



Australian Government

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DISADVANTAGE AND DIVERSITY

Housing Policy Issues: challenges and opportunities

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** The views expressed in this presentation are those of the author and do not necessarily align with those of AIHW or the Australian Government.*

Overview

Threats

- Housing affordability out of control
- Massive market failure in owner occupied and rental housing
- Commonwealth-State arrangements irrational and inefficient
- Public housing on the tipping point to oblivion
- Community housing sector needs major reform
- Indigenous housing is in a parlous state, especially in remote communities
- Homelessness apparently intractable

Opportunities

- Product diversification for a changing society
- Growth in affordable housing
- Modern social housing system
- Rational Commonwealth-State-Local Government housing arrangements
- Investment in Indigenous housing and capacity-building
- Joined-up solutions to chronic homelessness

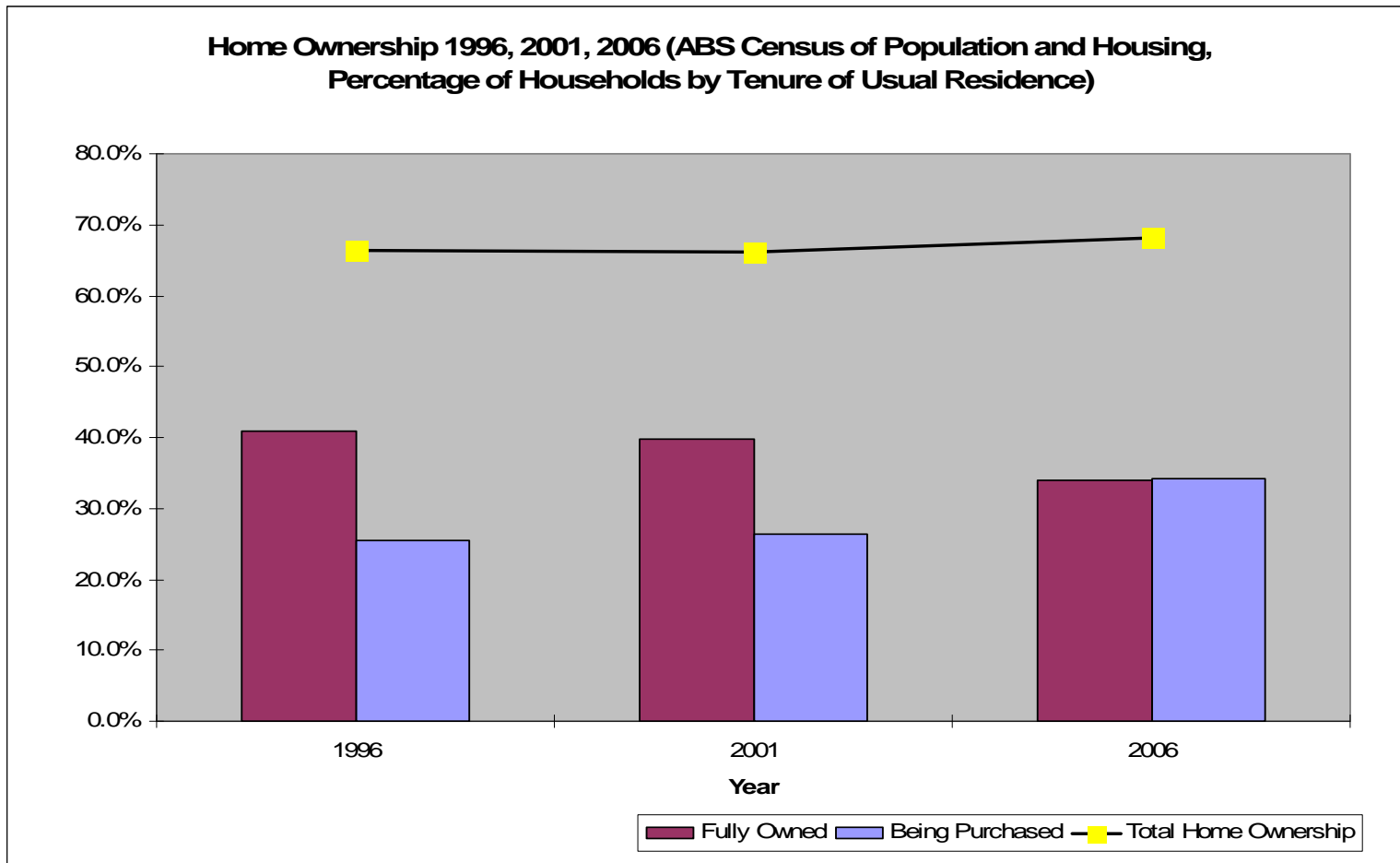
The core problem and challenge

- Housing system as a whole, and in all its parts, is failing lower income people. This is worsening over time.
 - Owner occupation out of reach of low income people and increasing also for households with moderate income
 - Private rental market shrinking and expensive
 - Rent assistance poorly designed and completely inadequate
 - Social housing system shrinking and out-moded
- Core challenge is to fix each and every one of these components to restore access and affordability for all Australians.

Home Ownership

- In most places, median household is insufficient to obtain a loan to buy the median priced home
