerably between suburbs. Kingston possessed the most distinctive profile of building permits despite, or perhaps because of, the very low
number of applications lodged. Kingston contained the greatest number of permits for one type of work. Eighty per cent of all permits issued for the demolition of a dwelling went to Kingston and represented half of all work undertaken there. The other suburbs appeared to fall within two main clusters. Dwelling additions and renovations made up half of all permits in the suburbs built before 1962. In the newer suburbs only one third of all permits fell within this category. Nevertheless, it is remarkable that such a substantial number of additions were required in such a youthful stock of dwellings.

The establishment of garages and carports comprised a far greater proportion of building permit applications in the younger suburbs and this type of investment appeared to be an integral part of the development of residential areas. External additions were significant in virtually all suburbs. Unfortunately, this category covered a wide range of building work which should have been differentiated. For example, the addition of brick cladding to the exterior walls of houses constructed of timber or fibro-asbestos sheet, was common in Narrabundah and O'Connor. Work of this nature was part of the upgrading of the housing stock in those suburbs. The addition of brick cladding implies a level of obsolescence within the dwelling vis a vis the aspirations of the residents. By contrast, external additions in suburbs developed recently referred most commonly to constructions related to lifestyle. Fashion additions such as pergolas, timber decks and the like were common. These structures were erected to satisfy motivations related to quality of life rather than inadequacies within the dwelling stock. Clearly, the age of a suburb affected the type of external modifications undertaken. Socio-economic status played a crucial role in influencing the nature of investment in the housing stock. There was a strong relationship between the prestige of an area and the purchase of luxury additions such as swimming pools. Between them, Forrest and Westangera accounted for roughly half of all swimming pools established in the nine study areas despite comprising only 15 per cent of the total stock investigated.

Two substantive points emerged from the discussion of building work subsequent to the erection of dwellings. Firstly, a considerable amount of investment was undertaken in the physical structure of the dwellings after they were completed. Over the years 1962 to 1981 this amounted to some $45 million across the nine suburbs. Secondly, the areas experienced different investment regimes. The history of Kingston has highlighted this point most clearly. There was chronic under-investment in the housing stock relative to suburbs of comparable age, such as Reid or O'Connor. The data suggested that even in the early 1960s, less money was spent on improving housing conditions in Kingston than elsewhere. Under-investment became deliberate dis-investment in the late 1960s in anticipation of redevelopment. Forrest, by contrast, was marked by sizable reinvestment in the housing stock. Housing in Forrest has
been capitalised heavily: more money has been spent to purchase greater levels of housing amenity than in the other suburbs. The continuing process of reinvestment appears to be crucial for maintaining and developing an area’s relative prestige.

The development of suburbs resulted in periods of substantial investment, followed by relatively stable demand for further adaption of the residential environment. Most additions cost between $1,000 and $5,000, significant enough to affect the attractiveness of residential property ownership and the circulation of value through the housing market generally.

6.4. Land Prices and Land Values in Canberra

Increases in the value of land are the second and perhaps most important mechanism through which dwelling prices rise. House price rises usually reflect gains in the value of the site rather than some enhanced appreciation of the dwelling structure. Additions and renovations contributed certainly to increased dwelling values but investment of this nature was subsidiary to, and operated within, the wider residential property market.

Land values rise and fall according to the market evaluation of the stream of benefits provided by those sites. Prices fluctuate in response to market conditions, the set of physical advantages offered by a site and changes in the legal status of landholdings. The exchange value of otherwise unaltered dwellings may rise rapidly during periods in which the demand for accommodation has been outstripped by supply. Residential property is exposed to the processes of market or commodity exchange and prices may be forced up during periods of shortage. Conditions within the market can therefore affect house prices. The set of property rights attached to land can vary independently of the general state of the market. Urban growth or advances in transport technology can result in increased relative accessibility, and consequent higher prices. New areas may be brought within commuting distance of the city centre or travelling times may be reduced in established suburbs. The externality field within a given area may also alter as a consequence of investment and dis-investment decisions concerning the physical infrastructure. For example prestige development in a previously run-down inner city area may raise the value of surrounding properties. In both instances the benefits bestowed by a position within the residential property market varied without alteration in legal status. The redefinition or recasting of property rights in land has been the third way some land values have risen independent of the state of the general market. A site zoned for commercial or retailing uses will have a greater value than one whose use was limited to detached housing. Commercial land uses provide their owners with a greater stream of benefits than housing and can meet therefore higher rents or property prices.
This section discusses movements in land values and land prices. The two terms were differentiated as the former was used to refer to the valuation placed on dwellings and some vacant blocks by the Australian Tax Office, while the latter was applied to the sums paid for residential lots by ACT residents. The two have raised quite different issues for analysis. The data on land values raise questions about the mechanisms through which value is expressed in the built environment while price highlighted the subsidies made available to residential property owners as a result of deliberate Commonwealth interventions in the land market. They have been considered together, however, as their combination provides important insights into the way land has been treated and valued in the ACT.

Data were collected on land sales, block sizes and unimproved capital values for all nine suburbs studied in this thesis. Two observations must be made about the valuation of standing blocks. Firstly, government valuers were required by law to base their assessments on the sale of raw land and extrapolate those sales to the area under scrutiny. Land valuations in Canberra were based on an appreciation of the fringe land market and the position within the market of the suburb being valued. Suburbs tended to be developed over a single time period of perhaps two or three years. Often valuers were faced with the problem of assessing land values in a suburb in which raw land has not been sold for the last 10 years or more. Land valuations were not based simply on the valuer's interpretation of the structure and land components within the market price of each dwelling. Secondly, administrative considerations exerted at least a subtle influence on land valuations. High valuations were likely to result in increased rates for lessees. Lessees possessed the right to appeal against land valuations considered excessive and each appeal had to be defended by the responsible valuer. Throughout the period of this study land valuations were therefore likely to be conservative. Conservative valuations that reduced rates for the lessee were less likely to precipitate appearances before the Administrative Appeals Tribunal.

The size of residential blocks was important both for land prices and the market value of completed dwellings. The size of land parcels was one indicator of the general amenity or ambiance of the neighbourhoods considered here. Data were collected on the area of 8,300 residential blocks. The median area was 823 square metres. The minimum recorded area for a Torrens-titled dwelling was 87 square metres for a unit at Kambah, while the maximum of 8706 square metres (or two acres in Imperial measurements) was recorded for a property in Mugga Way, Forrest. The area of the smallest block in my study area was therefore one per cent of the largest.

Block sizes varied significantly between the suburbs. Forrest was ranked first with a median
in excess of 1,500 square metres. Weetangera had the second largest block sizes with a median area of just over 1,000 square metres. The remaining suburbs had blocks of roughly equal size, with Narrabundah having the smallest blocks on average. There were substantial differences in lot sizes between publicly and privately-constructed stock. The median block size for Commonwealth-constructed stock was 770 square metres. The number of large blocks was the most telling difference between the two. Government-built houses sat on few blocks that could be considered large by Canberra’s standards. Only eight per cent of these dwellings occupied blocks greater than 1,000 square metres. Twenty per cent of privately-constructed dwellings, by contrast, occupied sites of this size or greater. The difference in the size of blocks occupied by government and privately-built dwellings adds to the impression of the basic nature of Commonwealth housing.

6.4.1. Land Values

Data were collected on land values for a total of 8,500 blocks. Valuation figures were available for some 5,200 blocks in 1960 and the number of valuations for each subsequent reappraisal rose rapidly as new suburbs were developed. There was a decline in numbers equivalent to roughly 50 dwellings between 1979 and 1982 due to redevelopment in Kingston and Narrabundah. It should be noted once again that land valuations are likely to be conservative.

Figure 6-11: Median Land Valuations In the Study Areas, 1960-1982
Land values increased consistently over the 22 years 1960 to 1981 (Figure 6.11). Valuations for 1960 are included here as they are the closest assessment of the state of the land market in 1962. Minor slumps were experienced in the late 1960s and, more noticeably, in the late 1970s but land values did not fall in the dramatic manner evident within house prices. The growth of land values was real and dramatic despite the fluctuations: between 1965 and 1973 the median value of dwelling blocks quadrupled. Overall, land values climbed 600 per cent between 1960 and 1982. Most suburbs experienced rates of growth in the unimproved capital value of their blocks in line with the general rise.

Residential land was valued on average at between $10,000 and $20,000 in 1982. Forrest and Kingston were notable exceptions. Median land values reached in excess of $100,000 in Forrest in 1982 and were consistently higher than almost all other suburbs throughout the study period. Unimproved capital values in Kingston followed the general pattern of values until 1973, when the median value rose sevenfold to approximately $70,000 as a consequence of redevelopment. Valuations fell significantly by 1976 to a median of just under $40,000, still well above the majority of suburbs. Two lesser points stood out from the distribution of UCVs. The value of leases in Reid appreciated at a faster rate than the other suburbs from 1970. By 1976 the rateable value of land in Reid was considerably higher than in suburbs such as O’Connor, Higgins and Narrabundah. The comparatively low valuations for Weetangera was a second noteworthy point. The nominated value of land in Weetangera was no greater than for O’Connor despite the higher dwelling prices in the former.

The data suggest that the land component within Canberra’s housing market grew significantly. Land values rose appreciably through the years 1960 to 1981. Expansion in the land market was far more substantial in Forrest, Reid and Kingston than the other residential areas studied. Canberra’s development gave rise to a general increase in property values but some locations were better placed. The rise in the value of property rights in Forrest and Reid was a function of their position which enabled them to take advantage of a growing set of externalities, substantial gains in the relative accessibility of those areas and lastly, a keener perception within the housing market of the value of those sites. Both Reid and Forrest, and to a lesser extent Kingston, benefited more from investment in Canberra’s national capital functions. Commonwealth developments in Parkes and Civic added considerably to the desirability of those locations. There was a competitive or market component to the rise in land values in these highly sought after suburbs. Canberra’s growth as an urban system, in combination with the ageing of the population, boosted the number of households with high incomes and considerable personal wealth. Much of this wealth was funneled into housing. Many persons were willing to pay prices that could only be interpreted as a “consumer’s
surplus" in order to secure the most desirable addresses (Badcock, forthcoming). The growth of this section of the market contributed to the rapid acceleration of UCVs in Forrest. A comparable process occurred in Reid, as its relative desirability was re-evaluated. Land values rose abruptly in Kingston, by contrast, because of changes to the rights associated with the ownership of a lease. Redevelopment proposals led to the expectation of radical changes to the nature of property rights in land in Kingston, with a consequent adjustment in prices.

Figure 6-12: Dwelling Prices and Land Values, All Suburbs, 1962-81

The rise in land values raises problems of central importance for this thesis. There is an apparent contradiction between the data on dwelling price movements and land values. The conflicting pictures presented by dwelling prices and land values can be seen in Figure 6.12. Data from dwelling sales indicated capital gains were not available to Canberra's home owners as a 'class'. Any capital rises received by home owners occurred at the expense of households purchasing later. Contrarily, figures on unimproved capital values described a sizeable increase in the pool of value locked into Canberra's land market. Urban growth resulted in substantial investment in the physical fabric of the city, with a consequent rise in the assessed value of property rights in land. Clearly, the rise in unimproved capital land values was not mirrored in a general increase in property prices.

Several interpretations can be placed on the divergent pictures presented by dwelling prices and land values. Firstly, it can be argued that dwelling price rises in the 1960s and 1970s
reflected dis-equilibrium within the market rather than any substantive gain in the value of dwellings. That is, dwelling price movements reflected variations in the supply and demand for housing alone. Wild fluctuations within the market masked the steady but more gradual rise in real property values. Secondly, long-term stability in house values reflected the growing importance of the land component and the reduction of the price attached to the dwelling structure within house prices. Usually, dwellings decline in value as they age. House prices were maintained generally in Canberra, and rose in some locations, because the increase in the value of land matched or outpaced the depreciation of the housing stock. Undoubtedly both influences contributed to the relationship between land values and dwelling prices.

6.4.2. Land Sales

The purchase of a residential lease and the subsequent erection of a dwelling was an important avenue into home ownership for many households in the ACT. The sale of land under favourable conditions was one of many policies intended to encourage owner occupation through the 1960s and early 1970s. Historically, the price of residential land was discounted by the attributes of the leasehold system, the pricing policies of the NCDC and Commonwealth policies intended to curb 'market enthusiasms'.

Auctions have been the most usual method of selling leases to the public. Leases were available only as across-the-counter purchases (called grants) during 1930 to 1955 and again during the mid 1970s. In both cases, this method of disposal was adopted initially to reduce pressures on the price of land. For the major part of Canberra's development, however, auctions have been considered the fairest and most efficient method of land disposal. Prior to the abandonment of the land rent component of the leasehold system of land tenure a reserve price was set for each block which determined annual rent repayments. The reserve price was based on the average cost of developing the previous eight suburbs and was intended to recover costs in the long term (Kirk, 1983). A premium had to be offered in addition to land rent repayments in order to obtain a lease. In many cases premiums were substantial. In other instances a capital outlay as small as $1 secured a block. All monies bid at auction were paid as a capital sum after the 1st of January 1971.

A diverse range of auctions were introduced over time to achieve various purposes. Unrestricted auctions were the first and most common auction system. All persons and corporate bodies could bid for single blocks within an open forum. Group auctions were introduced in 1959 and were intended to provide economies of scale to builders. A number of blocks proximate to each other were auctioned as a parcel to allow builders to concentrate their work and thereby reduce costs. Restricted auctions were the third variant on this method of
disposal and were open only to persons who had not owned a property previously. In the main, prices were slightly lower at group auctions and considerably lower at restricted auctions.

Two thousand eight hundred residential leases were purchased in the study areas between 1962 and 1981 (Figure 6.12). The peaks and troughs within the distribution of sales over time was a consequence of the successive development of suburbs. Fifty-eight per cent of all residential leases sold in the study areas were purchased at unrestricted auctions, 26 per cent were obtained via grants or across-the-counter sales while 15 per cent were secured through restricted auctions. Leases obtained as grants were restricted to O'Connor and Kambah. Unfortunately, data were not available on the number and prices of leases obtained by large building firms such as Mercantile Credits. The overwhelming weight of lease sales were recorded in the younger suburbs of Weetangera, Higgins, Kambah and Chifley. Just one sale of a lease was recorded in Kingston, five were reported for Forrest, 74 leases were sold in
O'Connor over the period of this study and title to 140 residential leases was exchanged in Narrabundah.

Median lease premiums varied considerably between suburbs and ranged from $38,000 in Forrest, to $5,000 in Higgins. Leases sold in the established suburbs were effectively special cases and did not reflect realistically the cost of lease purchase. The most expensive leases amongst the suburbs developed after 1962 occurred in Weetangera with a median price of $12,000. Leases in Kambah were the next most expensive at $10,000. The median premium paid for leases in Chifley was $6,000. The premium paid for land varied according to the method of land disposal. Generally, land grants were more expensive than open auctions, unrestricted auctions were more expensive than group auctions and unrestricted auctions were less expensive again. Unequivocal evidence of the effectiveness of the system of graded auctions was provided by lease sales in Higgins. Lessees paid, on average, premiums of $6,200 at open auction, $2,000 at restricted auction and $5,400 at group auctions. The system of land disposal displayed idiosyncratic features. For example, 189 blocks in Weetangera were sold at restricted auctions. The effective subsidisation of home purchase in a 'prestige development' is interesting to note. The public authorities would not assist government tenants into residences in Weetangera but would subsidise owner occupants wishing to purchase there.

