



Department of Treasury and Finance  
Government of Western Australia

# HOUSING STRESS

in Western Australia



STRESS



HOUSING



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# HOUSING STRESS IN WESTERN AUSTRALIA

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## Introduction

The Western Australia housing market has experienced significant price growth in recent years. While this can be seen as a boon for existing home-owners and investors, rapid price escalation has contributed to a fall in affordability for other home buyers, particularly first-home buyers.

High population growth, driven by the resources boom, has increased demand for rental properties. The flow-on effects of higher house prices have led to low vacancy rates, which are starting to generate significant increases in rents in the private rental market.

In the social housing sector, rents are generally capped relative to income and so rental affordability is less of an issue than in the private sector. However, as buying a house is less affordable, and low vacancies and rising rents make private rentals scarcer and less affordable, demand for social housing has increased.

Therefore, there are three distinct but related dimensions to the growing problem of housing stress in Western Australia: affordability for owner-occupiers, and especially first-home buyers; the availability and cost of private rental accommodation; and additional demand for social housing.

The 1992 National Housing Strategy established an affordability benchmark based on the notion that the proportion of household income spent on housing should be reasonable and leave sufficient income to meet other basic needs such as food, clothing, health, education and transport. Households in the lower end (bottom 40%) of the income distribution with housing costs greater than 30% of household income are considered to be suffering "housing stress". These households are the focus of this paper.<sup>1</sup>

A distinction can also be drawn between a purchasing owner-occupier and a rental tenant who each pay more than 30% of their gross income in housing costs. In particular:

- Becoming an owner-occupier is a choice, whereas a rental tenant may have few alternatives; and
- The housing costs of owner-occupiers buying their own home includes the cost of acquiring an appreciating asset and a future stream of housing services, whereas a tenant's rent only buy the benefits of housing services at a point in time.

Although public debate has focussed primarily on housing stress for first-home buyers and (to a lesser degree) demand for social housing, the data analysed in Chapter 4 of this paper suggest that the greatest incidence of housing stress occurs in the private rental sector.

This paper consists of six chapters. An overview of the Western Australian housing market since 2000-01, with particular focus on emerging trends and their likely effect on housing prices in the short to medium future is provided in Chapter 1, while Chapter 2 outlines how the affordability of housing in Western Australia has changed in recent years.

Chapter 3 summarises observed changes in the Perth rental market, and discusses the likely effect on rental prices from past and future movements in housing prices.

Chapter 4 defines housing stress, and identifies those groups in Western Australia that are most susceptible to housing stress, while Chapter 5 outlines measures through which the Government currently provides assistance to owner-occupiers and rental tenants in Western Australia. A brief summary of the conclusions of the paper is provided in Chapter 6.

Finally, it is important to note that it is not the purpose of this paper to identify or promote policy initiatives to alleviate housing stress. Its purpose is to stimulate public debate by detailing recent trends in the Western Australian housing market and outlining the dimensions of housing stress, and to help inform policy makers responding to the problems it is causing.

# Chapter 1: The Western Australian Housing Market

## INTRODUCTION

Over the past five years, conditions in Western Australia's property market have been very robust. Between 2000-01 and 2005-06, established home prices increased by 111.8% (or an average of 16.2% a year), while turnover in the residential property market has increased by around 35% (or an average of 6.4% a year).<sup>2</sup>