 - June 2007, median first home price \$423k; income required to service mortgage \$100K; median household income \$98k
 - Situation very serious in major capital cities – eg 60th percentile household income won't service loan for a habitable house anywhere in Sydney
 - Deposit requirement for median priced home has increased from 24% of median household income to about 60%
- Over 40% of low income purchasers are paying >30% of income in housing costs and over 13% paying more than 50%
- Household size dropping (now 2.5 persons from nearly 4 in 1950s); house size increasing (now about 230m², 40% increase since 1985).
- Aggregate home ownership rate (around 70%) steady so far, but:
 - falling rapidly in younger age groups (20-40 yrs)
 - Held up by ageing of population and high ownership of baby boomers
 - Aggregate must decline as poor affordability "bites".

What's happening to home ownership?

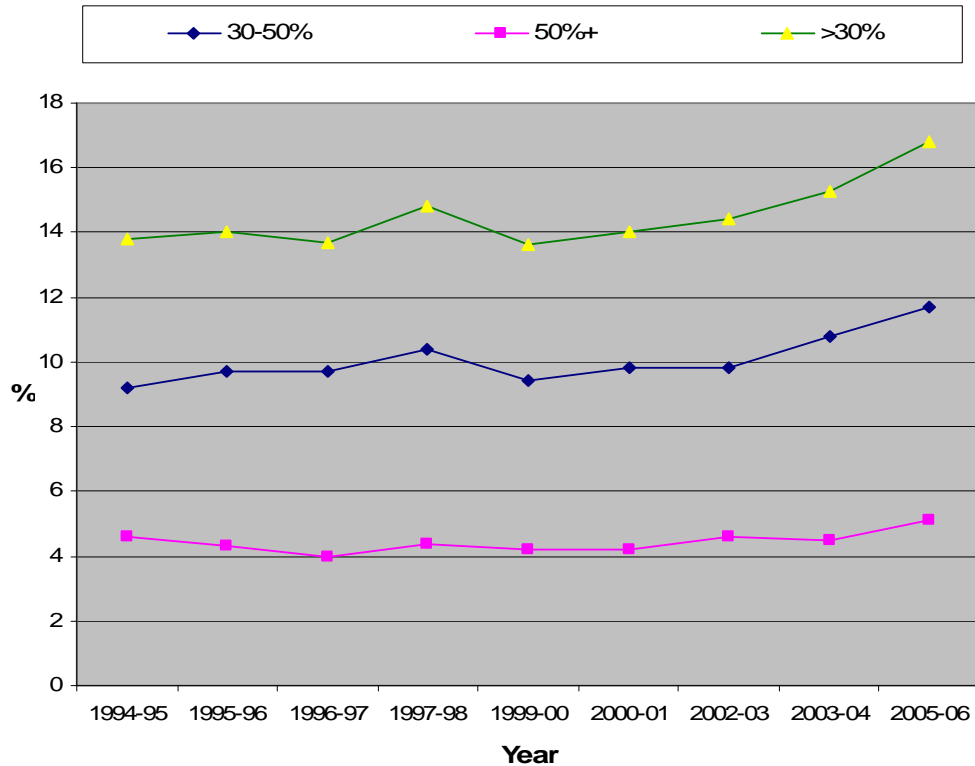


Private Rental

- Demand outstripping supply in every capital city (REIA 2007)
 - Weighted average vacancy rate of 1.7%
- Rents increased by average of 9.8% over past year compared with CPI movement of less than 2% and AWE growth of 5.0%
- Access and affordability profoundly difficult in capital cities for low income people in general and single people in particular.
 - Eg single on Newstart can afford just 4.2 of rental properties in Melbourne (June 2007); quality of bottom 5% of rental market is dubious.
- AIHW analysis shows that Commonwealth Rent Assistance system:
 - leaves over 30% of low income private renters paying more than 30% of income in rent.
 - Some 80,000 people receiving CRA pay more than 50% of their income in rent
- AHURI research shows that there has been a loss of low cost private rental stock and that higher income groups have squeezed out many low income households