The land disposal methods adopted by the Commonwealth assisted individuals and households to varying degrees. Many persons were subsidised into owner occupation through restricted land auctions. The purchase of a residential lease was an important avenue into home ownership, accounting for some 65 per cent of all properties sold in the four suburbs built after 1962. The subsidies embedded in the pricing and disposal of residential leases increased greatly the chances for a capital gain through the ownership of housing. Lease sales must therefore be considered alongside dwelling transactions. If it is assumed that the fair market price for land was that paid at open auctions, this policy cost the Commonwealth $135,000 in Weetangera and $900,000 in Higgins. This estimate has not included foregone land rent. Gorton's decision cost the Commonwealth Government $1.4 million for the 348 leases sold in the study areas in 1970. In 1970 2,230 blocks were sold throughout Canberra and if comparable rentals were abandoned in all areas the total loss of revenue for the year 1970 alone would have amounted to $9 million.
6.5. Conclusion

This chapter looked at the parameters that gave Canberra's housing market its basic structure. These factors were examined to assess their likely impact on the capacity of residential property owners to benefit from the ownership of housing, as well as provide a sketch of the market. The conditions which facilitated or militated against the receipt of material gains through housing were identified. The boom/bust nature of the market, the sale of dwellings by the government at low prices and the system of land auctions would have exerted a considerable influence on returns from housing. Secondly, the general conditions within the housing market were discussed. Canberra's urban economy was buoyant between 1962 and 1976, after which the housing market collapsed as Canberra's growth slowed. There was considerable investment in dwellings throughout the period of this study. Thirdly, the nature of the data was examined. Information on dwelling and land sales was collected for roughly 9,000 dwellings within the study areas. Data were also gathered on unimproved capital values for land and construction work.

The suburbs studied in this thesis occupied radically different positions within Canberra's housing system. Forrest, as its demographic profile suggested, occupied a distinctive and prestigious position within the housing market. Its housing was the most expensive to purchase, its residential blocks were the largest and a greater number and more expensive additions were undertaken there. The other suburbs were placed according to their dwelling histories, dwelling stocks and social environments. The significant differences between suburbs would have affected the ability to collect a benefit from the ownership of housing and the size of any gain received.

The housing market was differentiated by sector. There were profound differences between ex-government dwellings and privately constructed houses. They varied in their prices and block sizes. The data suggested also that the public housing authority sold its dwellings to sitting tenants at very favourable prices.

The capacity to benefit from the ownership of housing was influenced by a complex range of factors. The amount and value of addition and renovations undertaken was one important element. Ongoing investment in the housing stock was essential for the maintenance of each residential environment. The manner in which that expenditure affected the attractiveness of residential property ownership was of more direct importance to this study. On average, $5,000 was spent on work additional to construction for dwellings in the study. Some houses received even greater levels of additional investment.
Chapter 7

The Material Benefits Associated with Housing

The material conditions and relationships associated with owner occupation are complex and have presented many problems for the discussion of the financial benefits attached to home ownership. Two approaches have dominated. The debate on housing and domestic property classes focused upon capital gains while economic analyses concentrated on macro-economic policy and provided few insights into the size and distribution of outcomes. Both perspectives failed to integrate the discussion of individual outcomes with the processes that created those gains.

The discussion of the material benefits attached to housing has taken place largely within an empirical vacuum. The analysis of processes and outcomes has been generalised across the housing market and for all time periods. Broad-scale studies have led to serious omissions in our knowledge of housing markets and the consequences of home ownership. The literature is largely ignorant of who has gained and how. While there is a general recognition of the overall significance of factors such as imputed rent, low interest rates, or dwelling price movements, there has been no examination of how they have been expressed at the level of the individual dwelling. Any estimate of the capture of value through housing markets must be based upon the analysis of individual outcomes and incorporate all major factors to influence the financial attractiveness of home ownership.

This chapter sets out the extent of the benefits received by Canberra’s residential property owners, the sources of material advantage and the methods used to gauge those outcomes. The techniques and perspectives adopted for this exercise were addressed first. A model was constructed of the material conditions associated with owner occupation in Canberra between 1962 and 1981 and was intended to reproduce as accurately as possible both the capital and recurrent components of dwelling ownership. The model incorporated data concerning additions and renovations as well as dwelling sales. Estimates were made also of other costs and benefits associated with property ownership. Imputed rent, interest repayments, rate charges and land rents were calculated. Counterfactuals were introduced into the model. An estimate was made of the benefit received by households which purchased government...

dwellings and blocks of land. Those benefits were compared with the material advantage that would have accrued in the absence of housing subsidies.

7.1. Modelling Individual Housing Outcomes

Many authors recognised the benefits linked to owner occupation. Owner occupants in Australia had the benefit of low home mortgage interest rates, the failure to tax imputed rent and capital gains. These advantages acted in addition to increases in the nominal, and occasionally real, value of houses. It has been assumed that home ownership leads to wealth accumulation and a favourable economic position vis a vis tenants, and private tenants especially.

Burke et al (1984) argued the housing market has operated to redistribute income negatively between tenure groups, social classes and life-cycle stages. They considered gains were a very real element within the housing system and gave a sketch example of the mechanisms through which benefits were received:

"Consider the example of a family who purchased a dwelling at the 1970 mean price for dwellings in Melbourne $13,872. The family would commonly have had an equity (deposit) of the order of 25 per cent ($3,500), so that a bank or a building society would have provided the bulk of the purchase price in the form of a mortgage. In 1981, when that family decided to sell their property and buy a new one, the mean price for dwellings in Melbourne was $53,821. Thus that family started out with $3,500 in 1970 and and ended up with $45,572 by 1981, representing the inflated value of the house less the balance of the family's mortgage (in this case assuming an initial interest rate of 7.25 per cent, a 25 year repayment period and and allowing for the movements in interest rates over the 10-year period). Expressed as a return on the family's investment, this represents an annual rate of 26 per cent, a rate that has not been approximated by any other form of investment that the average household uses for any one year in the last decade, let alone for an entire decade (Burke et al 1984, pp 55-56)."

Two points stand out in the example presented by Burke et al (1984). First, and most importantly, the authors demonstrated that it was the combination of factors associated with home ownership which made owner occupation so attractive. Capital gains alone would be meaningless if they occurred in association with massive interest repayments. It was the combination of movements in dwelling prices, the structure of housing finance and the treatment of housing for taxation purposes that led to a material advantage. The authors noted that the material outcome associated with home ownership was not merely a function of dwelling price shifts but that other factors had to be taken into account. Secondly, the estimation of gains has been made more complex by the nature of the component variables. Interest charges, capital accumulation through the lifetime of a mortgage and imputed rent must be judged accurately if a realistic estimate is to be made of the benefits received through housing.

The material advantages received through housing are more complex than is recognised commonly. A number of terms will be applied here to specific advantages available through
housing. The term capital position refers to changes in the value of a dwelling in constant terms over the period of ownership by a household. A capital position may be either positive or negative, the former will be referred to as a capital gain while the latter is described as a capital loss. It must be emphasised that these terms refer to dwelling price movements in constant terms. Apparent capital gains arise through the comparison in nominal terms of of the price fetched by a dwelling at the start and finish of a household's occupation. The period for which a dwelling is owned will be referred to as an occupancy and constitute the basic unit for analysis. Completed occupancies are defined by a purchase and a resale while incomplete occupancies are those for which the purchase of a dwelling was recorded without a following sale by the end of the study period. Housing benefits will be used to refer to the total material advantage available to an owner occupant and may be either positive or negative. The benefit received by a household is equal to the difference between occupation through purchase and occupation through private rental. That is, a benefit of $10,000 means that an owner occupant is $10,000 better-off than if they had rented the same dwelling for the same period. Similarly, a benefit of -$10,000 implies that a household was $10,000 worse off than if it had rented the same dwelling for the same time. Realised benefits were calculated for completed occupancies and potential benefits were estimated for incomplete occupancies.

Any attempt to create a model of the benefit received as a consequence of owner occupation must incorporate a range of factors. The variables used within this thesis were capital position, interest repayments, capital repaid on the loan, imputed rent and sundry costs associated with the purchase and maintenance of a dwelling.

The benefit associated with residential property ownership was calculated using the formula:

\[ B = [CP] + [C] + [(I-R) - T - M - Rt] \]

where

- **B** = Benefit: the total flow of benefits or costs;
- **CP** = Capital Position: price at resale less purchase price, plus any additional investment in the dwelling;
- **C** = Capital Growth through the period of the loan exclusive of original equity;
- **I** = Interest repaid;
- **R** = Imputed Rent;
- **T** = Transaction Costs;
- **M** = Maintenance Costs;
- **Rt** = Rates and Taxes.
Interest charges and the amount of capital repaid through the period of the loan were calculated using the formula:

\[ P = Po - Pn \]

where

\( P \) = outstanding principal after time \( N \);

\( Po \) = initial principal (in nominal terms);

\( Pn \) = principal repaid (in nominal terms);

\( Pn \) is calculated using the equation:

\[ Pn = Po(1+r)^n - p/r(1+r^n - 1) \]

where

\[ p = Po \times r/1-(r+1)^{-1} \]

and \( r \) = the interest rate.

Interest charges were calculated as the difference between the amount of principal repaid and total repayments.

A number of assumptions underpinned the development of this model. It was decided that both capital and recurrent elements would be incorporated into the calculations. Reduced housing costs were one of the most important benefits available to home purchasers as a result of the Commonwealth Government’s intervention in Canberra’s housing market. Householders who purchased government dwellings at a discounted price or a block of land made more affordable by one of the Commonwealth’s policies, would have had their housing costs reduced without any significant reduction in the quality of their accommodation. Capital gains may provide concrete evidence of profit through housing but low housing costs may make a far greater contribution to the welfare of the household. Secondly, the model was developed to estimate the total benefits received by a household over the period of their occupancy. No attempt was made to discount the flow of benefits, capital or recurrent, to allow for the time taken to accrue that return.

The model discussed in this chapter is a partial model. Data were not collected on all attributes affecting the household’s experiences. It was simply impossible to collect data on all factors which may have impinged upon the material position of each owner occupant. The benefits estimated here are those expected to accrue under the conditions normally found within the housing market. It has been assumed, for example, that each household repaid its loan at the scheduled rate and neither fell into arrears nor accelerated the pace of repayments. The failure to identify the source of housing finance used by each household and the amount borrowed, was a significant omission within the data. Building societies charged higher
interest rates and loaned monies under different terms than banks. In addition, it was not possible to discriminate which households within the study areas received concessional Commonwealth loans independent of the purchase of a government dwelling.

Some factors were excluded deliberately because of their limited applicability or contribution to the welfare of home owners. For example, until 1973, land taxes and rates were fully deductible for the purposes of income tax assessment. The program was phased out gradually, with greater restrictions on the number of persons eligible for this tax concession. In addition, the Commonwealth Government introduced a scheme in 1974 which permitted home owners to include their mortgage repayments as a tax deduction if they received an annual income of less than $4,000 (Neutze, 1980). The scheme was limited to first home buyers and to the first five years of occupation in 1976. These taxation concessions were omitted because their contribution to the attractiveness of owner occupation was relatively insignificant and no data was available on the nature of the occupants and therefore their eligibility for the various schemes.

The capital components within this model were constructed using data from the study areas. The recurrent costs and benefits were estimated in line with the results of other studies. The material position of each occupancy was calculated. Firstly, each purchase and resale was considered an occupancy and an estimate was made of the benefits or costs associated with that period of ownership. Dwellings purchased during the period of the study but not resold were also considered to comprise an occupancy and their material position was calculated between the date of purchase and the end of 1981. This aspect of the model was included to address specifically the benefits received by households who purchased under favourable terms in the 1960s and early 1970s but did not resell their dwelling before the end of 1981.

Roughly 5,600 dwelling occupancies were examined. An estimate was made of the acquisition cost of residences purchased as blocks by combining the cost of the premium with the value of the building application submitted for that lot. The capital position of each occupancy was calculated by subtracting the initial purchase price, plus the value of any additions, from the resale price. It was not possible to estimate the capital position of incomplete occupancies though later analysis incorporated a measure of capital growth.

Housing finance conditions were calculated twice. In the first instance it was assumed that all dwellings purchased from private vendors were financed by banks and that persons purchasing a government dwelling obtained a mortgage with the Commonwealth. In the second iteration of the model mortgage charges were calculated for all dwellings under the terms and conditions of permanent building societies. The amount of money borrowed by
purchasers was calculated as 70 per cent of the purchase price. Bethune (1978) and the Australian Bankers Association (1982) both found that most bank loan recipients held a 30 per cent deposit. Data from the Civic Permanent Building Society indicated also that the majority of applicants for home mortgages held a 30 per cent equity in their dwelling. Interest charges were set according to published rates for each source of finance and adjusted for each announced period of interest rate fluctuation (ABS: Australian Banking Statistics; Dept. of Housing and Construction: 1966-1979, Civic Permanent Building Society, 1962-81). The duration of bank loans was set at 25 years and building society loans at 30 years. The treatment of dwellings purchased from the government differed slightly from those financed privately. Interest rates on government dwellings purchased before May 1970 were fixed at between 4.75 per cent and 5.5 per cent according to the date of purchase. Government loans taken out after that date had variable interest rates. It was assumed that persons who purchased a dwelling from the Commonwealth Government had a deposit of 10 per cent and took out a loan for a period of 30 years (Records of the Australian Tax Office, 1962-81).

Both total repayments and the amount of capital accumulated through the lifetime of a loan were calculated. Credit foncier finance operates on a system of equal repayments through the lifetime of the loan. The first repayment of a loan is comprised almost entirely of interest charges while the final payment is virtually principal alone. The amount of capital repaid through the loan was computed for each month by deducting the interest rate multiplied by the amount of outstanding capital from the total monthly repayment. The amount of outstanding capital was adjusted subsequently for the next repayment. Each repayment and its capital component was totalled.

Imputed rent was calculated as a percentage of the median dwelling value in each suburb for each year. The estimation of imputed rent presented both methodological and technical difficulties. Alternative interpretations have been placed on imputed rent. Stretton (1986) argued that imputed rent was an economist’s nonsense. That, as there has been no discrete payment for the use of the dwelling, any notional accounting for the use of housing services is simply a fiction. Stretton’s (1986) position can be rejected. Imputed rent has been recognised widely as an important factor within the political economy of home ownership: the ability to freeze housing costs has been one of the most attractive features of home ownership. Households able to save a deposit effectively reduce the long-term cost of purchasing housing services.

There has been considerable debate within the literature over the most appropriate method of determining imputed rent. Lerman and Lerman (1986, p324) argued for ‘imputed income as
the return on the owner's net worth available in his next best investment'. Their approach, however, corresponds to an opportunity cost on capital rather than the estimate of the flow of housing services received by the occupants of a dwelling. Imputed rent has been expressed more commonly as the rent that would be returned from a dwelling on the private market. Imputed rent was used in this study to measure the use value received by each household from their dwelling. The reasoning underlying this approach was clear. Households which did not own a home would pay rent to a landlord. The imputed rent was set to equal that market payment. Owner occupants have the benefit of the use of a dwelling without payment to a landlord. This advantage is eroded partly by other costs, such as interest repayments, maintenance, rates and taxes, all of which are not borne by tenants.