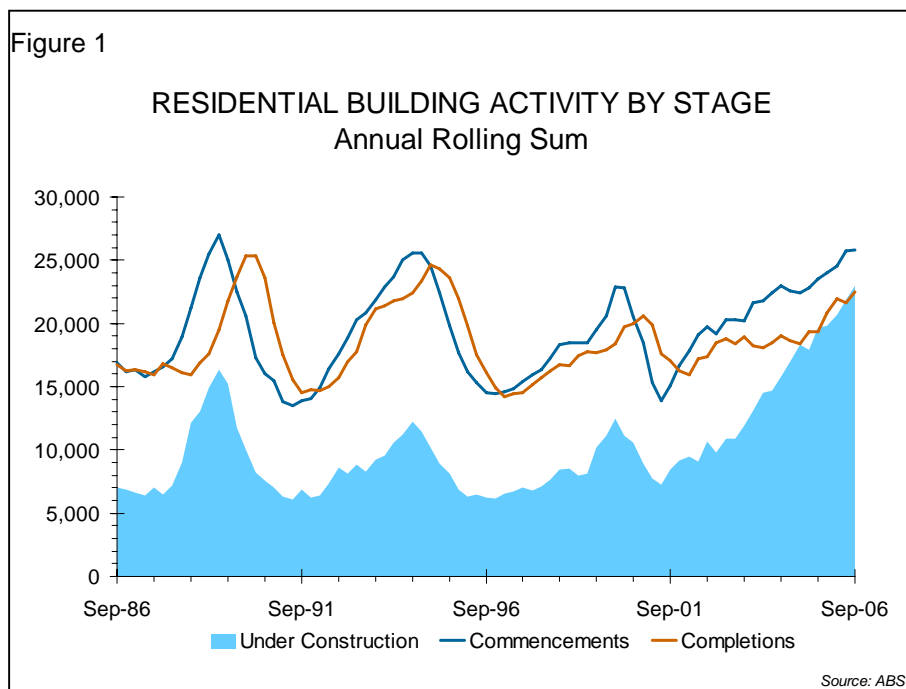
In 2005-06 the value of residential property transfers in Western Australia rose by around 25% in annual average terms<sup>3</sup>, while the number of residential property transfers increased by 13%.

Strong growth in property prices in Western Australia over the past five years reflects a combination of very strong demand growth throughout the period and, more recently, constrained supply of the new dwellings. While growth in house prices lagged growth nationally in the first part of this period, prices have continued to grow in Western Australia in the past two years, when national price growth eased significantly.

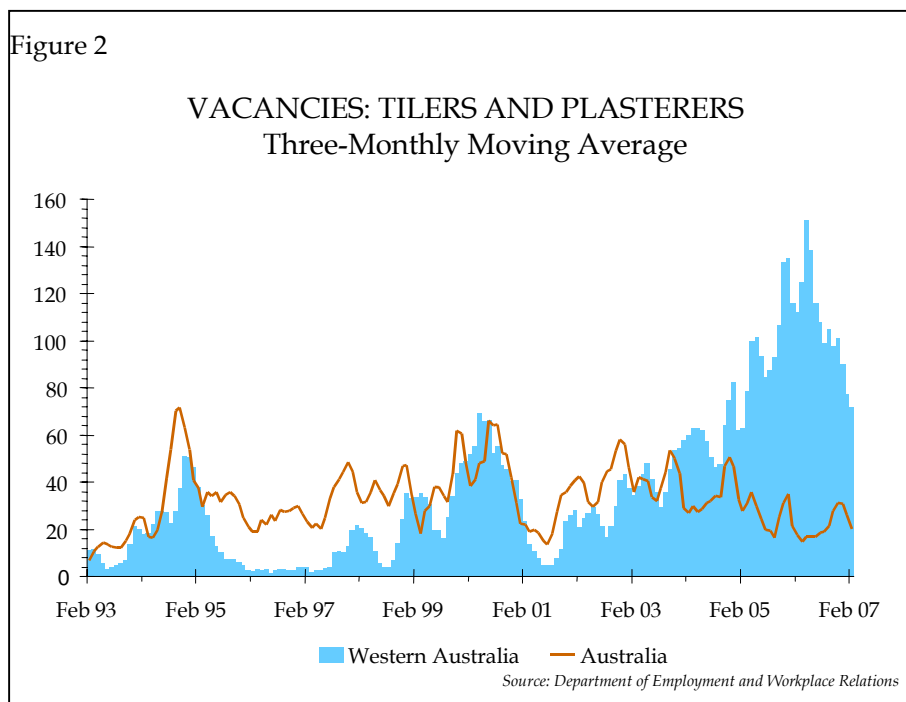
Key features of the Western Australian housing market that have supported strong price growth over the past five years (both in absolute terms and relative to growth nationally) are:

