

Affordable housing in the Queensland context: an overview of trends and issues

Australasian Housing Institute,
Planning Institute of Australia &
UQ School of Social Science
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Affordable housing

- What is it? ...definitions and meanings are important!
- Why is it important? ... the 'so-what' factor
- What is the environment like in Qld for affordable housing provision? ... do we have a problem?
- What will happen if we don't respond to or address affordability issues?

Who cares about housing?

- Housing plays a vital role in people's lives:
 - Personal
 - Financial
 - Economic, social and environmental
- Housing costs are significant:
 - (income tax aside) housing costs generally represent the largest single expenditure item to households
 - Housing costs linked to poverty and social and economic well-being
- Housing linked to public policy concerns:
 - employment, 'welfare reform', urban planning, transport etc

Affordability – how to conceptualise?

- Complicated issue - nature of the problems is complex and contested and no clear answers
- Means different things to different people, and affordable housing needs vary
- Not merely a technical, statistical or administrative exercise. Is about individual outcomes and societal well-being.
- Conceptually and practically about adequacy of what income is left after housing costs.
- Is subjective and a 'felt' need – have to consider how low income people themselves think about affordability
- Issue runs across tenures

Affordability – What it can be related to

- Not the same as rent setting policy, but this might be an indicator.
- May or may not be *the same* as ‘low cost’, ‘submarket’. However, sometimes we can use these to monitor trends.
- May be *related to* but not the same as ‘location, physical condition, size and amenity.’

Affordability – How can it be measured?

- Related to the cost of housing, and its impacts on the capacity to budget and pay for a range of necessary personal items and services.
- Is influenced by the relationship between housing costs, incomes, and the price of other necessities.
- Commonly measured with reference to the percentage of income expended on housing (eg '25% or 30% of income for rent')
- Can be measured in terms of 'residual income' which remains after housing costs have been met.
- Several options for tracking trends over time.
- Housing costs are the key factor (and policy lever)

Formulae and categories for 'Budgetary Impacts of the Cost of Housing' modelling

The model calculates $Y_E = 100 \left(\frac{Y - R}{E} \right)$, where:

Y = Household income (including Rent Assistance)

E = Expenditure required for a bundle of essential (non-housing) goods

R = Rent

Y_E = Ratio of residual income to E (expressed as %)



Affordable housing – what is that?

- Is fundamentally housing which provides an affordable outcome to its occupants.
- Historically, social rental housing has been seen as being affordable.
- In the long term, home ownership has tended to be seen as being affordable.
- Some parts of the private rental market have provided housing which is affordable to its occupants.

Affordable housing –is it this?

- Affordable housing is not a form or model of housing provision in itself, although appears to be described as such (eg ‘Affordable Housing’) in some housing policy literature to distinguish some ‘new’ forms of (social) housing assistance delivery from ‘traditional’ forms of social housing.
- One test of these new forms of provision is whether they are in fact ‘affordable’!
- NB: ‘affordable’ should not become synonymous with forms of provision or financial viability for housing providers

Why affordability is important

- Key component of housing need
- Housing affordability is a gateway to range of other social and economic outcomes
- Housing affordability in a range of locations also important in establishing and ensuring lower income households are not prevented from easily accessing places of employment, education and training opportunities, or family and support services.
- ‘Key workers’: London ...Brisbane? Regional Qld?

- Affordable housing (or the lack of it) shapes our suburbs, cities and regions, and produces socio-spatial effects, and urban planning concerns
- Danger of turning affordable housing supply problems into problems of social or economic exclusion and concentrations of disadvantage or transport or environmental issues.
- Risk of homelessness or poor housing situations if we don't get it right

What are some of the problems?

- First time buyers getting priced out of home ownership
- Very low income households and those with more complex support needs facing difficulties in accessing social housing
- Rental markets struggle to provide housing which is either affordable to tenants, or which provides reasonable returns to investors!
- Competition for housing at the more affordable end of the private rental market
- Lack of responsiveness at the low cost end
- Compounding issues such as lack of tenure security and economic/unlawful discrimination

- Major problems with private rental affordability, and resultant effects
- Low and moderate cost supply can play an important role in establishing and maintaining housing affordability
- There are considerable tensions within the homeownership sector, which have spill-over effects elsewhere in the housing system

What's good for the goose ...?

'GOOD START' FOR HOUSE PRICES

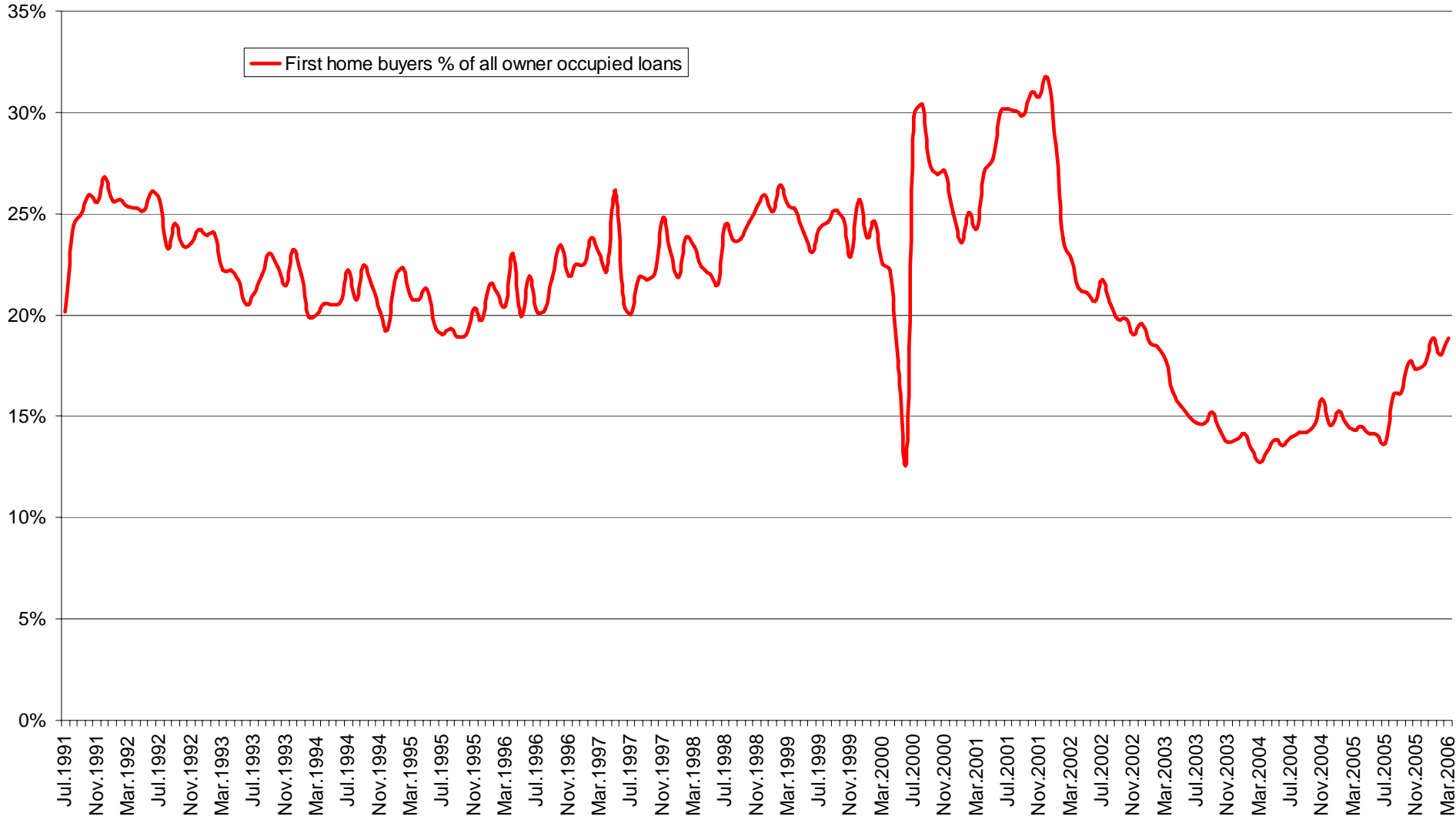
“House prices across the nation were higher in the first quarter of the year, indicating that the housing market could be on the mend.”