Several estimates have been put forward of rental returns to private landlords ranging from between 5 and 10 per cent (Priorities Review Staff, 1975; Paterson, 1975). These estimates varied with the nature of the dwelling stock, the scope of that work, the market under study and the section of the housing market addressed. Bethune and Neutze (1986) opted for an imputed rent of eight per cent per annum from their examination of data on Canberra's housing market. That figure was adopted here. This method of calculation had the advantage of incorporating fluctuations in the state of the housing market in the calculation of imputed rent. It included, however, a serious deficiency: no allowance was made for the elasticities of rental returns. The rate of return on any dwelling varies according to the type of dwelling, its desirability and purchase price. Less expensive dwellings are likely to provide a greater rental return per unit of capital. More prestigious and expensive dwellings are likely to result in greater rents but smaller proportional returns on investment.

A number of costs are incurred with the purchase and sale of a dwelling. Conveyancing costs, estate agents fees, loan application charges and stamp duty amount to a significant proportion of the price paid for any dwelling. Each of these charges reduces the financial attractiveness of home ownership. The Committee of Inquiry into Housing Costs (1978) estimated that persons purchasing a typical dwelling in Canberra faced financial institution fees in nominal terms ranging between $740 ($1978) and $900 if a bank was providing the loan and $825 (1978) to $995 if a building society was the mortgagee. This figure included stamp duty but neglected the commissions paid to real estate agents. In 1987 real estate commissions on residential properties were charged on a sliding scale of five per cent for the first $30,000, four per cent for the next $40,000, three per cent on the subsequent $80,000 and two per cent on the balance. Vendors paid a commission of 4.2 per cent on a dwelling of median price in 1987. Tucker and Woodhead (1975) calculated that the transfer costs met by vendors amounted to five per cent of the price at sale while purchasers paid four per cent. The estimates of Tucker and Woodhead (1975) were used in this study.
Land rents and rates were included in the computation of benefit from housing. Rate levies were calculated for each block and for each month on the basis of the most recent evaluation of its unimproved capital value by the Valuation Branch of the Australian Tax Office. Land rents were calculated on an annual basis for all occupancies that commenced before the 1st of January 1971. The Roll Books of the Valuation Branch, Australian Tax Office omitted land rent payments unless a block was sold to an individual during the period for which they have kept records. Median annual land rental repayments for each suburb were therefore extrapolated to dwellings erected by speculative builders, the Commissioner for Housing and houses erected before 1962.

Two sets of rate schedules were calculated depending upon the date of development. Both land rent and rates were estimated for dwellings erected between 1962 and the 1st of January 1971. Rates in this instance were struck at one per cent of the most recent UCV. Total land rent payments were calculated by adding each year's annual rent. An annual rate of two and one half per cent per annum was applied for the period 1962 to 1971 to dwellings built prior to 1962 or erected by the Commonwealth. This figure was intended to approximate the costs faced by all householders. Rates for all dwellings were calculated at two and one half per cent per annum for the period 1971 to 1981. It is worth noting that rates were raised by the Gorton Coalition Government in 1971 to that level to recapture the revenue foregone through the abolition of land rent.

Maintenance costs were the final factor included in the model. A simple calculation of maintenance expenditure was made. Bethune (1978) found that annual maintenance costs totalled roughly one per cent of a dwelling's value. That figure was adopted for the purposes of this analysis.

7.2. Capital Gains

Both popular and academic discussions of the advantages associated with home ownership have tended to focus upon the capacity to receive capital gains. In many cases this debate occurred in the absence, and sometimes despite, concrete evidence within the property market. Work in this vein has concentrated upon rises in the nominal value of dwellings. House price rises appear truly impressive if general inflation is ignored: "capital gains" are bound to appear if the sums paid for a dwelling in 1950, 1960 and 1970 are compared. Capital gains have also been made to appear more impressive through the failure to make allowance for additional investment in the dwelling stock. A false picture was created which suggested that capital gains are available universally and that they represent a substantial avenue for wealth accumulation. It was anticipated that a far more complex set of relationships would emerge.
from the analysis of house price movements in constant terms and that capital losses would be as common and significant within Canberra’s housing system as gains.

The capital position of owner occupants was calculated for dwellings sold more than once by deducting the purchase price plus the cost of any additional work from the resale value. That is:

\[
\text{Capital Position} = \text{Resale Price} - (\text{Purchase Price} + \text{Additions}).
\]

To give an example, owner occupants who purchased a dwelling for $60,000 in 1960, undertook $5,000 worth of additions and sold in 1980 for $80,000 received a capital gain of $15,000.

Two concerns informed the examination of the capital position of residential property owners. Firstly, the distribution of gains and losses across social classes was considered crucial. Much of the debate on domestic property classes centred upon the relative capacities of various social strata to receive a benefit through home ownership. The second, and related, concern was the identification of those factors and processes which determined whether a capital gain or loss was incurred. Two approaches were used to explore the level and distribution of capital gains and losses. Firstly, the distribution of gains across time and space was examined. Capital gains and losses were graphed and inferences were drawn about the manner in which variations in location and the state of the housing market affected the capital position of residential property owners. Secondly, the statistical package CART (Classification and Regression Tree) was applied to the data to analyse the role of the different variables (Breiman, Friedman, Olshen and Stone, 1984).

Calculations were made on the capital gains or losses sustained by some 3,400 households. The median outcome across all suburbs was a capital gain of approximately $3,300. There was considerable variation within the distribution of gains. Most gains fell within a range of between zero and $30,000 and losses were of a similar order of magnitude. The distribution was skewed slightly towards positive results. There was a capital increase of $12 million in the market worth of the dwellings. This result suggests an escalation in land values in Canberra and the accumulation of wealth through investment in the built form of the city. The result, however, was equivocal as a median gain of $3,300 represented less than five per cent of the median purchase price.

Two thousand households, or 60 per cent of all dwellings received a capital gain. Conversely, the capital position of some 40 per cent of the residential property owners examined here, worsened as a result of their participation in the housing market. Capital losses were neither small-scale or rare. The capital losses sustained by some of Canberra’s residential property owners were as real and as dramatic as the capital gains.
Capital gains and losses were distributed unevenly across the suburbs (Figures 7.1 and 7.2).

Figure 7-1: Proportion of Households to Receive A Capital Gain by Suburb

Figure 7-2: Capital Position of Property Owners By Suburb
Householders in Kambah were far more likely than owner occupants elsewhere to lose money. Only one quarter of all dwellings sold in Kambah were exchanged for prices greater than the original purchase price. Higgins and Forrest had the largest proportion of occupancies resulting in gains. Some 72 per cent of residential property owners in those suburbs received a capital gain. The proportion of gains in the remaining suburbs ranged between 58 and 65 per cent. The aggregate gain received in each suburb varied in rough correspondence to the number of gains received. The most substantial gains occurred in Forrest: with a median of $16,000 and a total budget of gains of some $2.5 million. Kambah occupied the other end of the spectrum. The median outcome in that suburb was a capital loss of $6,000 and overall some $18 million was lost by residential property owners. Households in the older suburbs accrued gains more consistently. A gain of $8,000 was the median outcome in Reid, while in Kingston the median was a positive capital position of some $10,000. All other suburbs were grouped closely with gains around $3,000 to $5,000.

The incidence of gain and loss was significantly influenced by the time of purchase and resale. The proportion of sales resulting in gains was related directly to the state of the market in any year (Figure 7.3). Fully 90 per cent of sales during the market boom of 1974 resulted in capital gains. Gains were almost as common during 1972 and 1973 leading up to that peak. By contrast, very few sales resulted in a capital gain during the housing market collapse of the late 1970s. In 1979 and 1980 only one third of sales produced gains. The picture is less well

![Figure 7-3: Proportion of Sales for Which Capital Gains Were Received](image-url)
defined for the 1960s. There were relatively few completed occupancies up to 1970 and figures for the years preceding 1967 especially must be treated with caution. Only three occupancies were completed in 1964, four in 1965 and one in 1966. The results, however, reinforced the observed pattern for the 1970s. Overall, the percentage of households receiving capital gains rose in direct relation to the state of the house purchase market.

The amount of gain received by residential property owners over time moved in correspondence with the state of the market (Figure 7.4). The greatest capital gains were received during the early to mid-1970s and the greatest aggregate losses during the latter part of that decade. Results for the 1960s were, for the most part, positive; a capital gain of varying magnitude was the result in all years.

A realistic approach must be applied to the interpretation of the data. Housing markets contain unusual sales and other events. A cursory examination of valuation records in most cities will turn up properties exchanged for $1 or "love and affection". Owner occupants will sell their properties at very low prices if the market is depressed and personal circumstances necessitate rapid movement. The majority of such cases were excluded from this analysis but some sales appear which go against established trends. The figures discussed here are a measure of aggregate performance over time. Individual results diverged significantly from the major trends. At the peak of the boom in 1974 the median outcome for property owners

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**Figure 7-4**: Median Capital Position by Year

![Median Capital Position by Year](image-url)
selling their dwelling was a capital gain of roughly $20,000. Contrarily, one household lost $37,000 that year. At the other end of the scale, households selling their dwellings in 1979 could expect to suffer a net loss of roughly $7,000. One occupancy, however, went against that trend and resulted in a capital gain in excess of $100,000.

Capital positions were examined using the statistical algorithm CART (Brieman et al, 1984). CART is a statistical program which constructs binary regression or classification trees and is similar to AID (Automatic Interaction Detection) (Morgan and Sonquist, 1963). Regression and classification techniques are used to form prediction rules for one variable on the basis of values for other variables. Classification is used to create a prediction rule to decide which class an observation belongs to. Regression differs from classification in that the rules are based on numerical values not classes and is used to predict values for the regressor variable (California Statistical Software, 1985). Medians were employed in all regression trees within this study because of the skewed nature of the data.

CART constructs prediction rules by comparing systematically the regressor variable with all other variables. The variable and the value that has the greatest predictive ability, or accounts for the greatest variation, is selected as the predictive rule. CART constructs a large number of regression trees with an increasing number of splits as each new tree is created. Each tree is comprised of nodes relating to a rule derived from the examination of the data. The data are divided and sub-divided until the apparent error within the newly created nodes exceeds that of the parent grouping. Test errors are then compared to select which tree represents the most appropriate division within the data. CART is guided in this selection by the researcher’s choice of acceptable apparent error. Subsets may be divided further on the basis of another rule and the process is continued until a terminal node is produced.

Several iterations of the CART procedure were run with differing variables to ascertain the most insightful division within the data. In the final instance, rules for the division of capital gains and losses were developed with respect to the price paid at resale, the date of resale, the suburb in which the dwelling was located and the date of original purchase. Early CART runs included variables that identified whether a dwelling had been purchased from the Commonwealth and the number of months for which the dwelling was held. The former possessed little predictive ability. That is, the CART analysis was unable to discern any difference in the gains received from dwellings purchased from the Commonwealth and the general population of dwellings. It was therefore dropped from further consideration. The measure of the number of months for which a dwelling was held was removed from the analysis in favour of the acquisition date. The year of purchase gave greater insights into the
rules governing capital positions. The initial purchase price was excluded also from consideration. An analysis including both purchase and resale price would be determined by these two variables.

The regression tree of capital gains and losses produced by CART is set out in Figure 7.5. Regression trees can be interpreted easily once it is understood that the values represent prediction rules. For example, the first division of the data in Figure 7.5 states that the most important single influence on the capital position of home owners was the date of resale and that the data was divided around 1976. It would be reasonable to assume, in the absence of any other information, that a household which sold its dwelling before 1977 received a capital gain of $11,000. To continue further down the tree, the prediction rules suggest that dwellings sold before 1976 for a price in excess of $56,800 attracted typically a capital gain in excess of $18,000. Some of the terminal nodes in this and subsequent CART analyses contain very few observations. These smaller groups were outliers within the range of housing experiences in Canberra. They were retained within the analysis to indicate extreme positions within the market. Little significance can be attached to these smaller nodes.

The date of resale was the single most important factor governing the level of capital benefits attached to residential property ownership. Capital gains and losses were divided neatly into the pre and post-1976 boom periods. Dwellings sold before 1976 received a median capital gain of $11,000 while dwellings sold after that date realised a median capital loss of $2,200. Each of the groups were split further. Dwellings sold up to and during 1976 were split according to resale price, with dwellings valued at less than $56,800 receiving a median capital gain of $3,900, while those of higher price collected roughly $18,000. Both groups were then selected again according to price, with further splits based on price, year and suburb.

CART provided a disaggregated image of the capital outcomes associated with participation within the residential property market. The regression tree should be viewed with an eye to two factors. The variables and values which split the data indicate which factors exerted an important influence on capital positions. The distribution of outcomes is the second concern.

Gains and losses varied significantly. At one extreme, the two members of Terminal Node 11 received a capital gain of $190,000. At the other end of the spectrum, the ten cases that fell within Terminal Node One suffered a median loss of $38,000. There was clearly considerable variation in capital outcomes once the data were subdivided. The median capital position of $3,300 has little meaning to the 350 households in Terminal Node 14 which typically lost $10,000.
Some important general conclusions can be drawn from the tree. Firstly, there was a significant difference in the level of gains available to dwellings sold up to and before 1976 and those sold after that date. Allowing for the boom/bust market, the price paid for each dwelling unit had the greatest impact on the propensity to receive a capital gain and the value of that gain. The CART program ranks the relative importance of all variables within the distribution it has examined. Price was ranked first with a score of 100, the date of resale followed at 49, suburb came third with a relative importance of 43 and the year of purchase was the least significant variable with a value of 21. The year of purchase, however, made a significant contribution to the distribution of values despite being overshadowed by other factors.

The groupings formed initially by CART were split according to the price paid at resale. The higher the price, the greater the gains. The largest losses were recorded for dwellings resold before 1976 at prices below $28,600. It should be emphasised, however, that those 10 cases are not indicative of a major trend within Canberra’s housing market. Dwellings that fetched more than $197,000 on the market produced a median gain of $93,000 while those priced between $95,000 and $197,000 returned $22,000 in this latter period. Variables other than price influenced the distribution of gains only at the third and fourth tiers of the tree. Once the initial split according to market conditions was accomplished the year of resale, the suburb and the year of original purchase exerted a muted influence. Moderately-priced dwellings resold after 1976 was one area in which the date of the initial sale was significant. The tree distinguished clearly between dwellings in which the initial purchase occurred before the market slump and those acquired later. Householders who purchased in the slump and resold during the slump were some $8,000 better-off than householders who purchased their dwelling pre-1976.

Resale price was the key variable for dwellings sold after 1976. Houses sold for prices in excess of $94,700 were a positively privileged faction within a group whose average result was negative. Further splits showed that the most expensive dwellings received the most substantial gains - on average $93,000 for dwellings priced in excess of $197,000. The year of initial purchase was the dividing factor for houses priced at less than $94,700. Persons who purchased at or before the peak in house prices in 1976 and sold after that date incurred a median loss of $8,000. By contrast, households which both purchased and sold during the slump of the late 1970s lost only $78 on average. That loss was concentrated in Kambah with dwellings of comparable price in all other suburbs providing a gain of $1,500.