Increasing Housing Stress

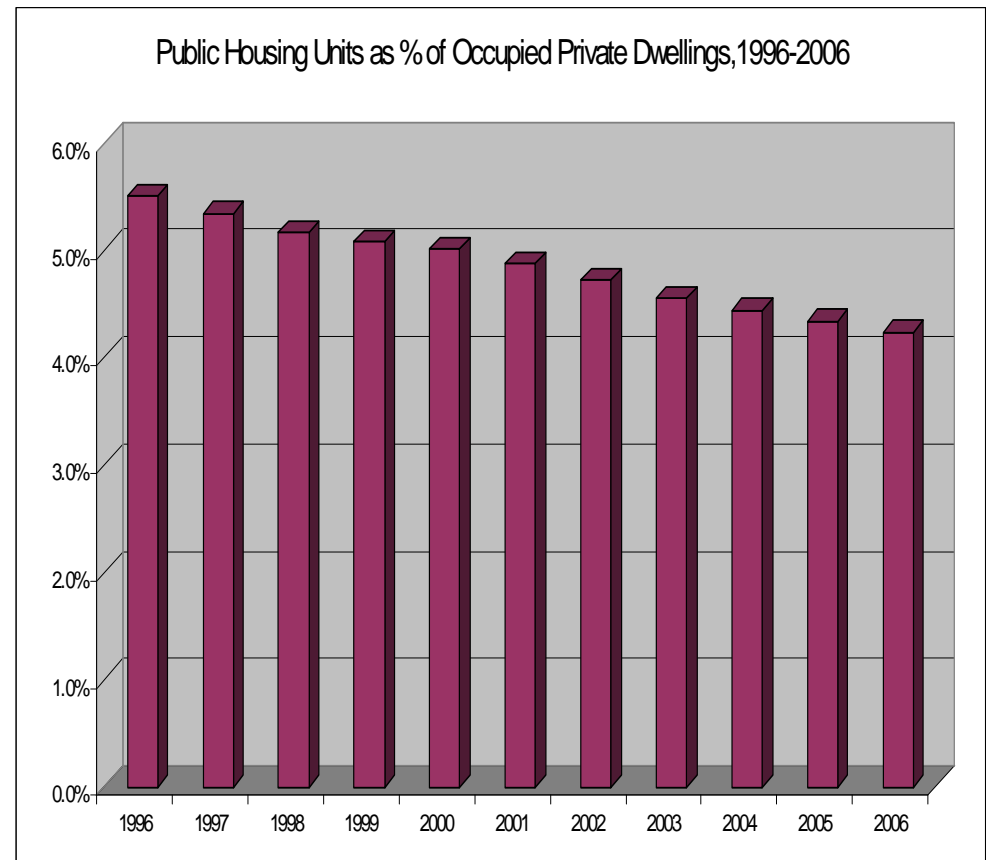
% of Households Paying > 30% of gross income on housing costs