The Australian Financial Review, 25 May 2006

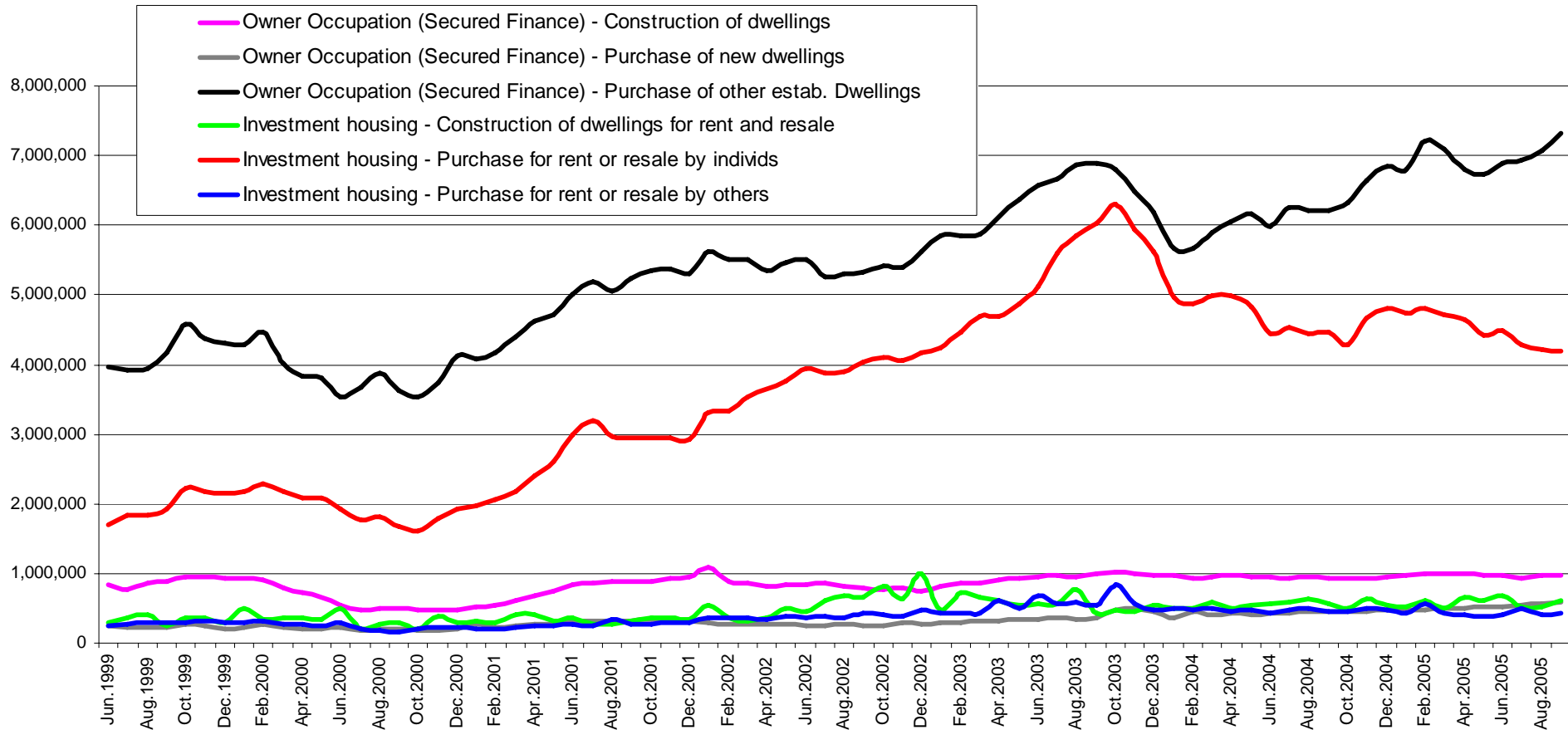
The maths of entry to home ownership

Market	Median Multiple	Affordability Rating	Median House Price	Median Household Income
Adelaide	6.5	Severely Unaffordable	\$272,000	\$41,700
Brisbane	6	Severely Unaffordable	\$310,000	\$52,000
Canberra	4.8	Seriously Unaffordable	\$350,000	\$72,600
Darwin	4.3	Seriously Unaffordable	\$300,000	\$69,400
Hobart	6.6	Severely Unaffordable	\$266,500	\$40,100
Melbourne	6.4	Severely Unaffordable	\$360,000	\$56,000
Perth	6.1	Severely Unaffordable	\$308,000	\$50,200
Sydney	8.5	Severely Unaffordable	\$520,000	\$61,000