Location appeared to be significant only in the last instance although present on a number of occasions. Terminal nodes 3, 4, 5, 6, 9, 10, 15 and 16 were all distinguished at their respective
lowest levels according to suburb. For example, Kambah was singled out from all other sales after 1976. The slump had the greatest impact on the housing market there and its performance was significantly worse than any other suburb. There were no apparent stable groupings amongst the divisions based on suburb. That is, Weetangera, Forrest or Higgins, to chose three areas at random, did not always perform better within each price grouping than the other suburbs. The interpretation of the regression tree was made more difficult by the differing price structures within the study areas. The decision rules generated by CART indicated only which cases were split to the left and did not show whether a particular suburb was absent from the parent group. It is reasonable to assume that few, if any, blocks from Forrest would be found in Terminal Node Four, where prices were less than $56,800.

The rate of return on investment in housing was calculated for capital positions. The rate of return on equity, or the owner’s initial capital, was calculated using the formula:

\[
\text{Rate of Return on Equity} = \frac{\text{Capital Position}}{\text{Time}}.
\]

The rate of return on investment, that is the purchase price of the dwelling, was calculated using the formula:

\[
\text{Rate of Return on Investment} = \frac{\text{Capital Position}}{\text{Time}}.
\]

In both cases the rate of return was calculated initially as a monthly return and then converted to an annual figure.

The median return on equity was 2 per cent per annum and the median rate of return on investment was 1.1 per cent. Neither result is particularly attractive even allowing for the tax free nature of this return.

The rate of return on equity through price movements was analysed with CART and is set out in Figure 7.6. Virtually the same variables were used in this CART run as with the examination of dollar values. Secondary options were set to match the apparent error within the previous tree. The rate of return on equity was examined rather than the rate of return on investment as it was considered to have greater relevance to the understanding of housing outcomes. The point is, home purchasers secured a dwelling (and an investment) through the ownership of modest capital resources. It should be noted also that some of the return on equity was made up of repayments on capital through the period of the loan. The estimate presented here is therefore likely to be slightly high, especially for dwellings owned for a considerable period of time.

The regression tree of rates of return on equity differs substantially from the regression tree
Figure 7.6: Regression Tree of Rate of Return on Equity Through Price Movements
of capital positions. One feature was shared. The year of resale was once again initially the most important influence on the distribution of outcomes. Little significance should be attached to the fact that this tree is split on 1975 while the former tree was split on 1976. The boom in house prices that commenced in 1972/73, tapered off in 1975/76 and either year reflects the difference between market growth and contraction.

The set of variables to divide the distribution of outcomes was the most important difference between the two regression trees. The roles of both resale price and suburb were diminished while date of purchase and resale grew in significance. In fact, both resale price and suburb were responsible for only one split. This result indicates that the state of the market was far more important in the determination of the rate of return than factors associated with socio-economic status. This pattern can be contrasted with the group of variables that influenced cash returns. More expensive dwellings may lead to higher gains but market conditions at purchase and resale dictated annual returns on capital.

The rate of return on equity reflected market events. Dwellings sold before 1975 typically received a rate of return on their initial capital of 30 per cent while those sold after that date suffered a loss of 1 per cent. Some extraordinary returns arose. Most spectacularly, the single dwelling in Terminal Node 5 lost money at 170 per cent per annum. This result must be considered an aberration. Terminal Node 7 was more indicative of the high returns available to some property owners in the early 1970s. The 118 households which purchased and resold their dwellings between 1970 and 1973 received an annual rate of return on equity, through their capital alone, of 62 per cent.

Dwellings sold after 1975 lost money generally. The rate of loss, however, was low. The 350 owner occupants in Terminal Node 11 lost money at a median rate of .5 per cent per annum. Some households managed gains even in this period. The households in Terminal Node 14 purchased their dwellings after 1978 when the market had bottomed and received an attractive rate of return of 21 per cent per annum.

The relative importance of the variables was ranked by CART. Year of sale was the most important factor with a ranking of 100, followed by sale price at 85, year of purchase at 72 and suburb at 44. The relative weights attached to the variables varied from the rankings seen in the regression tree of capital positions. Of greater significance, resale price and suburb were accorded a relatively high score but were responsible for few splits within the tree. The strong correlation between sale price and date of purchase and sale gave the impression that price was relatively unimportant. We can, however, still emphasise the importance of the market rather than social rank.
7.3. Material Benefits and Losses

The material outcomes associated with home ownership demonstrated the financial attractiveness of owner occupation. The median result for completed occupancies was a benefit of $32,000 if finance was obtained from a bank and $30,000 if a building society was the mortgagee. The results ranged between gains of three quarters of a million dollars and losses of $200,000. The benefits available potentially to householders who had not resold their dwelling by the end of the study period were calculated also. The median result in this instance was a benefit of $25,000 for bank finance and $22,000 for a loan from a building society. The first important conclusion to arise form the calculation of housing benefits was that sizeable benefits were received by owner occupants. It is worth noting also that the difference in benefits accrued under bank and building society loans was relatively insignificant.

To recap, the equation used to calculate benefit was:

\[ B = [CP] + [C] + [(I-R) - T - M - Rt] \]

where

- \( B \) = Benefit: the total flow of benefits or costs;
- \( CP \) = Capital Position: price at resale less purchase price, plus any additional investment in the dwelling;
- \( C \) = Capital Growth through the period of the loan exclusive of original equity;
- \( I \) = Interest repaid;
- \( R \) = Imputed Rent;
- \( T \) = Transaction Costs;
- \( M \) = Maintenance Costs;
- \( Rt \) = Rates and Taxes.

Which produced a characteristic outcome, incorporating both potential and realised benefits, of:

\[ $28,000 = $3,300 + $26,000 + [($19,000 - $15,000) - $2,800 - $1,000 - $1,500]. \]

Transaction fees averaged $2,800. This figure is perhaps best broken in two with a median charge of $1800 for dwellings sold once and $4,700 for completed occupancies. Imputed rent made an average positive contribution of $19,000. Median interest repayments stood at $15,000 for bank loans and $16,000 for building society loans. Imputed rent therefore typically exceeded interest charges by $3,000 to $4,000. Maintenance costs on completed occupancies ran to $2,500 while rates cost owner occupants $2,300.
Capital growth made the most substantial single contribution to the economic position of residents with a median value of $25,000 for bank loans and $24,000 for building society loans. Capital growth was calculated as the mortgagor's equity in the home, exclusive of their deposit, less capital owed to the mortgagee. The capital components within home loans were not indexed to inflation. Rises in the Consumer Price Index (CPI) worked to the advantage of home purchasers by diminishing the relative value of outstanding monies on their home loan. This point is best illustrated through the use of an example. A household which purchased a dwelling in 1973 for $20,000 commonly would have borrowed $14,000. In the values of 1980, their deposit was worth $20,000 while the borrowed equity was worth $40,000. Let us assume that dwelling was sold in 1980 for $60,000 with neither a capital gain or loss in real terms. The owners would have repaid some $4,000 of capital from their loan. Ten thousand dollars of capital had to be repaid upon the sale of the dwelling in 1980, which, in addition to the $4,000 repaid already, left a windfall gain of $26,000.

Material benefits received and available potentially through housing varied significantly by date and location (Figure 7.7). The greatest absolute or cash benefits were received in the suburbs of highest socio-economic status. In all cases the benefits available through building society mortgages were slightly less than those received through bank loans. Weetangera and Forrest offered the largest and most consistent gains with medians of around $75,000 and $57,000 respectively. Values for Higgins, Chifley, O'Connor, Reid and Narrabundah ranged
between $20,000 and $40,000. Kambah and Kingston displayed patterns of benefit which diverged from the norm. The notional benefits estimated for Kambah were larger than those calculated for completed occupancies. The substantial capital losses sustained in that suburb eroded the benefits received by owner occupants. The converse applied for Kingston. Capital gains associated with speculative activity boosted returns to property ownership above the anticipated rate. The recurrent elements in the model predicted property ownership in Kingston to be relatively unattractive because of high rate charges and low dwelling values prior to the 1970s.

Figure 7-8: Benefits by Year

The benefits received by home owners varied according to the year of purchase and resale (Figure 7.8). The graph of potential benefits relates the year of purchase to the computed available advantage. The figure for realised benefits refers to the year of resale; that is the benefits received that year. In both instances values received prior to 1966 must be treated with caution due to the low number of cases. Realised benefits varied with the state of the housing market. There were distinct peaks in the median benefit available between 1964 and 1966 and 1973 to 1975. This pattern replicated both movements in dwelling prices and fluctuations in capital gains and losses. The benefits available potentially to householders who had not sold their dwelling were influenced less by market conditions and reflected period of ownership. Overall, the longer a dwelling was owned the greater the proportion of capital repaid and the lower the interest charges. Transaction costs became an insignificant proportion
of total receipts and expenditure over greater time. In addition, general inflation had a far
greater opportunity to reduce the value of monies owed by the mortgagor. Dwellings
purchased in 1980 and 1981 would have resulted in losses had they been sold at the end of the
study period.

Both realised and potential benefits were analysed with CART. The regression trees
diverged significantly from each other and from the tree of capital gains.

Realised benefits were regressed against the year of purchase, the year of resale, capital gain
or loss, the price at sale, suburb and a variable which indicated if the dwelling had been
purchased from the government (Figure 7.9). These factors were chosen to match broadly
those used in the examination of capital gains and losses. The addition of a variable relating to
capital position and the inclusion of a variable identifying Commonwealth sales were the only
changes in format.

The material outcomes identified by the CART procedure ranged widely. A complex tree was
produced. The greatest losses occurred in the three cases in Terminal Node One in which a
median loss of $240,000 was recorded. By contrast, a median benefit of $160,000 was received
in Terminal Node 23. The array of factors influencing the distribution of benefits differed
appreciably from those seen previously to affect capital positions. Capital position replaced
sale price as the variable of first division and continued to influence the distribution at more
advanced levels of disaggregation. Capital losses, or a negative capital outcome, appeared as a
necessary precursor for a negative, or very low, benefit. Capital losses were associated with the
overall disadvantage recorded for Terminal Nodes 1, 2 and 5. Sale price was a far less common
factor in the tree of benefits compared to the regression tree of capital gains and losses. It
should be remembered, however, that resale price was the most important determinant of
capital position.

Location played a visible and consistent role in the distribution of realised benefits. It was far
more prominent than in the regression tree of capital positions and operated in a far more
systematic fashion. Importantly, the suburbs of Weetangera and Forrest were separated
frequently from all others. For example, Terminal Node 3 segregated cases from Forrest and
Weetangera. Terminal Nodes 8 and 9 were derived from a split into these two locations while
Weetangera was isolated in Terminal Node 17. It was significant that the two areas recognised
as being of high socio-economic status were identified repeatedly. Occupancies in Weetangera
and Forrest fared better than otherwise comparable dwellings. Year of purchase exerted a
persistent influence on material benefit. Dwellings purchased before 1965 tended to fare better
than those purchased at a later date.
The CART procedure ranked the variables according to their relative importance. Capital position or gain was the most important single influence on material outcomes with a ranking of 100, it was followed by resale price with a score of 61 and year of initial purchase with a score of 48. Location was the fourth most important variable with a ranking of 33, trailed by year of resale at 18. The variable referring to the sale of a dwelling by the Commonwealth had a ranking of zero.

Slightly different factors were used to examine the distribution of benefits available notionally to home owners who had not sold their dwelling by the end of 1981. Potential benefits, it will be recalled were estimated by using part of the total formula. That is:

\[ B = [C] + [(I-R) - T - M - Rt] \]

where

- \( B \) = Benefit: the total flow of benefits or costs;
- \( C \) = Capital Growth through the period of the loan exclusive of original equity;
- \( I \) = Interest repaid;
- \( R \) = Imputed Rent;
- \( T \) = Transaction Costs;
- \( M \) = Maintenance Costs;
- \( Rt \) = Rates and Taxes.

The list of factors used in this regression tree included the suburb, the number of months for which the dwelling was owned, whether a dwelling was sold by the Commonwealth to a tenant and the purchase price. The tree of potential benefits was dominated by the period of ownership, location and purchase price. The greatest losses were associated with relatively expensive dwellings owned for less than one year (Terminal Node 3). The largest theoretical gains occurred in Terminal Node 10, for houses in Forrest owned for more than five years. There was only one negative result and a single other node with a value of less than $1,000. The regression tree highlighted one point, the structure of housing provision is geared to produce benefits for owner occupants. The financial attractiveness of home purchase was only ever in doubt when a dwelling was owned for less than 12 months.

Two points can be made about the distribution of potential benefits. Firstly, the period of ownership and location were the crucial variables. They were ranked by the CART procedure at 100 and 50 respectively. The data were split first into groups held for less than, and more than, five years - the median period of ownership in this study. As the earlier examination of
Figure 7.10: Regression Tree of Potential Beneficial

- Terminal Nodes
- 1 2
- 3 4
- 5 6
- 7 8
- 9 10 11
- 12 13 14
- 15 16 17
- 18 19 20
- 21 22 23

- Number of Months
- 12 13
- 14 15
- 16 17
- 18 19
- 20 21
- 22 23

- RESALE LIE
- $37,000
- $68,000
- $58,000
- $85,000
- $70,000
- $49,000
- $34,000
- $37,000
- $34,000
- $31,000
- $28,000
- $26,000
- $25,000
- $22,000
- $21,000
- $20,000
- $19,000
- $18,000
- $17,000
- $16,000
- $15,000
- $14,000
- $13,000
- $12,000
- $11,000
- $10,000
- $9,000
- $8,000
- $7,000
- $6,000
- $5,000
- $4,000
- $3,000
- $2,000
- $1,000
- $0,000

- Dollars (1000)
potential gains across time suggested, the more recent the purchase the lower the potential gains. Location was a far more significant factor in this regression tree than in the tree of realised benefits. Suburb stood out as a significant factor in the absence of competing variables. Areas of higher socio-economic status were separated consistently from the remainder: Weetangera, Forrest and to a lesser extent Reid, produced distinctive outcomes. Secondly, the results were far more even for uncollected benefits than for those received already. There were neither excessive gains nor profound losses. From this we can conclude that the sale of a dwelling results in a capital gain or loss which extends the range of outcomes associated with dwelling ownership. The collection of gains generated through the housing system hinges upon the state of the market.

The tree of potential benefits must be treated with caution. There is a considerable danger associated with interpreting literally results which were produced by an algorithm rather than data collection. The regression tree of unrealised benefits exposed simply the outcomes associated with the recurrent elements within the model used within this thesis. It showed how outcomes were affected by time and space. Differences between suburbs became significant in the absence of market fluctuations and the period of ownership was shown to be an important influence on outcomes.

The regression trees of potential and realised benefits share an important characteristic. It can be argued in both instances some factors that effected the market were overshadowed by the prominence of associated variables. The relationship between purchase price and suburb in the regression tree of potential benefits illustrates this point. Both reflect in part socio-economic status. The importance of location in this regression tree reflected price variations between areas. Suburb acted as a surrogate for purchase price. In a similar vein, government sales were not identified in either regression tree because the ability of the variable "government" to account for variation within the data, was tied to location and price. Both surrogates had greater predictive ability because they were a more consistent influence. The CART analysis was applied to a broad data set. Any statistical technique would have difficulty identifying a "government" effect if required to consider suburbs as diverse as Forrest, where there were few Commonwealth sales, and Higgins, where the government sold a large number of dwellings.