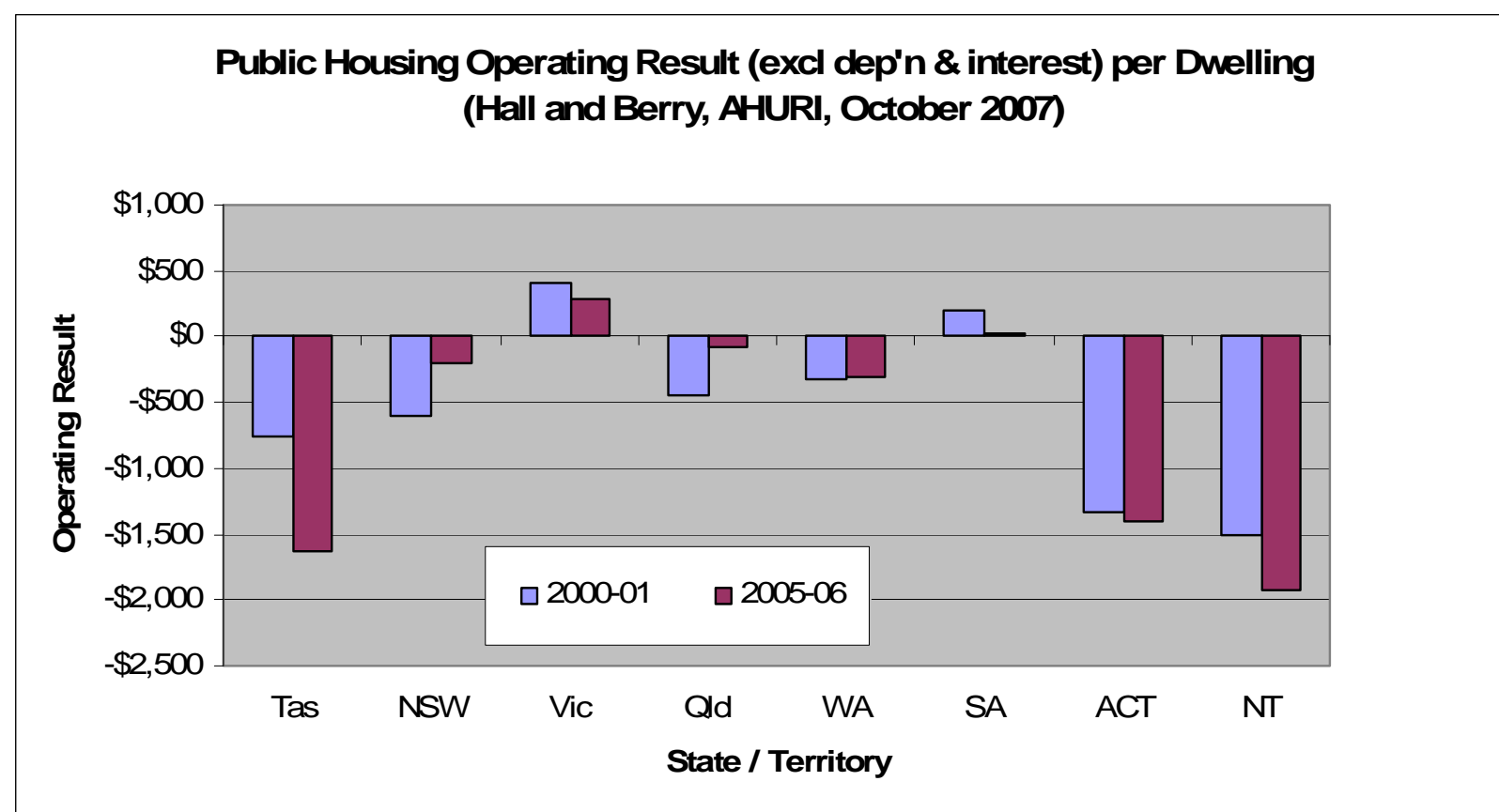
ABS Housing Occupancy and Costs, Australia, 2005-06; Cat No 4130.0.55.001

Social Housing

- Stock declining absolutely & relatively
 - Unit numbers declined in all States and Territories over period except in Vic and Qld
 - Loss of 30,000 units over the 11 years
 - 24% decline in relative supply (proportion of total housing stock)



Public Housing Operating Deficits



Why social housing is struggling

- Reduced funding
- Ageing stock needing major upgrade or replacement
- Targeting to the most needy
- Changes in household structure
- Unfashionable, outmoded, monopolistic
- Lack of leverage



Carlton Estate Redevelopment (before and after)

The way forward?

Housing Ministers' Six-Point Plan (HMC July 2007)

A National Affordable Housing Agreement to be negotiated with the Commonwealth to replace the CSHA to tackle affordability and access on a whole-of-housing-system basis, encompassing:

1. Measures to reform and secure the viability of social housing, including to arrest decline in stock and enable upgrade/replacement of stock
2. Increase supply of social housing, especially through the community housing sector
3. Improve housing affordability for private renters through reform of CRA and measures to encourage private investment in low cost rental housing
4. Improve access to affordable home ownership, including through a nationally coordinated shared equity scheme and improved targeting of FHO
5. Increase the supply and distribution of affordable housing through new development and redevelopment projects – framework for all levels of government to deliver on agreed affordable housing targets (in turn including reform of planning and development approvals processes to lower the cost of new housing)
6. Lift investment in and ensure viability of rental housing for Indigenous people