First home buyers % of all owner occupied loans – Queensland 1991-2006

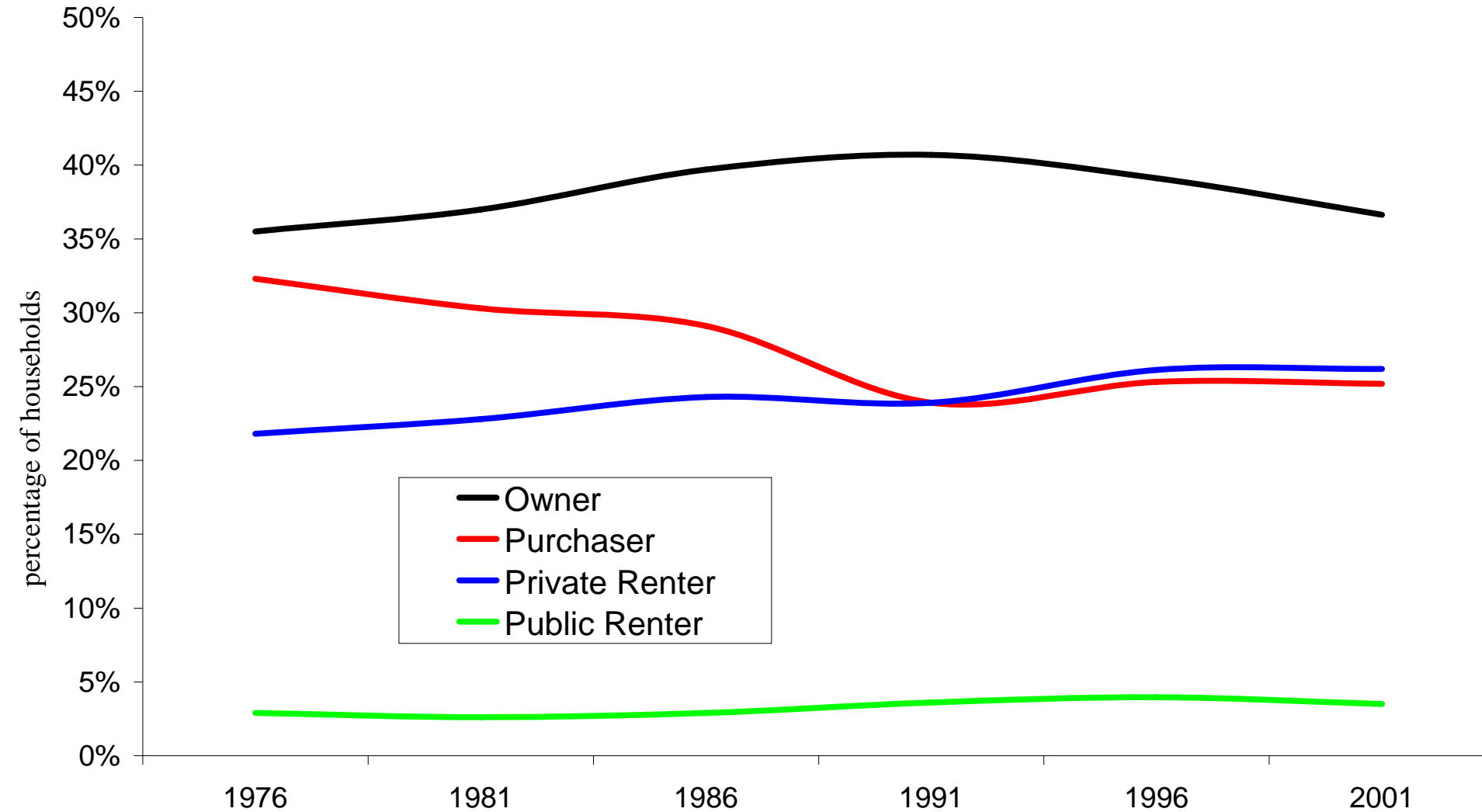


Owner occupiers and investors loan values Australia (\$'000) 1999-2005



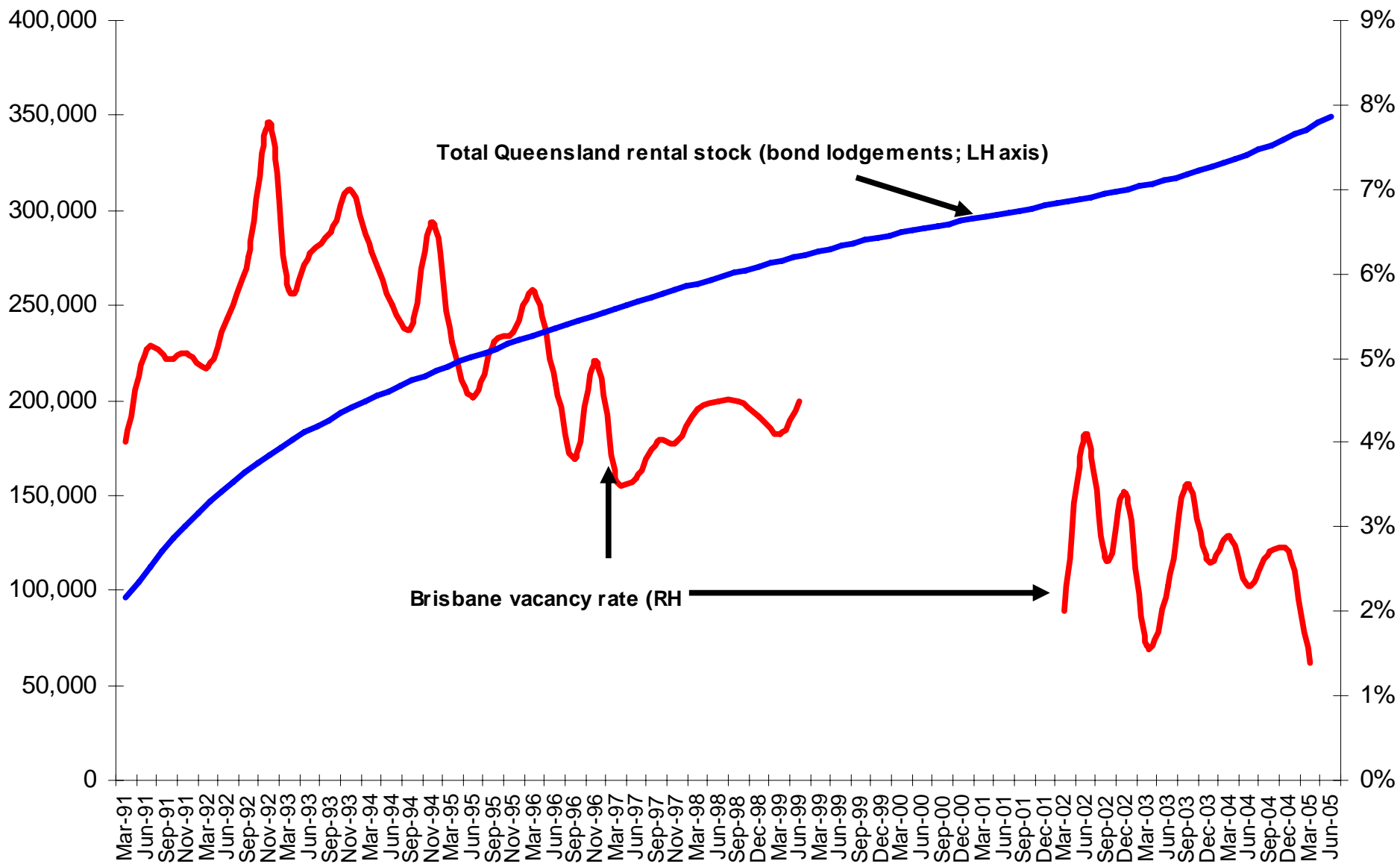
ABS (time series) 5609.011

Tenure trends in Queensland



Why Queensland is a special case

- Historically, we didn't face the same order of problems experienced in southern states
- That situation is changing and is likely to shift for good.
- Population growth (and hence demand) has a major effect on the housing market
- We need to plan for how affordable housing will be a central part of further growth future urban and regional development and expansion



Sources: REIA Market Facts, various years; RTA Bond lodgement data,

For Queensland as a whole...

- Households on median income renting 2 bed unit need to pay 30% of their gross income on rent
- Households on median income renting 3 bed house need to pay 32% of their gross income on rent

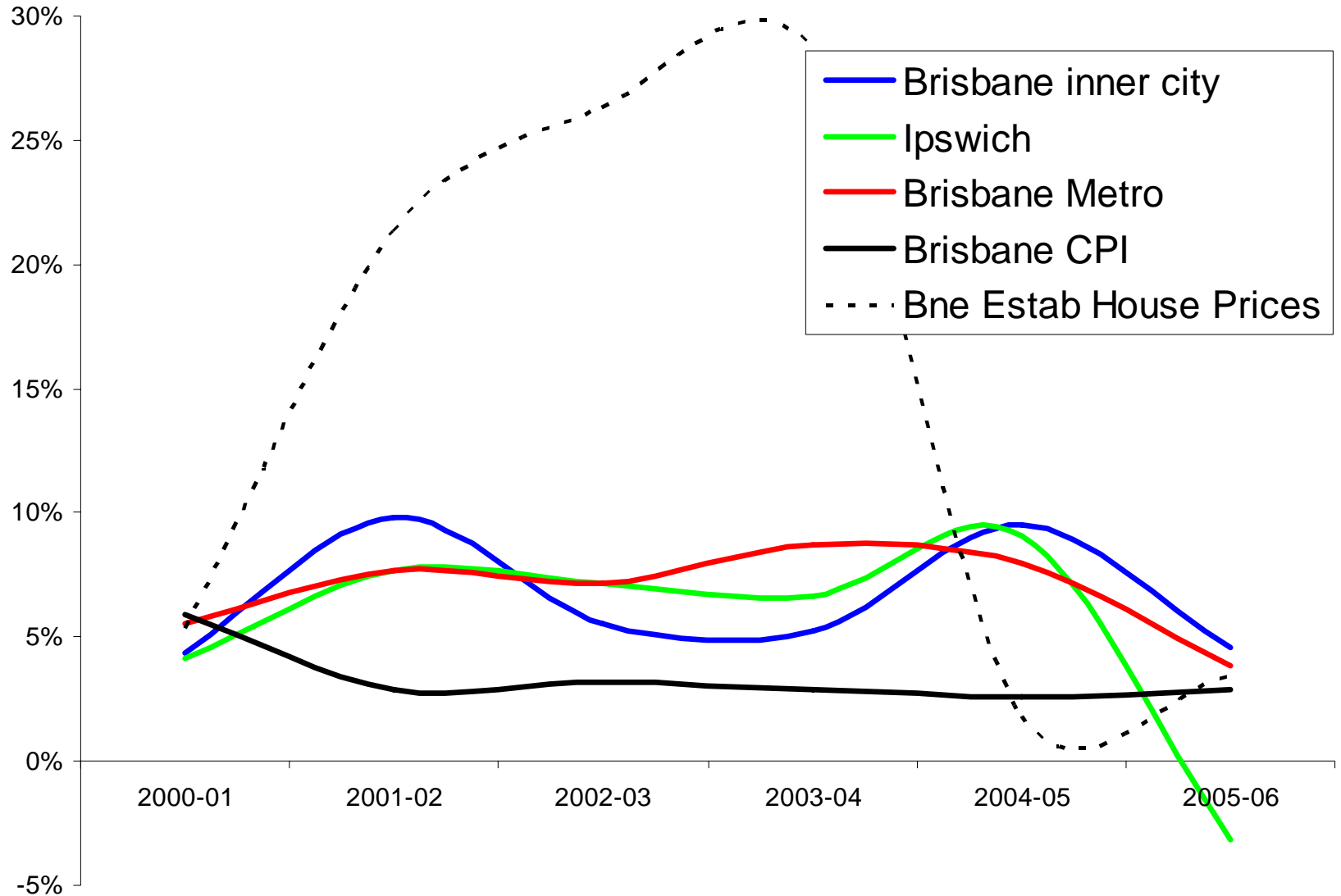
For Brisbane

- Households on median income renting 2 bed unit need to pay 30% of their gross income on rent
- Households on median income renting 3 bed house need to pay 31% of their gross income on rent