The rate of return from benefits was calculated using essentially the same formulae that was applied to capital positions. That is:

\[
\text{Rate of Return on Equity} = \frac{\text{Benefit}}{\text{Time} \times \text{Initial Equity}}
\]

and,

\[
\text{Rate of Return on Investment} = \frac{\text{Benefit}}{\text{Time} \times \text{Initial Equity}}
\]
The median rate of return on equity for potential and realised benefits in combination was 19 per cent per annum while the median return on investment stood at 7 per cent per annum. Once again, the rate of return on equity was analysed using CART for realised and potential benefits separately.

The regression tree of the rate of return on equity for realised benefits is set out in Figure 7.11. The median return on realised benefits was 29 per cent per annum, a figure comparable to the estimate of Burke et al (1984). Of greater importance was the range of outcomes which stretched from 2 per cent per annum in Terminal Node 12, to 140 per cent per annum in Terminal Node 8, to choose a grouping with a statistically significant number of observations. The data was divided in the first instance into the pre and post-boom periods centered upon 1975. Owner occupants who sold before 1975 received typically a return equal to 80 per cent per annum while those who sold after the market collapse collected benefits equal to a return on equity of 15 per cent per annum.

Many of the results presented here are spectacular. It should be noted that while some very large returns were received, most owner occupants collected benefits at a relatively modest rate. The results need to be qualified in three ways. Firstly, it should be remembered that the householder’s equity in the dwelling rose over the period of ownership and a proportion of the gains are in fact the consequence of enforced savings. The rarity of negative results can be attributed to the comparatively few households to receive a negative benefit. Secondly, no attempt was made to incorporate into the model an opportunity cost for the home purchaser’s capital. It could be argued that the returns set out here should be balanced against an opportunity cost of 10 to 15 per cent. Thirdly, it cannot be emphasised too highly that the rates of return presented here refer to initial equity, not the total investment. Far less spectacular results would appear if an analysis of returns on capital was presented. The focus on the returns on equity is justified easily. One needs simply to echo the sentiments of Burke et al (1984) who questioned where householders would find an investment with comparable security and returns. Having made these qualifications, the tree indicates the benefits that can be secured through home ownership. Home purchasers gained access to a continuous stream of advantages which were heightened or lessened by fluctuations within the market at the time of sale.

Market-related factors were far more important in the regression tree of rate of return of realised benefits than in the tree of cash outcomes. The year of sale and purchase dominated. The shaded area encompasses a group of households with very high returns. These cases were purchased and sold between 1969 and 1974, the period in which house prices escalated rapidly.
Figure 7.11: The Regression Tree of Rate of Return on Equity for Reissued Benefits
Short-term ownership during a boom market produced spectacular results. It is conceivable that some of the dwellings within this group were purchased by investors for speculative gain. Capital gains also exerted a guiding force on the distribution of returns. Location and sale price were of muted importance, though once again some variables may have acted as surrogates. For example, there is a strong relationship between capital gains and sale price. It is reasonable to conclude, however, that market conditions dictated the rate of return on equity while factors associated with socio-economic status became less significant. Year of sale was given a relative ranking of 100 by CART while capital gain scored 65, year of purchase scored 32, sale price 16 and suburb just 11.

The regression tree of returns on equity through potential benefits exhibited a pattern broadly similar to that of absolute returns (Figure 7.12). The structure of the tree was similar to that of cash returns although the composite variables differed. Once again the period of ownership was the first variable to differentiate the data set and continued to exert a determinant influence throughout the tree. Purchase price increased in importance while the role of location, as reflected in the variable suburb, declined. Period of ownership was ranked at 100 while price was given a relative weighting of 34 and suburb 16. One point of considerable significance to emerge from the regression analysis was that less expensive dwellings attracted higher rates of return. For example, Terminal Node 8 was created from the divisions of observations owned for between 60 and 109 months. The dwellings were split into a group valued at less than $40,200 and another group which were sold at higher prices. The former group received a return on equity equal to 26 per cent per annum while the latter received a return of 18 per cent per annum. A similar interpretation could be applied to Terminal Node 18. At the very least, the regression tree showed that owners of less expensive dwellings accrue benefits at the same rate as persons who own dwellings of considerable prestige.

The group of negative returns are to be found in the shaded area. With one exception, Terminal Node 2, dwellings owned for less than 12 months resulted in losses and the shorter the period of ownership the greater the loss. One point is highlighted by the concentration of negative results: owner occupation results in increased housing costs in the first year of ownership but financial advantages over any longer period.

The comparison of the rate of return for realised and potential gains provides interesting insights. Just one terminal node in the tree of potential benefits indicated a rate of return in excess of 100 per cent per annum. Very high rates of return were absent when potential benefits were considered alone. It can be concluded that, the housing market went beyond merely giving expression to a benefit derived from the national housing system. It was stated
earlier that capital growth, a factor associated with the national housing system was responsible for 80 per cent of the benefit accrued. That conclusion was based on median figures and must be qualified. Gains and losses associated with market volatility can reduce or further capital growth considerably. In some instances the capital gain will exceed the growth in the mortgagee’s capital through inflation. For other householders, a capital loss will strip away the impact of inflation. Market factors clearly must be given greater importance than aggregate figures would suggest. We must also recognise the diversity within housing market outcomes. Aggregate figures will only ever provide a rough guide to outcomes within the housing system.

7.4. The Impact of the Sale Policies of the Commonwealth

The consequences of the promotion of owner occupation by Commonwealth Government agencies has been a persistent concern within this thesis. One direct policy, the sale of government-built and owned dwellings did not appear to confer greater gains and benefits on lessees. Dwelling purchase from the Commonwealth was used as a test for an identifiable public sector influence. Two explanations can be put forward: either the Commonwealth’s activities had no impact on the attractiveness of owner occupation or that any such influence was lost amidst the greater number of cases and the substitution of effects within CART. This section uses counterfactuals to examine the position of owners who purchased dwellings from the Commonwealth and those who purchased land.

Alternative outcomes were examined by replacing the original pricing and finance structures with a set related more closely to market conditions. It has been argued elsewhere that both residential land and the public housing stock were sold at discounted prices. The capital gains or losses received by these owners were analysed and their material positions computed. Counterfactuals are used commonly in policy analysis. Counterfactuals are of considerable value for social research as they permit the examination of the probable consequences if a policy was not introduced. They are effectively an exercise in comparison. Alternative outcomes or futures are investigated through the generation of a series of propositions which are then tested. They allow the evaluation of a policy by creating an alternative future against which known events can be compared. Counterfactuals can be tested through group discussion, as with Delphi or Brainstorming exercises (see Masser and Folley, 1987; Beer and Paris, 1988), or through the application of alternative values to a model. The latter application is more common than is recognised. "Shadow pricing" exercises undertaken by economists are a form of counterfactual. All researchers who use mathematical models employ counterfactuals in the guise of alternative conditions.
7.4.1. The Sale of Public Housing

Purchasers of government dwellings have had a number of advantages available to them. Government homes were sold at discounted prices under favourable financial conditions. Both factors enhanced the relative attractiveness of home ownership. An estimate can be made of the value of these forms of assistance by comparing the benefits received with those that would have accrued had other arrangements been in place.

Approximately 1,400 occupancies studied here were initiated by the sale of a publicly-owned dwelling to sitting tenants. Roughly 500 of those owners resold their dwelling during the period of this study. The capital position for ex-government dwellings was very favourable. The median result was a capital gain of $7,000, twice that received typically across the market. Total benefits were calculated and identified. The median outcome, under government finance was a benefit of $30,000. A figure very close to the overall median. There was, however, a substantial difference in the calculated benefit for completed and incomplete occupancies. Completed occupancies received a median benefit of $41,500, while the notional benefit for dwellings not yet resold was $29,000. The completion of an occupancy, and the associated collection of a capital gain or loss, had a large impact on the financial position of persons who purchased a dwelling from the Commonwealth.

An alternative position for the owners of ex-government dwellings was investigated using two assumptions. Firstly, it was assumed that the purchase price was 20 per cent greater. There was a difference of approximately 20 per cent in the prices received for Commonwealth-constructed stock by the Commissioner of Housing and private owners of ex-government dwellings. That new price was used to calculate interest charges under existing bank conditions as opposed to government loans. The original material outcomes varied significantly from those realised under the new conditions. Completed occupancies would have resulted in a benefit of $28,000 if exposed to private sector pricing and finance conditions while uncapi talised benefits would have been reduced to $19,000. If we compare the benefits that were received with these alternative figures we find that the Commonwealth's encouragement of owner occupation through the sale of its stock provided a subsidy worth between $10,000 and $13,500 to the household. Extreme caution must be used in extrapolating the results of any study that does not use a sampling methodology. It is interesting, however, to speculate. If all 14,000 purchasers of ex-government dwellings between 1962 and 1981 received a comparable subsidy the aggregate benefit would total $150 million.
7.4.2. The Sale of Land

The sale of residential land at reduced prices was an important part of the NCDC’s platform for developing Canberra. The Commission strove to ensure adequate supplies of serviced land in order to avoid an overheated market. The Department of the Interior, and later the Department of the Capital Territory, introduced restricted and group auctions to ease entry into home ownership. Land sold at restricted auctions at prices well below those charged at open sales. Reduced land costs were an important subsidy to owner occupation in Canberra.

The value to the residents of the Commonwealth Government’s programs to reduce land costs was calculated by comparing received benefits with those accrued had other conditions prevailed. Households which purchased land from the Commonwealth received a median capital gain of $6,500. Once again, roughly twice that available generally. The 1,800 households which purchased land received a median average benefit of $39,000 from their ownership of residential property. Median realised benefits stood at $43,600 while median potential benefits amounted to $34,000.

Dummy land prices were substituted for those paid and combined with construction costs to create a new price. All land prices below ($1981) $10,000 were raised to that level to match the median price of land at unrestricted auctions. Finance costs were recalculated using the modified price.

The attractiveness of home ownership was diminished profoundly under the revised pricing regime. The median result was a benefit of $14,000 in two distinct parts. The position of the one third of land purchasers who had not yet sold their house and block of land was reduced by only $4,000 to $30,000. Completed occupancies presented a different picture. The computations showed that owners would have lost $6,000 typically had they purchased land at the new value and sold at the prices they received. The sale of government land at reduced prices was worth $51,000 to these householders. The median result for potential and realised benefits was an additional subsidy worth $25,000. It is interesting to speculate how consumer behaviour would have changed had land been priced differently. Housing consumption, as expressed in the quality of the dwellings erected and therefore construction costs, may have fallen. Alternatively, some dwellings may have been withheld from the market which have boosted prices across the market.

Twenty-eight thousand residential blocks were sold throughout Canberra during the period of this study. If, for the sake of conservatism, we assume that the median benefit of $25,000 for the study areas is slightly high because of the nature of the suburbs chosen, and the real advantage stands at $20,000, it suggests a subsidy of $560 million across Canberra.
One point stands out from the discussion of alternative scenarios: it was the capital subsidies which had the biggest impact on the welfare of owner occupants. The substantial difference in the outcomes available to persons who purchased land became apparent only when the rise in the dwelling's price and the associated capital loss was included. The significant difference in benefits available to the purchasers of government dwellings *vis a vis* land purchasers must be attributed to the nature of their assistance. Capital subsidies are far more valuable to owner occupants as they facilitate the receipt of capital gains and as importantly, reduce long-term housing costs. Lower acquisition costs result in reduced borrowings and diminished interest charges. It has been stated frequently that total repayments over the lifetime of a loan equal three times the initial capital borrowed. If we accept that rough guide, a saving of $6,000 on the purchase of land is worth an *additional* $18,000 in reduced interest charges. The total value of that subsidy is therefore $24,000. Clearly, a substantial capital benefit was of greater value than reductions in home finance costs.

7.5. Conclusion

This chapter examined the financial advantages associated with home ownership in Canberra. A model was developed of the benefits available through housing and the results of the application of that model interpreted. Capital gains and losses were analysed in the first instance and a measure of the total range of benefits examined. The analysis provided invaluable insights into the political economy of home ownership.

Capital losses were seen to be as real and as dramatic a capital gains. Typically, persons selling their dwellings received a capital gain of $3,300. That aggregate result, however, masked substantial variations especially across time. The market boom and slump of the mid-1970s split neatly the distribution of gains into two. The value of a dwelling had a substantial impact on the likelihood of receiving a capital gain and the size of that gain. The greatest absolute capital gains were received by the owners of the most expensive dwellings. Location exerted a secondary but appreciable influence on capital receipts. Substitution or surrogacy between variables was one reason location did not exert a greater direct influence. Much of the variation within outcomes due to the differences between suburbs was expressed in the analysis as a function of price. The data suggested capital gains varied according to socio-economic status.

The median total benefit for completed occupancies using bank finance was $32,000. That benefit varied significantly according to location, period of ownership, capital gain or loss and price. Total benefits appeared to reinforce the unequal results observed in the analysis of capital gains. The overall result was positive but certain housing situations were favoured at
the expense of others. The single greatest source of gain was capital growth through the impact of inflation on housing loans. This source of benefit was completely independent of the special nature of Canberra's housing market. The structure of housing finance discussed here is a feature of the national rather than the local housing system.

The importance of the housing market was demonstrated in the analysis of rates of return on equity. The period of purchase and resale was determinant in the distribution of returns to initial investment. It exerted also a sizeable impact on capital positions and realised benefits. The housing market must be afforded increased significance in accounts of the generation of benefits through housing. Theories that emphasise the public sector and government subsidies are inadequate. Any adequate explanation of the benefits available through housing must incorporate the processes of commodity exchange.

Avenues for gain specific to Canberra were identified. Both the sale of land and the sale of government dwellings provided some owner occupants with an opportunity to receive a gain above the norm. In each case realised benefits were approximately $10,000 above the median. The benefits they would have received under different housing policies were found to diverge sharply from receipts under the original formulation. Benefits should not have been collected through the housing system. The leasehold system of land tenure was intended to intercept the circulation of value through the housing market. The Commonwealth intended to reserve a substantial proportion of that resource for itself and reduce the usual range of benefits collected through the housing system. The rationale behind the leasehold system was the prohibition of profit through the consumption of residential property. The spirit of that legislation was breached clearly in the 1960s when substantial gains were being received already through the housing market.
Chapter 8

Conclusion

The nature, distribution and origins of the benefits received through housing raise fundamental questions for our understanding of the movement of value through property markets. The results of this study show that the relationship between land rent, fictitious capital, and housing market processes should be reconceptualised. Canberra’s owner occupants accrued significant material benefits from their housing. Home owners in the areas studied within this thesis were typically $32,000 better-off as a result of the occupation and sale of their housing. The receipt of benefits was structured in three ways. Firstly, Australia’s housing system was pre-disposed to provide benefits for owner occupants. The nature of housing finance was particularly important. Secondly, Canberra’s special development history resulted in locality-specific opportunities to benefit. Thirdly, households of higher socio-economic status accrued greater cash benefits from their dwellings. They were favoured both by market processes and the national housing system.