- Strong population growth:
  - Western Australia's population grew by an average of 1.5% a year over the past five years, even though net interstate State migration was negative from June 1999 until June 2003.<sup>4</sup> This was the second-highest growth of any State after Queensland. Growth has accelerated more recently as a result of the resource boom and related strong economic growth. This has attracted a greater inflow of international migrants and a return to positive net interstate migration. Between the June quarter 2005 and the June quarter 2006, Western Australia's population is estimated to have grown by 2.0%, similar to growth in Queensland and the highest growth of all States.<sup>5</sup>
  - Low interest rates:
    - Although interest rates have edged up recently, they remain low by historical standards. The major banks' standard mortgage rate has averaged 7.5% in the past five years, compared to 11.9% in the 1990s and 11.8% in the 1980s<sup>6</sup>.
- Strong growth in investor activity:
  - The value of established housing finance commitments by investors has increased by 4.5 times, from \$2.0 billion in 2000-01 to \$9.0 billion in 2005-06. Nationally, the value of investor commitments increased 2.1 times over the same period.<sup>7</sup>





- The number of investors increased by 105% over the period. By comparison, the number of investors in other States is estimated to have grown by 35% over the same period.<sup>8</sup>
- While growth in the value of investor commitments and number of investors increased at a similar pace as growth nationally between 2000-01 and 2003-04, growth in Western Australia has been uniquely strong since 2003-04.<sup>9</sup>
- Strong growth in trade-up buying:
  - The number of trade-up buyer finance commitments in Western Australia increased by 68% over the period. This compares with growth of 24% nationally. While growth was strong in Western Australia and nationally between 2000-01 and 2003-04, trade-up activity continued in Western Australia between 2003-04 and 2005-06, while activity in the rest of Australia has declined.<sup>10</sup>
  - The faster-than-average build-up in equity in recent years may have contributed to higher levels of trade-up activity, as home purchasers are able to borrow a smaller proportional amount in order to purchase their next trade-up home.
- Capacity constraints in the new dwelling market:
  - Since the December quarter 2001, demand in the new dwelling market (as measured by building commencements) has exceeded the capacity of the building industry to meet supply (as measured by completions). Western Australia is the only State to experience a sustained deficit between commencements and completions since 2001. All other States had reached a balance between commencements and completions (in annual terms) by the June quarter 2005 or earlier; and



- The capacity of the new dwelling sector to meet demand has been constrained by an acute shortage of skilled labour and materials. For example, the number of tilers and plasterers' vacancies in Western Australia has been significantly higher than the cumulative shortage of tilers and plasterers in all States over the past two years (Figure 2).

## THE HOUSING MARKET IN 2006-07

Established house prices in Western Australia increased in the December quarter of 2006, but growth has decelerated sharply. Real Estate Institute of Western Australia (REIWA) data indicate that growth in the median house price in Perth median house price has slowed from 8.6% in the September quarter 2006 (revised up from 6.2%), to 2.3% in the December quarter, with the median house price reaching \$450,000. The Australian Bureau of Statistics (ABS) established house price index rose by 1.7% in December 2006, its smallest quarterly increase since September 2001.<sup>11</sup>

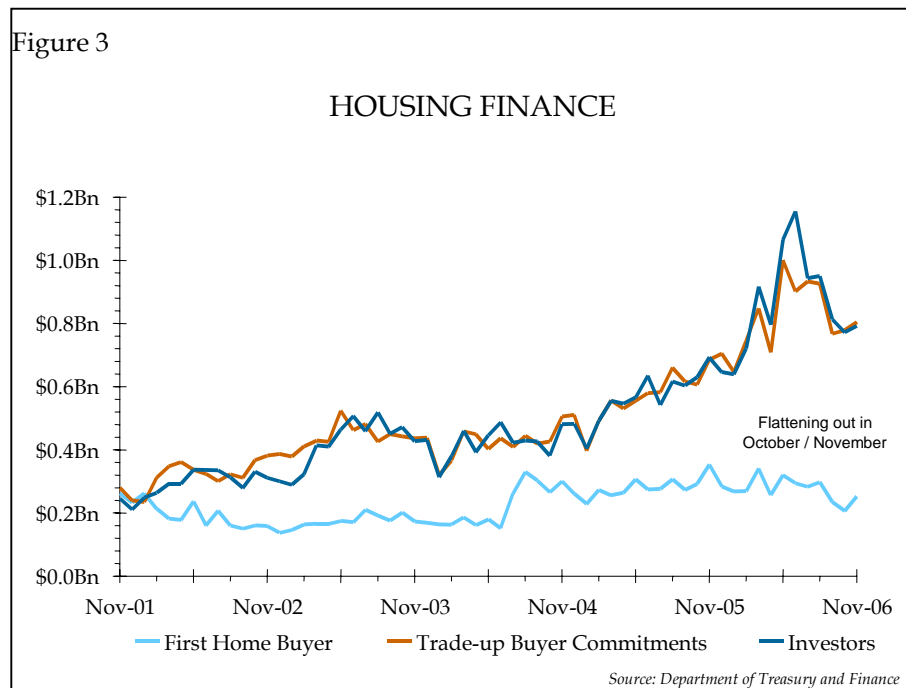
Recent trends in housing demand and supply are discussed in more detail below.