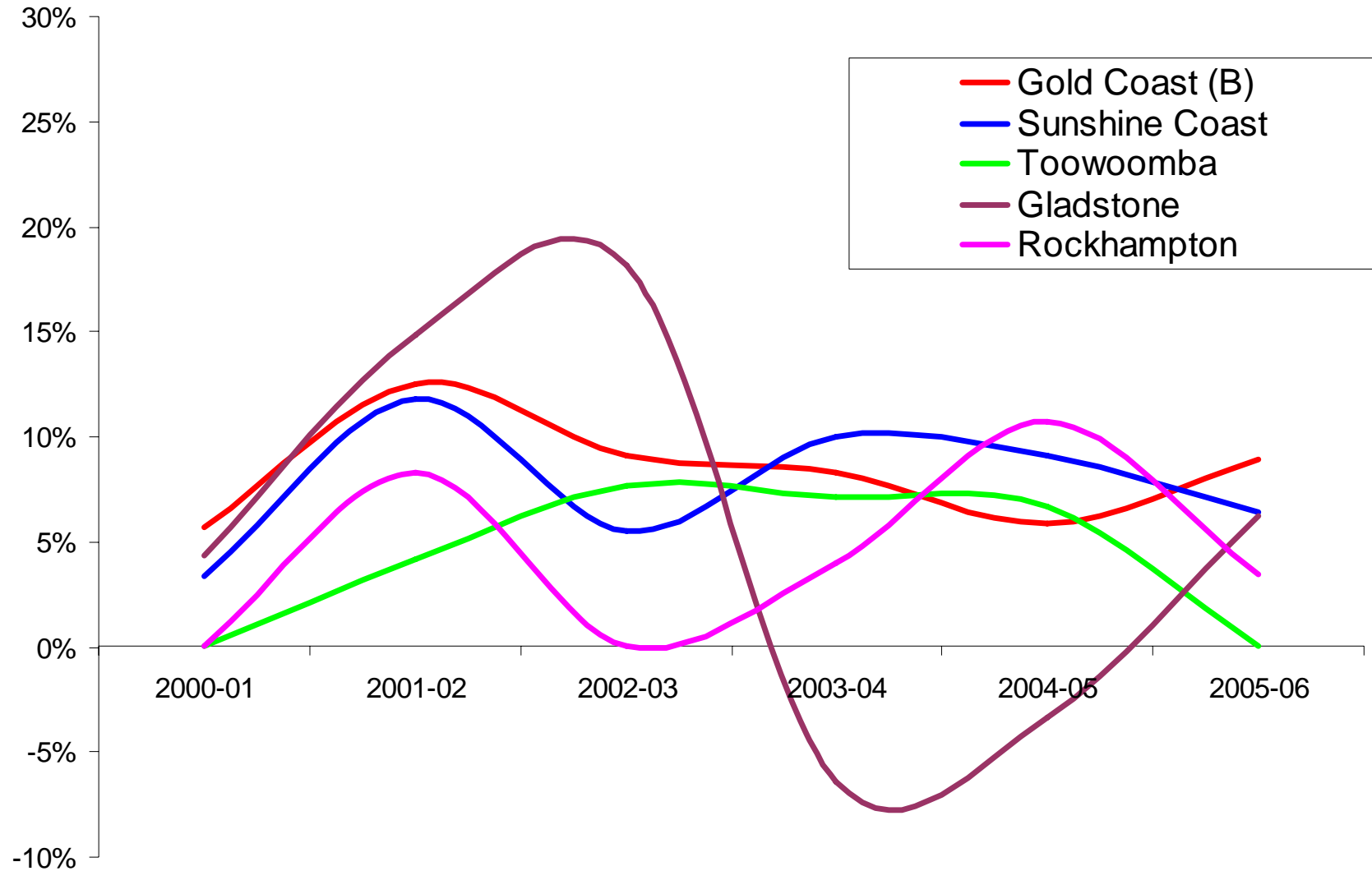
For the inner city

- Households on median income renting 2 bed unit need to pay 38% of their gross income on rent
- Households on median income renting 3 bed house need to pay 38% of their gross income on rent