This chapter concludes by examining the outcomes of participation in the housing market, the processes that created value in real property and those factors which permitted its capture. Firstly, the results of the modelling exercise are scrutinised with respect to the distribution of benefits, their nature and size. Secondly, the processes and events that resulted in benefits for Canberra’s residential property owners are addressed. The major themes within Canberra’s development history are surveyed. Finally, the literature on benefits associated with housing is reconsidered. It is argued that market processes must be included within theoretically-informed analyses of housing, alongside concepts such as land rent and fictitious capital. That the housing market is a capitalist institution and that processes labelled as belonging to the "consumption" sphere are themselves related to production.
8.1. Benefits Associated with Housing

Substantial benefits accrued to residential property owners in Canberra. The nature, sources and extent of those benefits varied considerably according to the period of ownership, the resale price of the dwellings and location. Factors associated with the national system of housing finance and the treatment of owner occupation for taxation purposes, had a sizeable affect on the absolute level of gain received. The rate of return on equity for owner occupants hinged upon the state of the market at the time of purchase and resale. Subsidies arising out of Canberra’s development were important also, although their impact was discerned less easily. This section discusses the capital gains received by Canberra’s owner occupants, the set of benefits available to home purchasers and the social implications of the distribution of benefits.

A substantial body of research and debate has focussed on the capital gains received by property owners. Capital gains were calculated for the occupancies covered within this study by deducting the purchase price and the cost of any additional work, from the resale price. The median outcome, in constant $1981, was a capital gain of approximately $3,300. That result, while positive, did not suggest the substantial gains associated commonly with owner occupation. Hefty, long-term rises in the value of dwellings evaporated when prices were converted from nominal to constant dollars. Importantly, capital losses were almost as frequent as capital gains.

The likelihood of receiving a capital gain and the size of any gain hinged upon the state of the market. The CART analysis divided the distribution of capital outcomes into the market boom before, and the slump after, 1976. The rise in dwelling prices in the mid-1960s did not appear within the analysis because of the small number of dwellings involved. Dwellings resold before 1976 provided their owners with an average gain of $11,000, while home owners selling in the late 1970s could anticipate a capital loss of $2,200. The importance of the market was reflected clearly. For example, households which purchased dwellings of moderate value prior to 1972, and resold during the post-1976 slump suffered an average loss of $300. By contrast, households which resold at the same time but purchased in the boom market of 1972 to 1976, experienced an average capital loss of $11,000.

Socio-economic status contributed to the distribution of capital gains. Price was a significant variable throughout the regression tree of capital gains and losses. The greatest absolute gains were received by owners of the most expensive dwellings. Importantly, dwellings that commanded high prices resulted in large gains even during the market slump of post-1976. The overall capital return on equity was comparatively low, with a median of two per cent for all leases and 11 per cent for owners who sold before 1976.
The total benefits received by owner occupants in Canberra were calculated using an equation that combined capital positions, the imputed value of housing services, transaction fees, mortgage repayments, rates, land rent and maintenance costs. An overall result was calculated and the relative contribution of each segment of the model assessed. The growth of the home purchaser’s capital was the most significant single source of benefit. The capital owing to financial institutions was reduced in real terms by inflation. This factor contributed $25,000 to the typical benefit of $32,000 for completed occupancies and was therefore responsible for 80 per cent of the total. Other factors contributed to the welfare of home purchasers. Imputed rent was worth a median $19,000 to home buyers but its contribution was offset by an average mortgage interest bill of $15,000 for bank loans.

A complex picture emerged from the analysis of benefits received by owner occupants. The CART analysis of potential benefits mapped the interaction of structural factors influencing home ownership. Two conclusions stood out. Firstly, the period of ownership exerted a crucial influence: the longer the period of occupation the greater the gain. In general, households which owned their dwellings for 12 months or more, were likely to receive a benefit from their housing. Secondly, the recurrent elements within the calculation of benefit favoured areas of considerable prestige and dwellings of greater price. In cash terms, imputed rent and the erosion of monies outstanding to lending agencies by inflation, operated to the greatest advantage of owners of expensive properties, many of whom lived in Forrest, Weetangera or Reid. This picture was modified somewhat by the image presented by the regression tree of returns on equity. The market was more important when the rate of return was considered.

Realised benefits varied far more than potential benefits. The receipt of capital gains and losses extended the range of outcomes from owner occupancy. There were both far greater losses and more profound gains. The distribution of benefits varied also. Housing market processes were far more significant in the regression tree of realised gains than in the distribution of potential benefits and that trend was carried over into the consideration of percentage returns. For example, the date of resale was of considerable importance in the regression tree of cash outcomes.

Counterfactuals were used to estimate the value of the special subsidy provided to households which purchased land or government dwellings. The price paid in both instances was replaced with an estimate of the market value of those housing services. The new figures were incorporated into the model of housing benefit and the level of gain recalculated. Under these conditions, persons who purchased a government dwelling were seen to receive an additional
benefit worth between $10,000 and $13,500. The sale of land at reduced prices by the government was worth $25,000 typically and $51,000 for completed occupancies.

The special benefits provided by direct Commonwealth intervention in Canberra’s housing market had three consequences. Firstly, persons assisted by the government received, on average, slightly higher capital gains and housing benefits. Capital gains for persons who purchased residential leases and Commonwealth-built dwellings were approximately twice as large as those available generally. Secondly, the benefits were collected as enhanced housing consumption. That is, persons who purchased land and dwellings from the Commonwealth were able to purchase more housing than otherwise would have been the case. The third and related point, concerns the nature of Canberra’s urban economy in this period. Commonwealth subsidies to owner occupation boosted the housing market generally. Canberrans enjoyed a high level of housing consumption because Commonwealth Government subsidies lowered dwelling prices generally.

Important conclusions can be drawn from the distribution of benefits received by Canberra’s owner occupants. Home owners received substantial benefits from their ownership of housing. A return of 29 per cent per annum upon the sale of the dwelling is very attractive indeed. In real terms, the greatest source of benefit was the erosion of capital owed to financial institutions by owner occupants. Inflation resulted in an apparent capital gain for property owners. There was, however, considerable variation in outcomes due to fluctuation in the market. It is reasonable to assume that private landlords and owner occupants across Australia received benefits from this source.

The level of benefits received through housing was affected crucially by factors related to socio-economic status and wealth. Put simply, the analysis demonstrated unequivocally that persons of greater wealth collected the largest absolute benefits through housing. Factors associated with socio-economic status were very important. Location and the resale price of dwellings dictated outcomes. Owners of expensive dwellings did not necessarily receive the highest rates of return but they certainly collected the largest sums. The data suggest the magnitude of the differences between social groups within owner occupation but provide no insights into the differences between owner occupants and tenants. Households which did not purchase dwellings were invisible to the analysis. Generally this group comprised households of lower status and income. Many working-class households were excluded by their tenure from the benefits associated with property ownership in Canberra. For example, the lower, or north eastern section of Narrabundah was developed as an estate of working class housing and over time became a significant pocket of deprivation with many low-income households. The
majority of the dwellings were not sold by the Commonwealth because of their poor quality. Less affluent households resident there were therefore unable to enter home ownership and secure access to the benefits associated with that tenure. Long-term private tenants were in a similar position.

8.2. The Processes of Value Creation and Capture

Canberra’s owner occupants received a benefit from their housing because the ownership of residential property enabled them to capture part of the pool of value associated with the built environment. Two separate concerns must be addressed. Firstly, the processes that created value in Canberra’s housing market must be identified. Secondly, the social conditions that allowed owner occupants to capture the externalised value of that investment must be understood.

Value was created through all facets of human involvement with the housing market. Occupation, exchange and development contributed to the gains received by owner occupants in Canberra. Owner occupants received the use of their dwellings and were granted access to a system of housing finance that subsidised home ownership. Low and negative real interest rates meant that the general economy, through inflation, reduced the housing costs of home owners and enabled the purchase of a valuable asset at a discounted rate. Local factors also played a crucial role. Public and private investment in buildings and utilities raised land values in Canberra while market booms and slumps resulted in substantial windfall gains for some home owners.

Property owners in Canberra accrued benefits through housing because of the social organisation of property rights in land. The original leasehold legislation reduced significantly the range and size of benefits received through housing. Leasehold was meant to diminish or remove altogether benefits associated with rises in land values. Other sources of benefit would have been affected indirectly. Changes to the leasehold system abolished those impediments to gain.

8.2.1. National Housing Processes

Factors associated with the national structure of housing provision played an indirect, but important, role in the appropriation of value by Canberra’s residential property owners. Canberran’s participated belatedly in the growth of home ownership across Australia. Owner occupation boomed nationally during the late 1940s and the 1950s, while the proportion of dwellings owner occupied did not rise in the ACT until the 1960s. A number of factors
significant throughout Australia made important contributions to the evolution of housing in Canberra. The most influential amongst these were the development of a specialist housing finance sector, the 30 year period of economic prosperity that succeeded the Second World War and Australia’s high rate of population growth.

Owner occupation grew considerably across Australia from the late 1940s. Only 52 per cent of households in metropolitan areas owned or were purchasing their dwelling at the 1947 census. The rapid expansion of owner occupation occurred in conjunction with a massive increase in dwelling construction. The number of households across the country rose by roughly one quarter between 1947 and 1954. By 1966, owner occupation accounted for 72 per cent of all households in Australia. Canberra’s housing system developed in the 1960s within a national housing environment attuned to owner occupation.

Developments in housing finance were responsible in large part for the growth of owner occupation. Owner occupation came to dominate housing in Australia because of expansion within home purchase rather than outright ownership. Government policies lay at the heart of the escalation of funding for home purchase. The Commonwealth and State Governments introduced programs which promoted owner occupation and enacted legislation which encouraged banks to participate in the housing finance market. The Commonwealth Government contributed directly to the expansion of home ownership through the War Services Homes Division and the provision of funding to building societies as part of the Commonwealth State Housing Agreement (CSHA). The War Services Homes Division provided 113,000 loans between 1945 and 1956, accounting for 10 per cent of all dwelling completions over that period. The Commonwealth encouraged the sale of public rental housing from 1956 and included the promotion of owner occupation through other means within the CSHA of that year. Commonwealth funds were directed into a Home Builders Account which provided finance to co-operative building societies. In 1956 some 30 per cent of funds for home purchase were provided by the Commonwealth Government.

Australia’s housing finance system changed radically in the post-War period. A specialist housing finance system developed based first upon savings banks and secondly on permanent building societies. The structure of finance played a key role in the development of owner occupation. Interest rates on home loans were consistently below market rates and occasionally below the rate of inflation. In the late 1970s real interest rates were negative as inflation outstripped the cost of home purchase finance (Badcock, 1984). Government regulation of housing mortgage rates was responsible for the low cost of funding. It resulted in the subsidisation of home purchasers by persons holding passbook and other retail accounts. Banks
were able to lend money at 6.25 per cent during periods of inflation in excess of 10 per cent because they in turn paid 3.75 per cent for their funds.

Population growth and positive economic conditions were other factors to shape Australia's housing system. Australia entered a period of sustained economic prosperity in the late 1940s that resulted in rising real wages. A growing proportion of households had incomes sufficient to support housing loans. The percentage of households purchasing a home doubled between 1947 and 1954 and doubled again between 1955 and 1976 (Paris, 1988).

Australia's population grew rapidly after World War Two. The 1940s and the 1950s were witness to a boom in births associated with an increase in the popularity of marriage and the tendency for married women to have children at younger ages. Post-War immigration added to the baby boom as many migrants were within the years of family formation. Overall, there were approximately one million more births in Australia in the 1940s than in the 1950s. The boom in fertility was associated with a rapid rise in the number of households in Australia. The population of households escalated from 1.9 million in 1947, to 2.4 million in 1954 (Neutze, 1981). Dwelling construction increased at a comparable rate over this period. Roughly 900,000 dwellings were built in the 'baby boom' years of the late 1940s and 1950s.

Immigration was the final major influence on Australia's housing system. Australia gained directly almost 3.2 million persons via immigration between 1945 and 1970. More significantly, almost 60 per cent of the nation's growth between 1947 and 1971 was due to migrants and their children (Birrell and Birrell, 1981). Migrants brought with them new attitudes to housing. Many ethnic groups placed a great emphasis on home ownership. Paris (1988) noted that Italians, Greeks and Yugoslavs had very high rates of home ownership and home purchase at the 1981 Census. Similar figures applied to other Southern European groups. Migrants from Continental Europe were more anxious to enter home ownership than either Australians or British-born migrants.

8.2.2. Local Housing Processes

Canberra's housing system can be considered a 'locality' with a distinct set of relations affecting housing production and consumption (Dickens et al, 1985). Housing was produced under the substantial influence of local factors and resulted in outcomes specific to Canberra. The identification of localities within housing research presents important theoretical questions. Localities are a contemporary research pre-occupation and have given rise to a literature that is more voluminous than substantial. Fashionable lines of inquiry do not necessarily result in advances in our understanding of social life. The concept of housing
"localities" must therefore be treated with a degree of wariness. Certainly, not every twentieth century Australian city should be considered a locality. For example, the differences between Adelaide and Sydney are more a matter of degree rather than kind. National and international factors associated with housing production under capitalism eroded many of the historic local features of housing markets. Canberra, however, was undeniably a locality at the start of this study period. It (along with Darwin, Australia's second Commonwealth city) diverged considerably from typical housing processes in Australia. The leasehold system of land tenure, public sector housing development and large-scale government rental, removed Canberra from the range of typical Australian housing processes. Canberra's distinctive nature was reduced over time and the entry of wholesale commodity relations into Canberra resulted in benefits for the city's residents.

The rapid growth of Canberra in the 1960s and 1970s was accompanied by other changes and developments within the housing sector were of central significance. The ACT's housing system became less distinctive. Housing production and consumption took on many of the characteristics found elsewhere in Australia. Canberra was transformed from a publicly-owned city to one in which private interests exerted great weight. The amendments to leasehold legislation took on increased importance as the number of persons with property rights in land grew and the value of those rights escalated.

Four major themes emerged from the history of urban development in Canberra. The first two relate to administrative decisions that influenced Canberra's development while the latter pair reflect the consequences of those developments. Firstly, it can be argued that the Commonwealth's investment in infrastructure provided residential property owners with special opportunities to benefit from their housing. Secondly, that the reliance on Commonwealth funds for development created tensions within Canberra's development. That tension triggered changes which operated to the advantage of residential property owners. Thirdly, that the reduction of Commonwealth rights over residential property under leasehold made the receipt of benefits through housing possible. Finally, that the emergence of the private housing market in the 1960s was facilitated by a range of programs that provided some of Canberra's property owners with direct benefits.

The Commonwealth's investment in Canberra's built environment resulted in special benefits for residential property owners. Australia's national capital was developed with Federal monies because it proved impossible to fund construction out of locally-generated revenues. Commonwealth Government finance established and supported the capital's land market. The NCDC alone spent $3.2 billion ($1981) on construction projects between 1958 and 1981.
Public sector expenditure promoted Canberra’s housing market and facilitated the growth of land values. It financed community needs such as schools, parks and roads, as well as national projects, including the erection of buildings of national importance. The city as a physical resource was enhanced greatly by public-sector development. Sustained investment and the provision of a wide range of facilities increased the attractiveness of established properties.

