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Impact of Community Voice on Housing Supply Constraints: Case Study of Melbourne

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The study investigates the impact of household ‘voice’, voting behaviour and demographic heterogeneity on land use regulation in the Greater Melbourne area. It merges two strands of literature. From Political Economics, the Fischel’s ‘Homevoter Hypothesis’ (2001) relating to local election turnout, and from Urban Economics, the impact of local land use regulation on the prices of detached housing. Distortion by land use regulation has been featured as a key element of housing supply models in the international literature. The study combines planning permits data (for all types of residential property), local council election data, unit record settled transactions of detached property, and socio-demographic characteristics of persons residing in each electoral Ward between 2006 and 2017. Data visualisation and binary outcome probability models will assist in the characterisation of heterogeneity at the Ward level in the household voice and the dynamics of development.

The study contributes to the international literature by explaining regulation by the strength of household voice. The study also explores the validity of the house price-earnings elasticity model, proposed by Hilber and Vermeulen (2014)-HV for the UK, in the context of a single Greater Capital City Statistical Area using Australian data. The study unit in this paper (local council ward) is at a more disaggregated level than it is usually reported in the standard international literature. One of the main contributions of the study is to explore the strength of household ‘voice’ in an environment of compulsory voting. The study combines the characteristics, demographics and political influence that enables and intrinsically motivates households to put pressure on local government to shape and achieve a desired land use policy. This is to our knowledge the first study to use this ‘voice’ measure as a means of explaining the outcomes of planning regulation in Australia. The above is modelled firstly through a fixed effects panel of election turnout, binary outcome models of objection and refusal rates of planning permits, followed by an IV fixed effects panel model to replicate the HV model.

We find voter turnout to local government elections can be as low as 44% in spite of compulsory voting and fines; and, it is a significant predictor of objections to planning proposals. Objection

rates, share of Labour voters and informal votes can also explain refusal rates, reflecting the voice mechanism. In line with the homevoter hypothesis, we find homeownership is significant in explaining turnout in the outer region. Our results find the HV specification does not provide a strong fit for our data. We hypothesize this is because income does not vary sufficiently across the Greater Melbourne, as it does in a country wide sample such as that by HV.