2 Bed flats - percentage changes in rents, inflation and house prices: Brisbane Metro

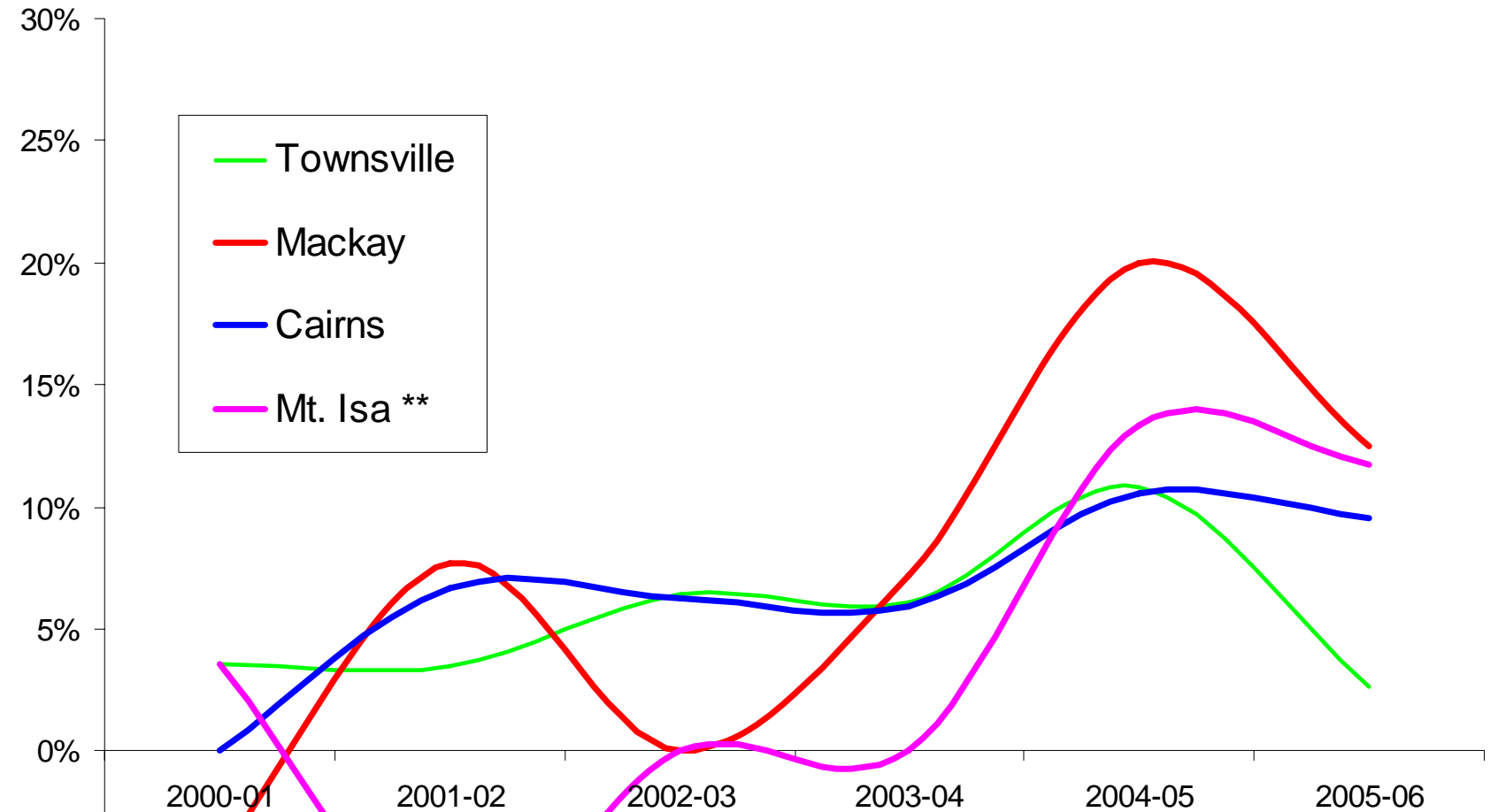


2 Bed flats - percentage changes in rents, Rest of Qld 1



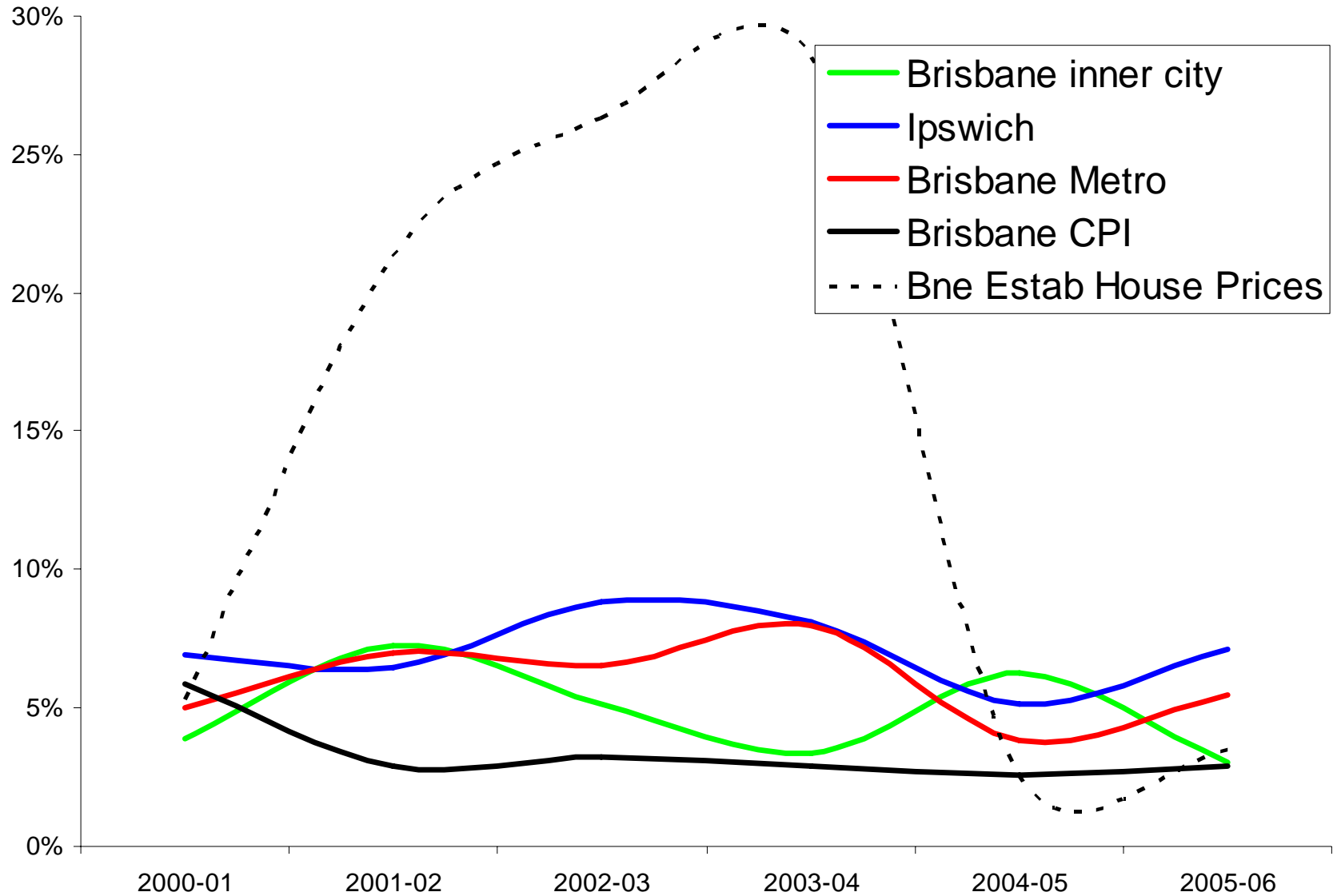
Source: RTA new bond lodgements, various years