Public-sector investment in Canberra’s housing market had a distinct local dimension. Government outlays are important for all property markets. Canberra, however, differed from the Australian norm. Firstly, the Commonwealth Government provided services directly. It is more usual for local or state governments to hold responsibility for these functions, although Commonwealth funds are often used. Secondly, the ACT community was not expected to repay monies spent on Canberra. Subsidies to Canberra’s residential property owners were both officially sanctioned and expected. In its submission to the Commission of Inquiry into Land Tenures, the then Department of the Capital Territory estimated that the shortfall of land revenue over expenditure alone amounted to $80 million in 1971, or $224 million in constant $1981 terms. It should be noted that, all such estimates must be treated with a degree of skepticism because accurate records were not kept of all government expenditures. The estimate of the Department of the Capital Territory was likely to be conservative as it excluded funding for housing and some major construction projects.

The Commonwealth bore the full cost of Canberra’s construction. It did so because of the problems it encountered in its attempt to develop the capital at a profit in the 1920s. The responsible government instrumentality of that time, the Federal Capital Commission, was required by its founding legislation to provide a return on all its funding plus recoup monies spent previously. Its policies and practices resulted in considerable public disquiet. Transferred public servants and local investors alike, objected to the charges placed upon them. In turn the FCC faced considerable costs. Agitation over rents and conditions in the Territory resulted in separate Inquiries by the Public Accounts Committee and the Auditor-General. These reports gave form to a principle that was to shape Canberra for the next 60 years. They enunciated for the first time the philosophy that Canberra was the nation’s capital and that the nation as a whole should pay for its development. That philosophy persisted even as Canberra grew into a city of 250,000 persons.

The dependence on Commonwealth funds for Canberra’s development created tensions within the administration of the city. Those frictions led eventually to benefits for residential property owners. The Commonwealth Government’s inability to provide sufficient resources for Canberra’s needs resulted in major changes in the city’s social constitution.
The lack of adequate capital was a persistent problem, evident from the very start of construction. The problem had at least two origins. Firstly, the Commonwealth Government simply lacked the necessary funds. Early Federal Parliaments had restricted sources of finance and believed that the development of the seat of government would add to general revenue. The First World War and the Great Depression denied Canberra the funding necessary for successful development. Resources were limited even after 1941 when the Commonwealth assumed sole responsibility for the collection of personal income tax under the Uniform Tax Legislation. Secondly, Federal Parliament had a limited interest in the development of the seat of national government. There was sustained agitation and public criticism of Canberra’s development up until the 1920s. Parliamentary indifference arose partly from provincial jealousies and partly from a democratic tradition reluctant to spend substantial monies on national government and a federal government at that.

The need to rely on appropriations from the Commonwealth Parliament troubled all bodies charged with the development of the seat of government. The Federal Capital Advisory Committee received only half of the funding required to implement its development plan of 1921. Financial strictures contributed to the dispute between the Department of Home Affairs and Walter Burley Griffin. There was genuine concern amongst officers of the Department at the cost of implementing Griffin’s plan. The Department of the Interior and the National Capital Planning and Advisory Committee were also troubled by the lack of sufficient funding. The 1947 Transfer Plan drawn up by the latter body failed to meet its objective of transferring 7,000 public servants and their families to Canberra over 10 years. Its failure was attributable partly to the lack of resources.

The shortage of housing was indicative of the funding problems facing Canberra. The 1930s through to the 1950s were characterised by tight housing conditions with long waiting lists for government-rental accommodation and the segregation of married couples into single-sex hostels. Non-traditional housing technologies were applied in Canberra in order to hasten the pace of housing construction. Riley-Newsum, mono-crete, and other forms of pre-fabricated housing were erected. The consequences of the tightening of monetary policy in the early 1950s displayed the nature of the problems faced in this period. In 1951/52 the government wished to reduce its expenditures and accordingly sacked its Canberra construction workforce. Many workers returned to Sydney and had to be replaced afresh when development recommenced.

The Commonwealth’s finance problems were linked to the reluctance of private interests to invest in the capital. The high level of government rental housing in the 1950s was
symptomatic of private sector attitudes. Public servants were unwilling to accept transfer or promotion to the "bush capital" and were even more reticent to invest their savings in the purchase of a dwelling. The Commonwealth was effectively the sole source of funds for the city's development. It is therefore understandable that the requirement to match all needs checked severely the rate of growth and development.

Changes to Canberra's system of administration and development were accepted readily by the Commonwealth because of the difficulties it experienced with funding. The rapid turnover in administrative structures reflected the Commonwealth Government's willingness to explore more effective ways of establishing the capital. The Department of Home Affairs was replaced by the Federal Capital Advisory Committee because of its failure to achieve satisfactory progress in the development of the capital. The FCAC was in turn superseded by the Federal Capital Commission because the Bruce-Page Government wished to demonstrate its commitment to Canberra. Similar motives lay behind the development of the National Capital Planning and Development Committee and the National Capital Development Commission. Changes were not limited to the means of governance. Alterations to the leasehold system of land tenure and the promotion of home ownership in the 1960s were linked to the need to develop Canberra expeditiously and economically.

The decline of the social intervention component of the leasehold system made the receipt of benefits through housing possible. Leasehold was meant to intercept for the Commonwealth value flowing through the housing market as a result of its investment in the capital. That intention was soon lost through the desire to hasten the development of the capital and because of political agitation.

The leasehold system gave rise to distinct local benefits for lessees. Owner occupants were able to acquire sites inexpensively. Total commitments were reduced by the system of premium and land rent payments. Land rent was eroded by inflation and abandoned altogether in 1971. Lessees could therefore purchase a site at a low price but receive full market value upon resale. The series of amendments to leasehold legislation gave lessees progressively greater rights. The distinction between leasehold and freehold was further eroded by the extension of periods between reappraisals, the introduction of premium payments and the right of sale of unimproved sites with the Minister's approval. The abolition of land rent was simply the final episode in a long history of change.

The leasehold system of land tenure had a more general impact via its influence on the housing system. Leasehold made possible public intervention in the housing market which resulted in the inexpensive acquisition of dwellings by sections of the public. The ownership of
urban land by the Commonwealth allowed the development of a substantial public housing sector and the auction of sites under favourable terms. Restricted auctions in particular, gave evidence of the longitudinal significance of leasehold. The abolition of land rent payments was the symbolic end of the social objectives of leasehold. Prime Minister Gorton’s action provided a direct boost to the material position of residential property owners. The Commonwealth simply wrote-off the recurrent financial obligations of lessees. In fact, the government had previously discounted that commitment through very low land rents.

Leasehold failed to achieve its social goals because it suffered from two related weaknesses. Firstly, it failed as a policy instrument. It was overly cumbersome to administer and engendered disputes. Further, it was seen as a disincentive to private investment. It did not even succeed in its own terms, as it failed to furnish the Commonwealth with substantial revenues. Leasehold was amended because it was a failure as an instrument of economic policy and would have required politically inexpedient actions to achieve its goals. Moreover, leasehold failed to deal adequately with housing as real property. Leasehold was meant to prohibit speculative activity in real property but was unable do so because housing was treated differently to developed sites. Speculation in raw land was checked but profit-taking from developed sites was condoned. A false distinction was drawn between the two which led to the escalation of land values and provided home owners with cash benefits.

Leasehold’s contribution to the welfare of home owners and purchasers should be judged with respect to its initial objectives. The original conception of leasehold was to create a socially-just city. Rising land values were to be reserved for the Commonwealth and both fuel the development of the seat of government as well as add to general revenue. Leasehold fell far short of those goals and in fact operated to the advantage of lessees. It allowed many to purchase properties at a subsidised price and resell at full market value.

Canberra’s housing system was transformed over the period 1962 to 1981 from a system dominated by the public sector to one in which private market processes played the leading role. The emergence of Canberra’s housing market was assisted by a range of programs that provided home owners with special opportunities to benefit from housing. Canberra’s private housing market developed in the 1960s largely out of the NCDC’s determination to encourage private housing construction and the sale of government dwellings by the Department of the Interior.

The limitations imposed by inadequate Commonwealth funding contributed to the rise of the private housing market. The NCDC encouraged owner occupation in the late 1960s as it felt that private development and investment was the only way of ensuring the supply of sufficient
housing units to meet the requirements of Canberra's expanding population. The NCDC faced many of the same problems that confounded its predecessors. Its construction budgets in the late 1950s and early 1960s were similar to those of the Department of the Interior in the preceding years. The Commission appreciated that annual appropriations would not allow it to meet the requirement for housing. To overcome this difficulty, it directed an increasing proportion of funds into land development, as opposed to dwelling construction. Every emphasis was placed on private dwelling construction. The NCDC assisted home ownership in a number of ways. For several years it ran a small homes advisory service and organised home building exhibitions. The local building societies were assisted and development firms were kept in the ACT through a constant stream of contracts. The Commission kept land prices low by ensuring adequate supplies. Pricing policies and the system of restricted auctions further enhanced the opportunities available to persons wishing to purchase a residential site. Land rents were set to recover average development costs and persons who had not owned a dwelling previously could buy at restricted auction where prices were much lower.

The Commission’s policy of encouraging private housing construction acted in addition to the sale of government dwellings by the Department of the Interior. Dwellings were sold under favourable terms. Housing finance was provided by the Department of the Interior at a fixed rate until 1970 and below market rates after that date. Canberra’s growth resulted in increasing numbers of households willing to purchase their dwellings. Relatively few persons acquired their government dwelling in the early 1950s despite the favourable terms under which they were offered. Few households wished to make a long-term commitment to Canberra or leave the heavily subsidised public-rental sector.

Canberra’s home purchasers in the 1960s and 1970s were eligible for a range of subsidies and the benefits that resulted from these policies were the unconscious consequence of deliberate programs. The NCDC and the Department of the Interior did not set out to promote the material position of owner occupants. They did, however, follow policies that could have had no other consequence. Even a fully functional leasehold system could not have recaptured the full range of subventions available to home purchasers. Government policies distinguished a group of persons with special benefits, regardless of socio-economic status or income. Households were not required before 1972 to pass a means test to purchase a government dwelling or qualify for restricted auctions. Instead, they simply had to wait on a list in the first instance, and have not owned a property previously in the latter. Households of substantial means could and did meet these conditions.
8.3. Land, Housing and the Receipt of Gains

Fundamental processes within society made possible the receipt of gains through housing. Owner occupants were able to collect substantial benefits because of the nature of the land market and the social organisation of property rights in land. Land as a legal institution and as a component of capitalist society, structured the capture of value through housing. It exerted a guiding influence on the nature of housing production and consumption in Canberra.

This section examines first the part played by the land market in the collection of benefits through housing. The importance and role of land market processes can be understood fully only through the consideration of alternative scenarios. Few, if any, benefits would have accrued if Canberra had remained a small town struggling to expand. Investment in the built form of the city produced a buoyant urban economy in which it was possible for owner occupants to accrue benefits through inflation and price movements. A declining urban economy would have removed or eroded these advantages. The collapse of dwelling prices after 1976 demonstrates this point clearly. The section goes on to look at the implications of this study for the interpretation of housing markets. In particular, attention is focussed on the importance of incorporating the sources of gain into explanations of housing processes. Prior debate has concentrated on the size of benefits received through housing. The origins and distribution of benefits, however, are of greater significance. Urban land, like agricultural land, produces value. Difficulties have arisen because researchers failed to recognise the sources of gains and incorrectly assumed that they arose from consumption processes. The value captured through the ownership of housing is more correctly attributed to institutions within society associated with the production of wealth.

8.3.1. The Land Market and Property Rights

Rises in the value of land in Canberra underpinned the receipt of benefits through housing. Median land values in the study areas rose 600 per cent over the period of this study. The land market played a structuring role. It made possible the receipt of gains through housing but its effect, with the notable exception of Kingston, was not apparent readily. Importantly, value was maintained in Canberra's land market by continued investment in the dwelling inventory and sustained demand for that stock. An appreciation of the role of the land market for the receipt of gains through housing is therefore critical. The importance of investment decisions and the role of real property cannot be emphasised too highly.

A number of factors are "packed into" dwelling prices. The state of the market, the price associated with the dwelling structure and the value of land exert a recognisable influence on
house prices. At various times prices paid for housing in the study areas between 1962 and 1981 reflected the importance of each. The relationship between these factors shaped the benefits received through housing. The land component within dwelling prices increased over time as the market evaluation of the resources embedded in Canberra’s property market increased. The intrinsic value of land in the capital rose while the market dimension to the benefits received through land was of continuing importance.

Land value rises affected property owners in two ways. Firstly, they received a land-related gain through the processes of market exchange. Capital gains reflected fluctuations in the value of property rights to persons seeking housing. In large part, these rises were fueled by the need of households entering Canberra’s market to secure accommodation. High prices were paid during periods of housing shortage because of the need to obtain shelter. This market-contingent benefit was a function of the land component within housing which confers the rights of occupation and exchange. In this sense, the possession of property rights granted owner occupants access to a speculative benefit associated with commodity exchange. Rises in the intrinsic value of land was the second way in which property owners benefited. Land values in Canberra outstripped inflation and the rate of capital depreciation of the stock. Land values did not display the spectacular peaks and troughs that marked house prices, although there was some variation. Kingston, however, displayed marked price movement while the value of land in Forrest rose at an impressive rate.

The inner suburbs witnessed the greatest rise in land values because of a marked increase in the appreciation within the market of the advantages bestowed by their relative locations. Land values rose rapidly in these areas as the benefits offered by inner sites became more pronounced as Canberra grew. In addition, the prestige associated with areas of high status, such as Forrest, grew as a greater number of wealthy households were attracted to them. The greatest rises in land values were received in those suburbs whose qualities could not be substituted easily.

Land value rises outpaced the depreciation of the dwelling stock. Houses decline in value as they age. Greater maintenance is required and the desirability of dwellings may fall as tastes change. In some instances, dis-investment in the dwelling stock may lead to the creation of low-rent areas or even slums. House prices, however, did not fall in the older areas of Canberra because the increase in land values outweighed the decline in the dwelling inventory. Sustained investment in Canberra’s housing stock resulted in rising land values and produced a general benefit by supporting prices in the market. Investment in additions and renovations reflected differences between suburbs. The most expensive suburbs attracted the greatest
number and value of additions. Canberra's healthy urban economy maintained the value of the dwelling stock and thereby allowed the capture of value from other sources. Low interest rates on home purchase are of limited worth if the real price of dwellings fall over a prolonged period. Even during the market slump of the late 1970s, Canberra's housing stock continued to grow in value through investment in additions and renovations, as well as some new developments.

Material benefits through housing were made possible by the organisation of property rights. The social origin and impact of profiting from land and housing needs to be understood. Speculation in land and housing has been a commonly studied feature of the development of cities. The benefits received through the occupation of dwellings are a related concern. The 'national preoccupation' of speculating in land and housing is more than just a quirk of the Australian character (Sandercock, 1975). It arose from specific historical processes that determined the way in which land has been dealt with by our society. It is not sufficient to argue that speculation in land occurred simply as a result of market exchange. Such explanations are tautological. Numerous studies have highlighted the differences in land administration and property rights between nations (Neutze, 1988; Kemeny, 1983; Dickens et al, 1985). Land is not a speculative commodity in all societies, nor even all capitalist societies. Governments can and do regulate social processes, including class relations. The delimitation of rights in land is one of the most important ways in which the state can influence social outcomes.