2 Bed flats - percentage changes in rents, Rest of Qld 2

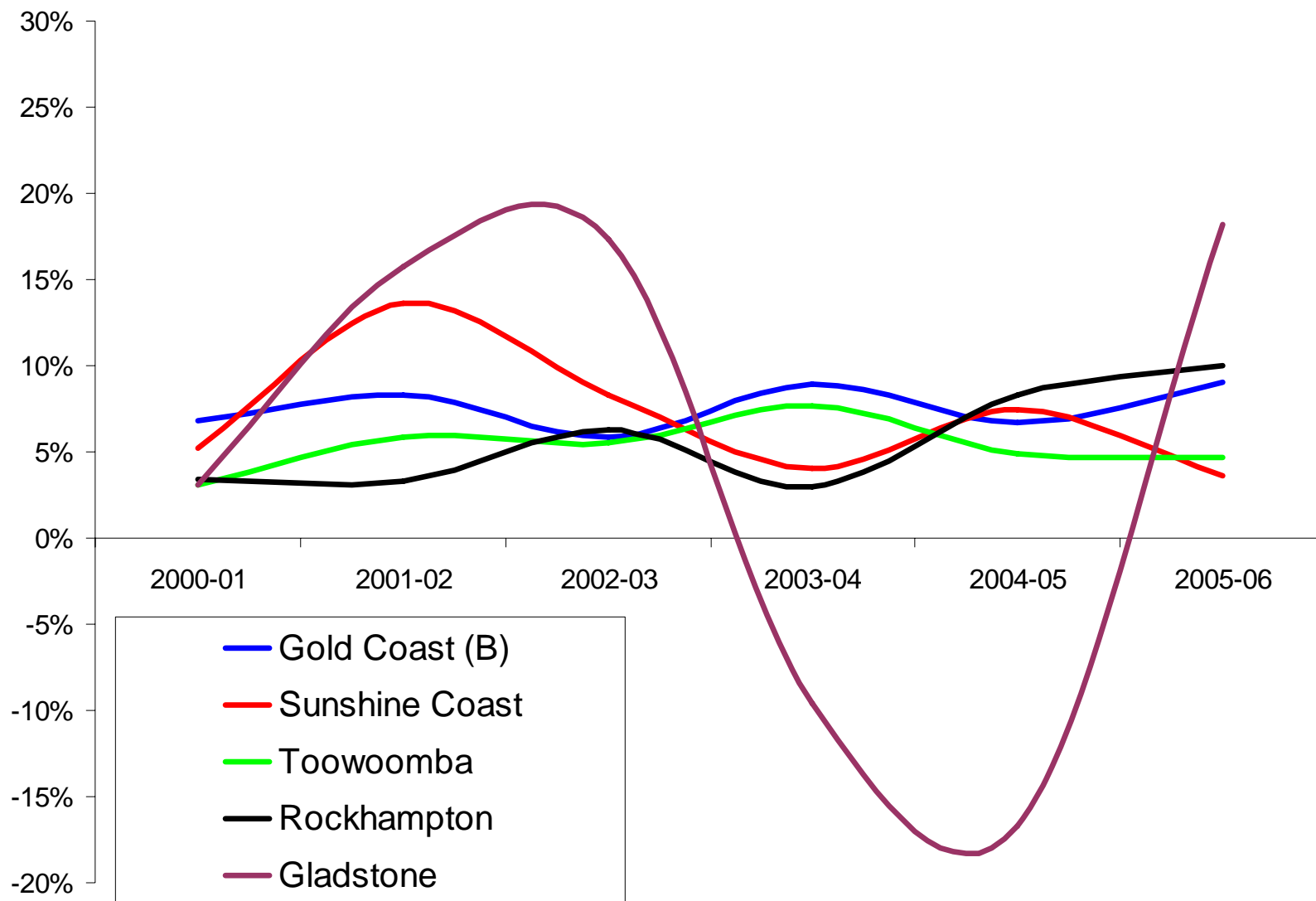


Source: RTA new bond lodgements, various years

3 Bed houses - percentage changes in rents, inflation and house prices: Brisbane Metro

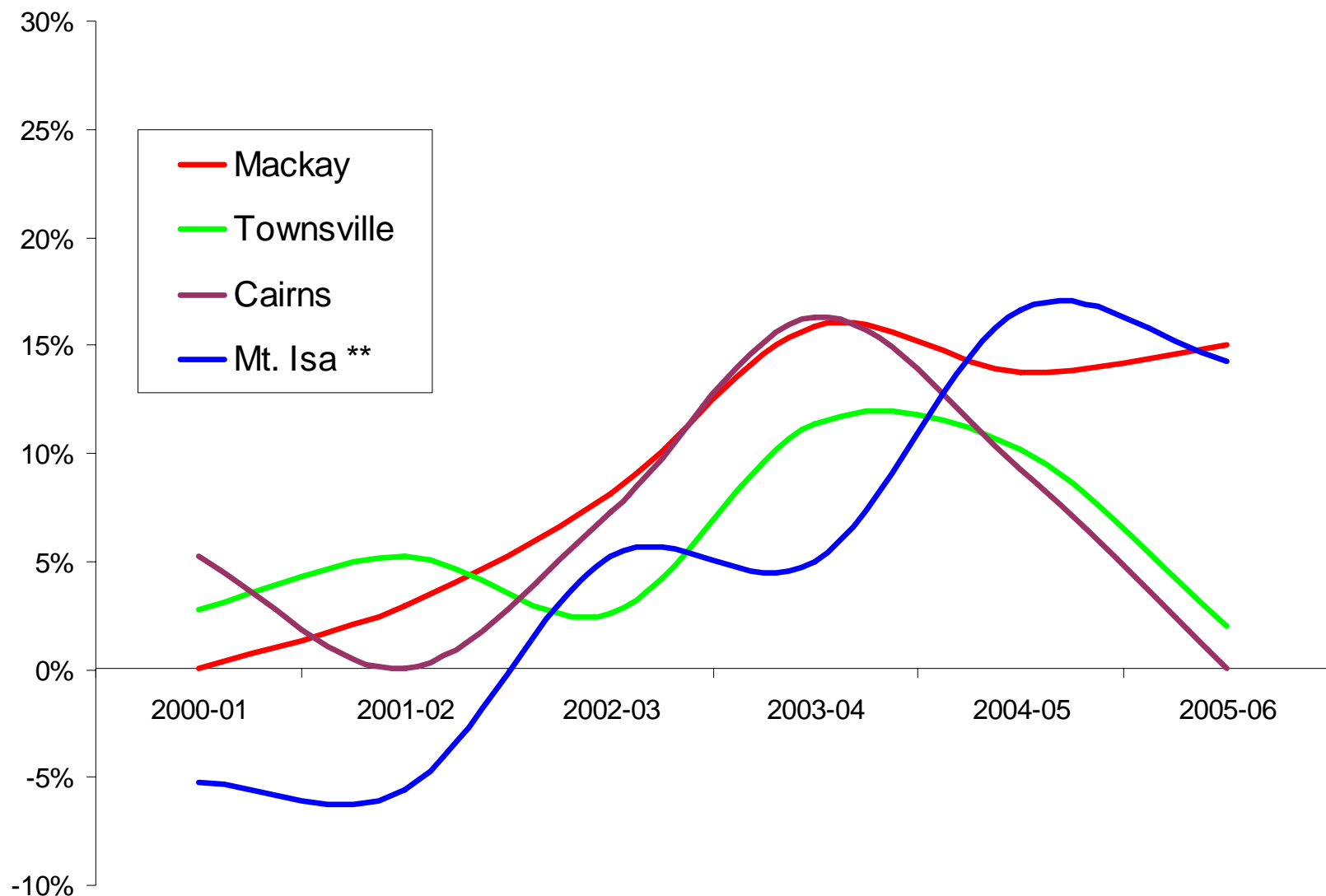


3 Bed houses - percentage changes in rents, Rest of Qld 1



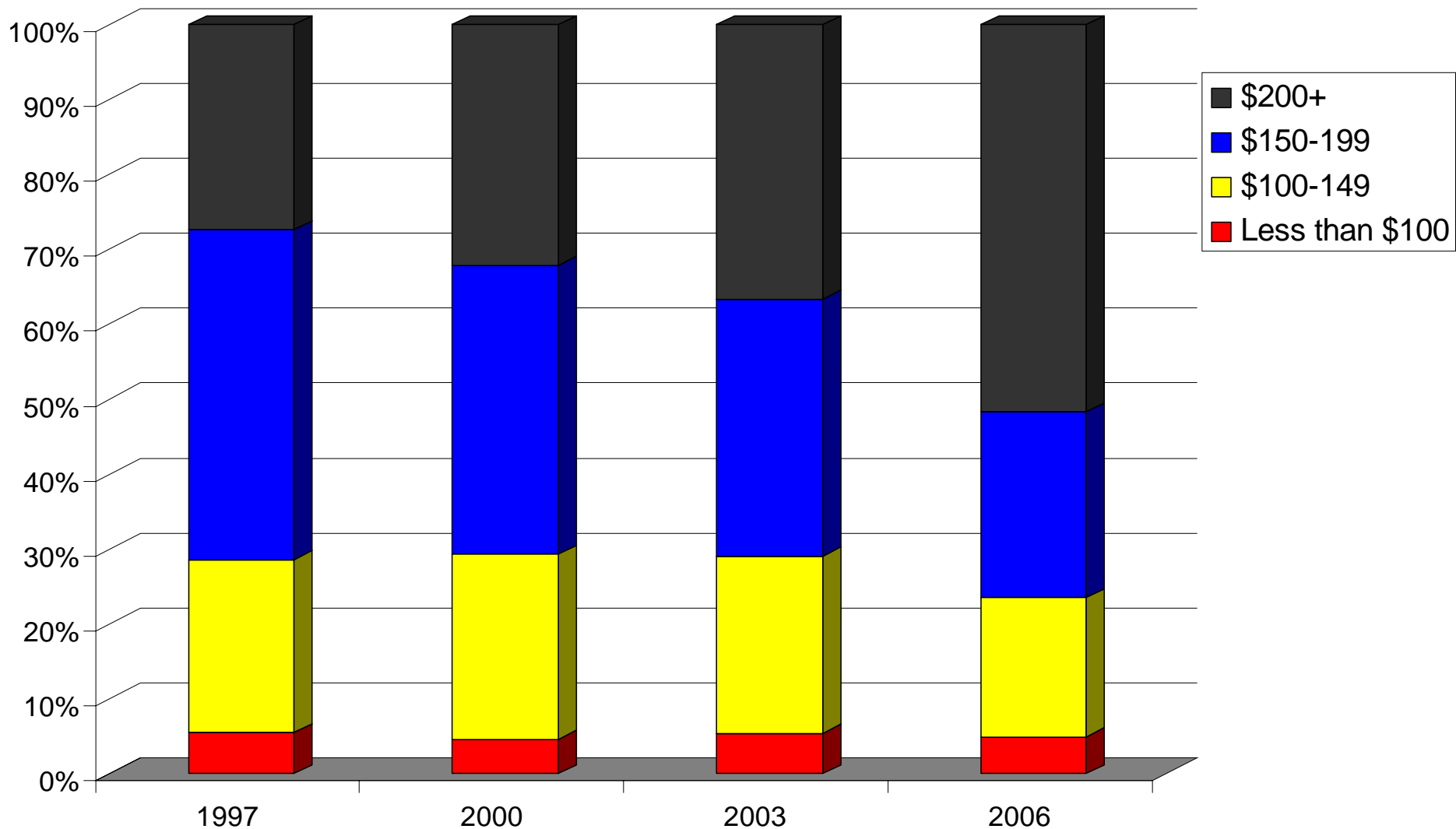
Source: RTA new bond lodgements, various years

3 Bed houses - percentage changes in rents, Rest of Qld 2

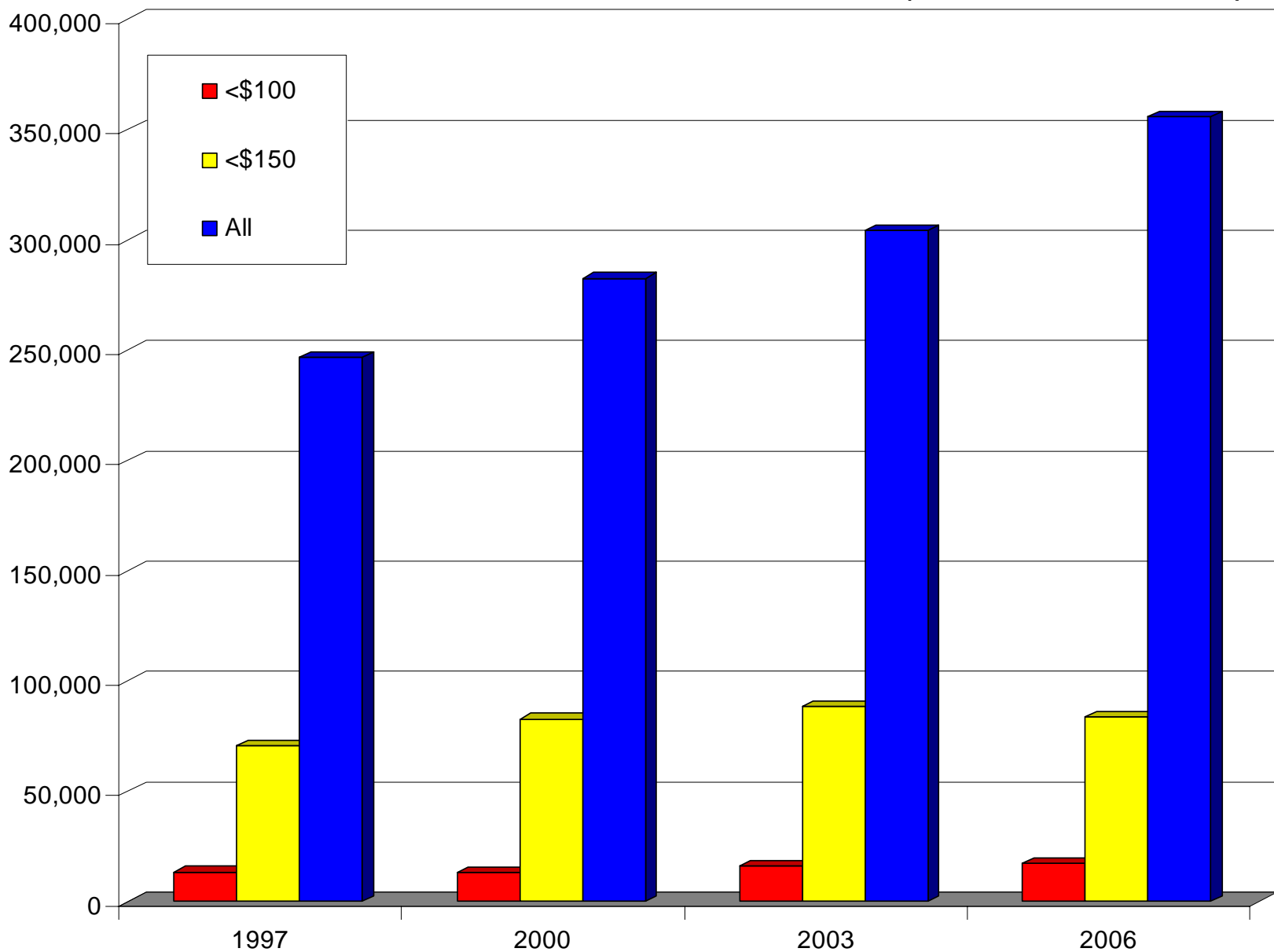


Source: RTA new bond lodgements, various years

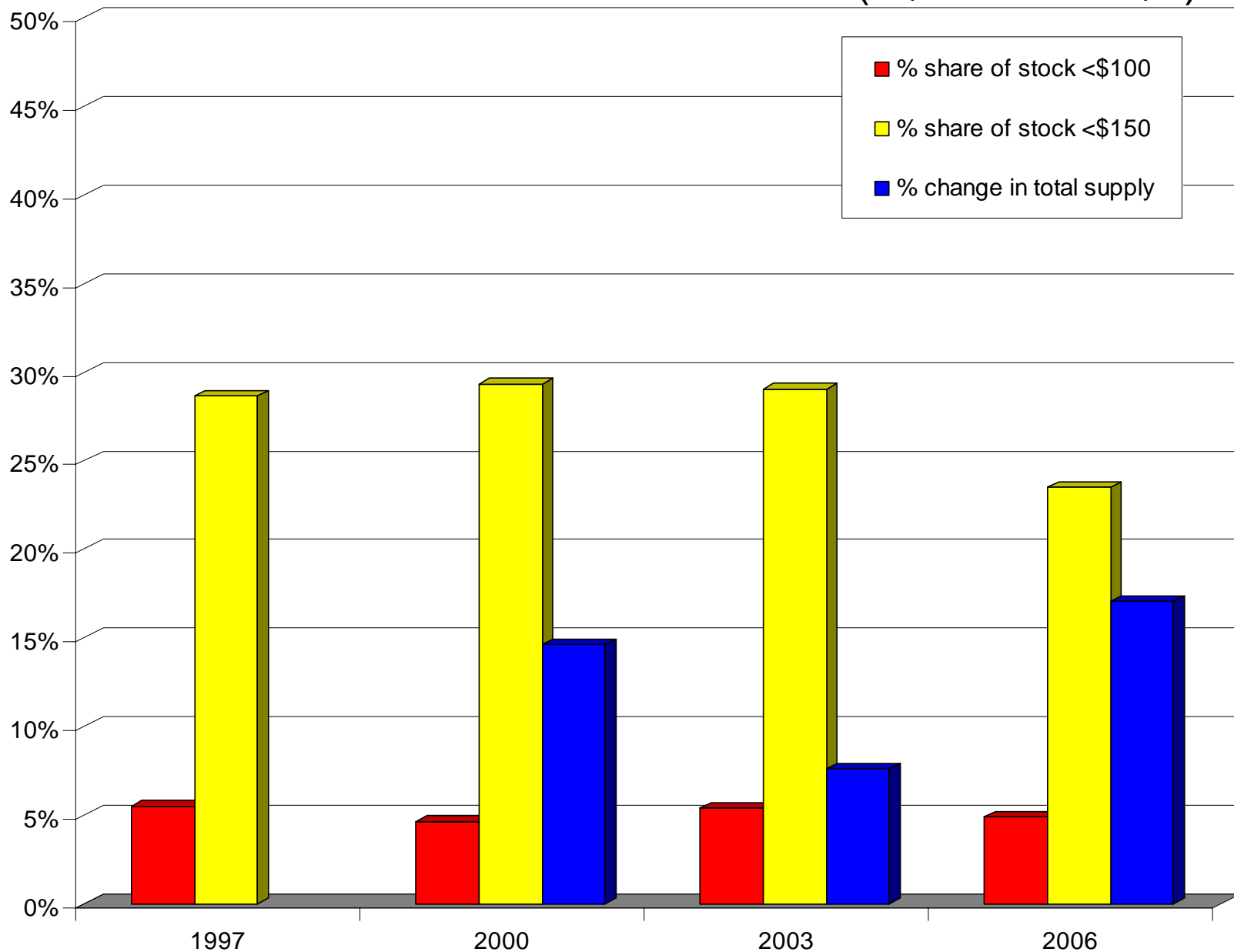
Segmented rents analysis 1997-2006: All of Queensland (2003\$s)



Supply of very low cost rental housing, # tenancies Qld 1997-2003 (<\$100 2003\$s)