Property rights in land have a history which is central to the interpretation of value within residential property. The history of land ownership in societies with a British legal heritage is very much the story of the rise in commodity relations. Land markets were effectively bound to the capitalist social order and the means of production of wealth. Real property is a set of rights and duties with respect to a parcel of land. Land, however, came to be treated in the seventeenth and eighteenth centuries as a commodity like any other good or negotiable instrument. This change occurred in conjunction with the rise of mercantile capitalism. Land simply became another form of capital.

Land was the most important form of property within feudal society because of its central role within the creation of wealth within that social system. The monarch held all rights in land following the Norman conquest of England. Estates and smaller parcels of land were released to other persons in return for military service or the payment of monies. Individuals were granted the right to use a dwelling under the Crown's forbearance. Property rights changed over time in Britain. The Monarch's rights over land were removed during the Civil
War. Property came to be treated as an object rather than a set of rights by the seventeenth century. Pocock (1976) argued that common conceptions of property began to change in the seventeenth and eighteenth centuries as the agrarian view of property (based on the ownership of rights in land) was overtaken by ideas derived from mercantile capitalism. Land was replaced as the most important form of property within society by an array of other goods. Moreover, property became individualised. Private property became the dominant form, while common property diminished (Reeve, 1986).

The system of separable rights in land declined in conjunction with the ascendency of capitalist social relations within Britain. The 'commodification' of land converted real property into another form of capital within society. The reinterpretation by the courts of 'greatest interest' to mean absolute ownership in this period gave landowners the exchange value of their estates. Exchange value was not a right available under the feudal system of landholding as each property was part of the king's estate and commoners also held (admittedly limited) rights over land. It could be argued that the new position of real property strengthened the connections between land and capitalist society while weakening the legal recognition of the physical characteristics of real estate. Real property within the British legal heritage became attuned to productive relations within capitalist society. Housing, like all other forms of property in land, became simply another form of property within society.

8.3.2. Housing Markets and the Capture of Value

Explanations of the processes that give rise to benefits through housing need to be reconsidered. The results of this study challenge established ideas and emphasise the importance of increased sophistication in the concepts and analytical techniques applied to the examination of housing outcomes. The literature on the benefits available through housing has been confused because housing markets were labelled inappropriately a feature of consumption. Most writings on economic processes have recognised that markets are linked closely to the production of wealth. Neo-classical approaches consider the market to be the final arbiter of values within society while Marxist writings stress that surplus value can only be realised through exchange. The purchase and resale of real property has been treated differently, as benefits have been seen to arise from sources outside of production. Such approaches must be discarded if we are to understand fully the flow of value through property markets. The theoretical literature on the benefits available through housing must recognise the significance and incorporate the details of market exchange into their discussions. This section examines the way value within housing should be conceptualised and goes on to suggest methods for resolving the apparent contradiction between market exchange and structural factors within housing.
The receipt of gains by property owners in Canberra challenges established ideas by calling into question other works that produced contrary results. The results of this study diverge from those of other researchers because a wider perspective was applied to the flow of value through housing. Edel (1982) and Edel et al (1984) argued against home owners being favoured by their tenure. Their argument was based upon the premise that the flow of value through housing was capitalised into dwelling prices and more specifically, land values. They contended that land values simply did not rise significantly over the period of Boston’s suburbanisation and concluded therefore, that home ownership did not constitute a significant avenue for wealth accumulation. The data analysed within this thesis presents a very different picture. There are important reasons behind these differences. The argument developed by Edel et al (1984) was limited by a narrow conception of the benefits available through home ownership and the way in which price and value interact within the market place. Land value rises are only a small fraction of the political economy of home ownership as there are other benefits which are relatively indifferent to the processes of market exchange. Further, some values, such as imputed rent, are discounted within the market and only reflected in part by prices. The expected use value of a dwelling is an important component of a purchase price but the purchaser’s assessment of that value is balanced against uncertainty over the period of occupation and possibly higher housing costs. In short, movements in land values are not necessarily indicative of total value flows through housing.

The domestic property class thesis developed by Saunders (1979, 1981) suffered also from a limited perspective on the movement of value through housing. Saunders recognised the importance of market processes for housing outcomes. He contended that home owners received substantial capital gains that constituted an avenue of wealth accumulation independent of the means of production. Saunders (1984) abandoned these views in the face of sustained criticism. It is, however, worth dwelling upon the role of capital gains. Two conclusions of theoretical significance were drawn from the analysis of capital benefits. Firstly, growth in the real value of dwellings had a muted direct influence on the total capture of value by property owners. The median capital gain of $3,300 was unlikely to increase significantly the net worth of many households in the ACT. Rises in dwelling prices, like land values, are only part of the flow of value through residential property markets and must be considered alongside other avenues for gain. Secondly, capital gains exerted a guiding influence on the total range of benefits accrued through housing. The indirect role of capital gains was far more significant than its direct contribution. Housing-related benefits were received in an environment structured around market exchange. The capture of benefits associated with the national structure of housing provision, such as the impact of inflation on mortgages, was mediated by the market. Capital gains bound together the systematic and market components of housing benefit.
The arguments of both Saunders (1981) and Edel et al (1984) foundered because the authors adopted a limited approach to the flow of value through housing. The analysis of housing outcomes is made difficult by the technical and conceptual problems that must be overcome. Research on the material outcomes associated with property ownership must interpret housing processes in a rigorous and comprehensive manner. Very real benefits were seen to be received by owner occupants once sources of gain outside of dwelling price or land value were included in the analysis. Imputed rent, maintenance costs and interest repayments affected the financial attractiveness of home ownership. Many analyses stumbled previously because they concentrated on apparent rises in dwelling prices alone. The researchers were aware that home owners benefit from the inflation of house values but drew wayward conclusions because they reviewed price movements in isolation from the total structure of housing provision.

Discussion of the benefits available through housing must recognise that the greatest advantages accrue to the wealthiest households. In cash terms both structural elements, such as the system of housing finance, and market processes favoured the owners of the most expensive dwellings. They received the largest gains and were less likely to suffer losses. The rate at which benefits accrued was relatively indifferent to socio-economic status but it should be noted that the household which receives a twenty per cent annual return on $80,000 of equity is in a far better position than one which receives the same rate of benefit from an initial investment of $15,000. The benefits received by owner occupants are therefore inequitable within, as well as across, tenures. Public and private tenants are excluded from this form of wealth accumulation altogether.

An interesting perspective can be gained on the benefits received through housing by recalling Saunders' (1981) comparison between the financial positions of households which invest in home purchase and those which invest in the stock market or bonds. The rate at which the material position of each household is advanced will depend upon a range of conditions. A household which "plays" the stock market astutely could conceivably receive profits that outweigh by far any return available through the housing market. Of greater significance is the fact that home purchasers had access to sources of benefit unknown in general investment. It is the origin of the benefits that is important, despite the impressive returns on equity received by owner occupants.

Governments promoted and enhanced one form of wealth accumulation and moreover it was a form of investment to which households had unequal access. Home ownership was not ‘An Investment for All’ (Stretton, 1986). Owner occupants had the advantage of subsidised interest rates and the erosion of their capital borrowings by inflation. These special sources of benefit
distinguish house purchase from other investment and raise questions about the social justice of subsidised housing loans.

Marxist explanations of the benefits available through real property confront considerable difficulties because of the production emphasis of that research tradition. The need of Marxists to base all revenues in society within the productive sphere created a barrier to the successful interpretation of housing outcomes as benefits derived through exchange have no place within Marxist theory. There are therefore two related problems. Firstly the source of benefits must be identified within the sphere of production and secondly, the part played by the market must be understood. The creation and capture of value through residential property markets can be understood only by marrying the concepts of fictitious capital and land rent, with market processes. Theoretically-informed analyses must allow for the significance of market exchange. Such a concession must recognise that the dwelling-purchase market reflects the commodity nature of housing. Revenues captured by property ownership are part of the more general circulation of value within society. Shifts and swings within the market, however, determine which property owners benefit and to what extent.

Harvey (1982) identified property in land as a form of fictitious capital while dwellings were considered part of the consumption fund. Landed property provides the owner with a lien or entitlement to future revenues. That return is a land rent appropriated from the processes of production.

The discussion of land rent within city property markets is complicated because Marxist writings on rent (and most especially those of Marx himself) were based on Ricardo’s work on agriculture. Agricultural land clearly produces wealth, as does commercial property within cities. The generation and origins of benefits are less easily observed in residential land. How then should residential land be considered and interpreted?

Residential property should be seen to provide benefits which are given substance when a property is transferred. Rent can be attributed to a number of sources depending upon the uses for which a site may be used. Residential property provides a rent equal to its use value (conceptualised for either consumption or the reproduction of labour) plus any loading for anticipated future rises in exchange value. Adequate shelter is a requirement of all people and surplus value generated in production is directed into housing. Competition between households may lead to price fluctuations over time and higher land values in the most desirable locations. Households may choose to spend some of their wealth on greater levels of housing consumption. Many of the advantages provided by housing, can be seen as use values and are either difficult to quantify or not normally expressed in cash terms. Markets have the
capacity to convert the set of values or benefits associated with property ownership into cash prices. They give concrete expression to the flow of value within the built environment.

Benefits received through housing are derived from the productive sphere. Land ownership does not create wealth. The rents captured in this thesis stemmed from either the Commonwealth's investment of taxpayer's money in Canberra or the resources Canberran's invested in housing. Land secured a higher proportion of the incomes of households that purchased dwellings during market booms while land values in inner urban locations accelerated ahead of the general land market as public and private expenditures boosted the relative advantages offered by those sites. Those locations were able to command greater amounts of wealth generated in production.

The housing market and all its contingent social relations exerts a powerful influence on housing outcomes. The market determines individual housing experiences and it is through it that the circulation and appropriation of value is expressed. In short, the housing market mediates between the individual and structural forces effecting housing. The significance of the market has important implications for future research and theory formation. The process of exchange is an important area for future study and should not be dismissed as "consumption". Detailed analyses of property market movements, methods of selling housing and the real estate industry are as important as exercises in the creation of "grand theory". Every effort should be made to link the market to wider explanations of social formation and housing.

The results and conclusions of this study challenge the premises upon which analyses of political movements concerned with the defence of residential property rest. The discussion of political agitation over housing issues must be seen in a new light if housing is to be considered property like any other commodity. The argument that residential land is no different from other forms of property was awarded considerable attention within this study. Too much research has reified housing, attributing it with special attributes (see Stretton, 1986). In some respects that argument is justified, particularly with respect to the satisfaction of human needs. However, it must be balanced by a broader perspective on the role of housing within society. As a form of property, housing is differentiated by its physical characteristics and its prominence within a group of capitalist societies. The importance of home ownership in Australia, New Zealand, Canada, Britain and the United States has had very little to do with any inherent superiority of home ownership and a great deal to do with government policies. Our views on the ideology of home ownership and political struggles should accept that a political response would arise whenever property is threatened.
8.4. Conclusion

This study set out to measure the impact of the Commonwealth's intervention in Canberra's housing market on home ownership. The importance of national housing policies was one of the most significant conclusions to emerge from the analysis of data. The national system of housing finance, a product of Commonwealth Government policies, gave rise to fully 80 per cent of the benefit received. Local affects were evident. The sale of land and housing at discounted prices resulted in increased benefits for the households involved. Importantly, their privileged status was not apparent readily and was only discerned through the use of counterfactuals. The receipt of material benefits through housing should have been prohibited or lessened by the leasehold system of land tenure. In one sense, every dollar of benefit collected by Canberra's residential property owners was accrued at the expense of Australian tax payers. Leasehold, however, facilitated the receipt of benefits through housing by enabling the acquisition of dwellings at low prices and boosting government involvement in the land and housing markets.

The nature and size of housing-related benefits received by owner occupants in Canberra calls into question the equity of housing policies. Canberra should not be singled out as a "special case". Canberra's residential property owners enjoyed enhanced opportunities to benefit from their housing but national factors were of greater significance than any local effect. Australia's system of housing finance between 1962 and 1981 was pre-disposed to provide owner occupants with substantial cash benefits.

There are more specific areas of policy concern. This study has shown that Commonwealth intervention in the housing market resulted in special benefits, particularly through the sale of land and government dwellings. Capital assistance to home owners resulted in far greater benefits than reduced mortgage interest rates. Effectively, persons in need of housing assistance at one stage in their life received a subsidy whose true value would only be expressed in the long term. Government housing programs need to be reviewed in the light of the results of this study. Small programs that operated over a relatively short time period should be reconsidered in particular. Capital subsidies to home purchasers, such as through the Land Commission programs that operated in the 1970s, may well have been capitalised into the resale price. Long term advantages were not generated by such schemes.

The social characteristics of housing and real property are at the heart of the difficulties faced by housing policy. Housing is essential for health and welfare but as residential property it also represents a considerable avenue for wealth accumulation. Changes to the taxation system, housing finance and public housing assistance could reduce the level of benefits available.
Gains, however, will always occur as long as the market is responsible for accommodating the majority of the population. We must recognise the special processes operating in post-War Australia as well as structural influences. The period of post-War prosperity assisted the frenetic expansion of owner occupation. The benefits received by owner occupants in Canberra reflected the nature of housing in Australia at that time. The financial advantages received by owner occupants in Canberra occurred at the expense of public and private tenants, Australians resident in other parts of the country and persons borrowing money for purposes other than home acquisition.
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Appendix A

Study Areas
Figure A-1: Chifley
Figure A-2: Forrest

CAPITAL HILL
DEAKIN
BARTON
RED HILL
Figure A-3: Higgins Latham Holt Florey Hawker Scullin
Figure A-7: Reid
Figure A-8: O’Connor
Figure A-9: Kingston
Notes

1 The terms owner occupation and owner occupier will be used to embrace home owners and home purchasers in this study.

2 Some works have confused the terms mortgagor and mortgagee (see for example Saunders 1979, p95). The debtor is the mortgagor while the creditor is the mortgagee.

3 The term 'blackbird' labour was applied to South Pacific Islanders many of whom had been kidnapped and brought to the sugar cane fields in the late nineteenth century.

4 The FCC had wide-ranging powers and a reputation for being over-zealous in their prosecution. Butters once commissioned a police raid on a female-only hostel. Three Minister's of the Crown were apprehended! Folklore has it that this incident was the beginning of the demise of the FCC [Denning, 1944].

5 The details for qualification for restricted auctions varied. At one stage only persons who had not owned a dwelling in any part of the world were eligible. The restrictions were altered later to exclude merely those who had not owned a property in the ACT.

6 The mathematical notation for means was used to refer to median prices in all trees. Full information, including the number of cases and subsequent median capital position, was provided on all splits in this tree. Later trees list only the end groups. It was felt that the inclusion of too much information would hinder the reader.

7 There are slight variations in the number of observations in Figures 7.5 and 7.6. Data manipulation generated missing values if a required value was missing. Some ways of viewing the data were affected while others were not. It was felt that the variation in the number of cases did not distort outcomes.

8 Households who owned their dwelling for less than 12 months were liable for capital gains tax. This impost was often avoided by owner occupants who could prove that they had not purchased their dwelling in order to make a speculative profit.