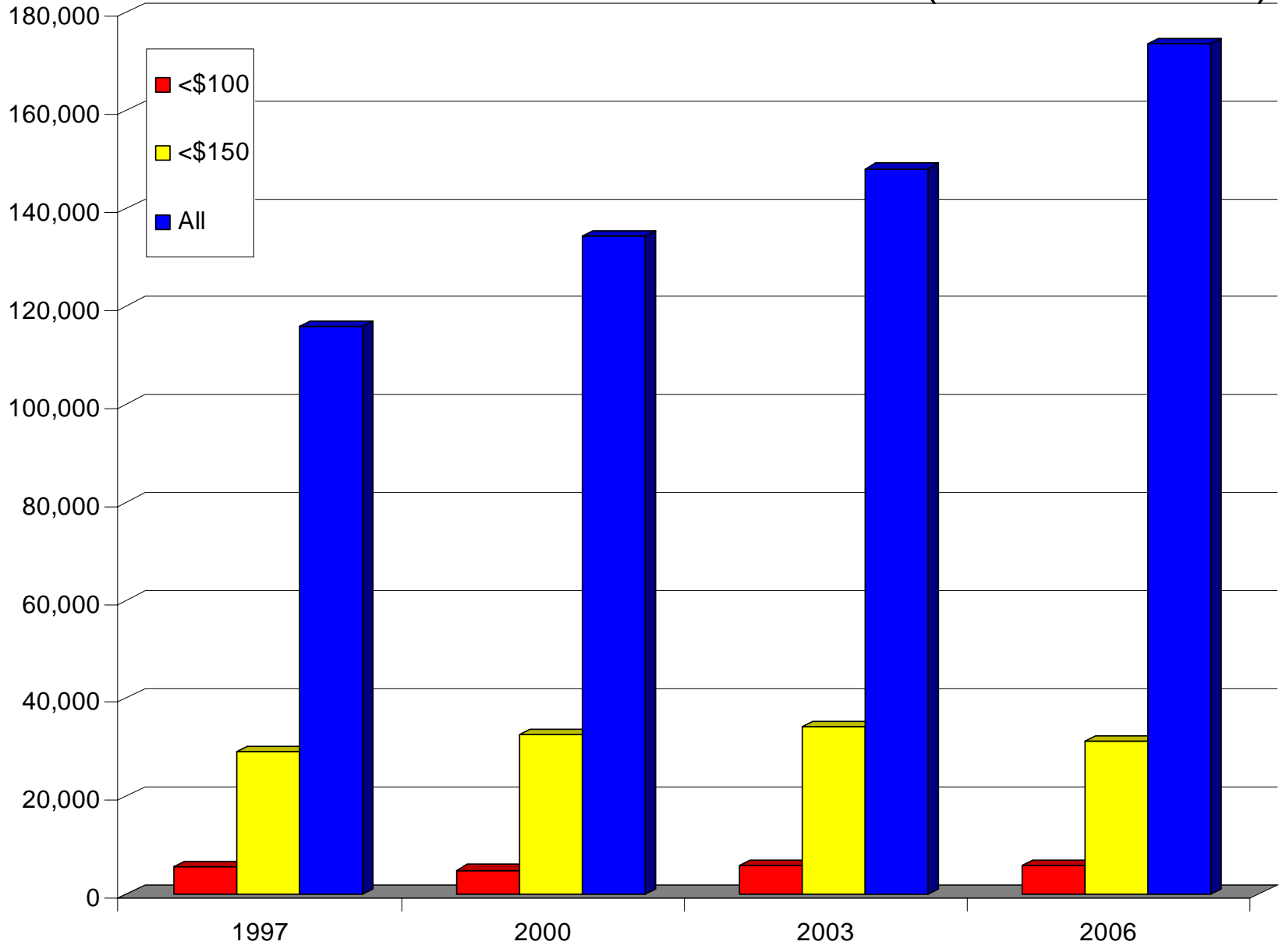


Supply of very low cost rental housing, % tenancies Qld 1997-2003 (<\$100 2003\$s)



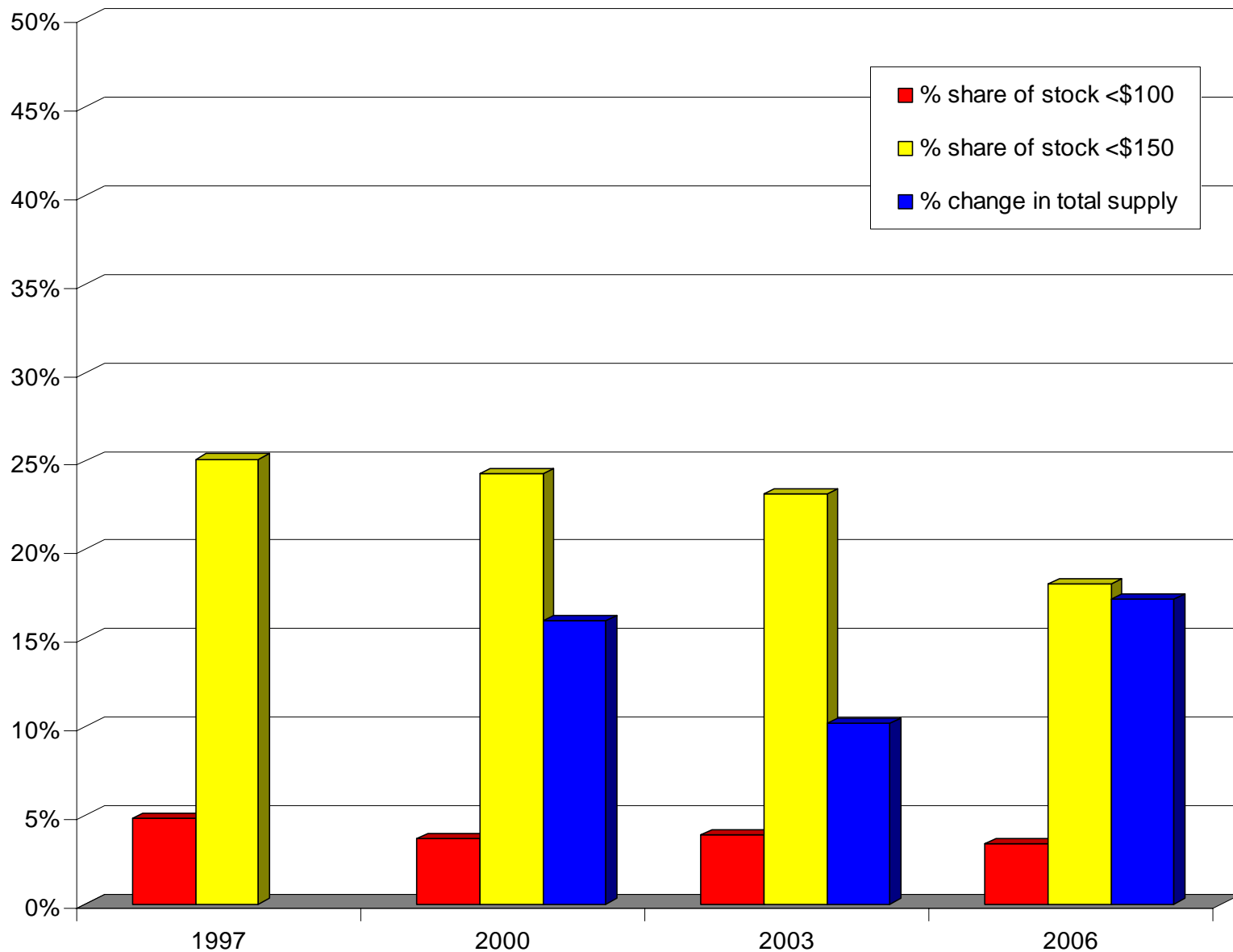
Data sources: RTA unpublished unit record data. ABS time series - CPI (Cat no. 6401.0)

Supply of very low cost rental housing, # tenancies Brisbane 1997-2003 (<\$100 2003\$s)



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Supply of very low cost rental housing, % tenancies Brisbane 1997-2003 (<\$100 2003\$s)



Barriers to rental housing access:

- Losses of lower cost rental housing
- large scale declines in boarding house and rental caravan park supply
- Who gets access to low cost housing?
- Allocation processes in the rental market for low income households

Implications of supply and access trends

- Demand for low and moderate cost affordable housing remains strong.
- Lack of policy framework for supporting lower income private renters who face challenges securing and maintaining affordable housing
- Who rents and who has problems

Role of the social housing sector

The historical significance of social housing responses is that they have sought to address a range of housing needs. Affordability has been a crucial consideration, but not an exclusive one.

Thus, as well as aiming to provide affordability, social housing has also tried to be more appropriate, accessible (once you've waited!) and to provide tenure security.

The capacity of the social housing sector to continue to deliver a range of outcomes is arguably now under threat, as policy imperatives to create disincentives to enter, and incentives to exit social housing come to override concerns about tenancy conditions within social housing.

Social housing in Qld today

- Roughly 50,000 dwellings, but starting to decline
- Over the last few years, waiting lists have risen by 50% at the same time as turnover has halved
- Some 35,000 on the wait list
- Less than 4,000 new allocations pa

Conclusion

- We already know much about the problems and about potential solutions / responses
- Affordable housing the outstanding, #1 policy challenge for the social housing sector and beyond
- Commitment to finding new ways of achieving affordable housing remains strong, but relatively small number of examples of where new affordable housing delivery has actually taken place (and is it always affordable?)
- Quest for a 'magic bullet' no good
- Private sector involvement in affordable supply won't 'just happen' – needs brokering and facilitation.
- A need for a patchwork of ideas and models, including but not limited to smaller scale initiatives

Still a long way to go ...

MPs out of touch on housing concerns

“Forget the health service and education - what really matters to people is affordable housing, according to a report from the Places for People housing association. The surprise conclusion is based on results of a survey of MPs and members of the public.

The survey says MPs' mail bags are bulging with requests for help with housing matters - more than any other issues, including crime, education and health. It also concludes that while 98% of the public think that a lack of affordable housing is a major issue, only 34% of MPs think the same.”

Mary O'Hara
Wednesday May 24, 2006
[The Guardian](#)