### Housing Demand

The high level of prices may explain the decline in growth in demand for housing from peak levels in mid-2006. First-home owner grant and ABS housing finance commitment data indicate that there was a substantial easing in the value and volume of finance commitments through the second half of 2006.

Between the three months to July 2006 and the three months to January 2007:

- The number of trade-up finance commitments for established homes declined by 26.1% (from 12,164 to 8,990); and



- The value of investor finance commitments for established homes declined from \$3.2 billion to \$2.2 billion, a fall of 30.0%.

While finance commitments across all sectors of the residential market declined strongly from record levels between July and October 2006, commitments stabilised in October and November 2006 (Figure 3).

Demand for newly constructed housing also appears to have stabilised at a very high level. In January 2007, trend building approvals were 8.7% below their peak a year previously, but some 17% higher than the average trend level over the past 20 years.<sup>12</sup>

## Housing Supply

The stock of established housing for sale increased significantly in the second half of 2006. REIWA data suggest that the stock of established homes at the end of the December quarter 2006 reached 11,375 homes. This is the highest number of homes available for sale since the March quarter 2001.

The stock of homes under construction in the September quarter 2006 reached a record 22,967, the equivalent of a (strong) year's worth of production (see Figure 1 on page 6). The previous highest cyclical peak saw 16,368 homes under construction in June 1989.

The capacity of the new construction market to add to the overall supply of housing also appears to have improved over the past year. ABS data indicate that 22,498 homes were completed in the year to the September quarter 2006. This represents a 16.3% increase on the number of homes completed over the year to the September quarter of 2005.<sup>13</sup>

Data on dwelling completions published by the Housing Industry Association (HIA) also suggest that the rate of completions in the housing market has increased. The number of house completions in a four-week period increased from 445 dwellings in 2003-04 to around 680 dwelling in the first half of 2006, and then to around 760 dwellings in the second half of 2006. The HIA has attributed the improved capacity to complete homes to more efficient management of construction processes and an improvement in material supplies.<sup>14</sup>

Department of Employment and Workplace Relations (DEWR) data indicate that there continues to be a shortage of skilled residential construction labour in Western Australia, albeit less acute than in the past, which is likely to continue acting to restrain the rate at which the construction market adds to the stock of housing.<sup>15</sup>

## Summary

Overall, the stock of housing for sale and estimated underlying demand for housing are currently close to balance. BIS Shrapnel estimates that there was a surplus of 900 homes at June 2006, while the ANZ Bank estimates that there was a deficit of around 500 homes in 2006, and expects a surplus of around 1,500 homes in 2007.<sup>16</sup>

These estimates are modest relative to the overall housing stock. To put them in perspective, the overall stock of housing is around 850,000 homes. So deficits of 500 and surpluses of 900 represent a market in which the supply and underlying demand for housing are more or less in balance.

## OUTLOOK FOR THE HOUSING MARKET

### 2007-08

Evidence suggests the housing market has peaked. On average, homes are now taking significantly longer to sell than they have in recent quarters (47 days in the December quarter, up from 32 days in the September quarter).<sup>17</sup> In addition, there has been a decline in the ratio of sales to average stock of dwellings available, and trends in this ratio have traditionally led movements in house price growth.<sup>18</sup>

More fundamentally, a combination of weaker demand as a result of the reduced level of affordability and an apparent improvement in the capacity of the construction sector to add to the stock of housing should moderate house price pressure.

In spite of these moderating pressures, prices are likely to remain at high levels, supported by continued strong population growth, very strong labour market conditions, and robust wages growth. There are also limited benefits or scope to substitute from the established market into either the house and land package market (reflecting strong growth in land prices) or the rental market (because of tight rental conditions and rising rents, see Chapter 3: Rental Market below).

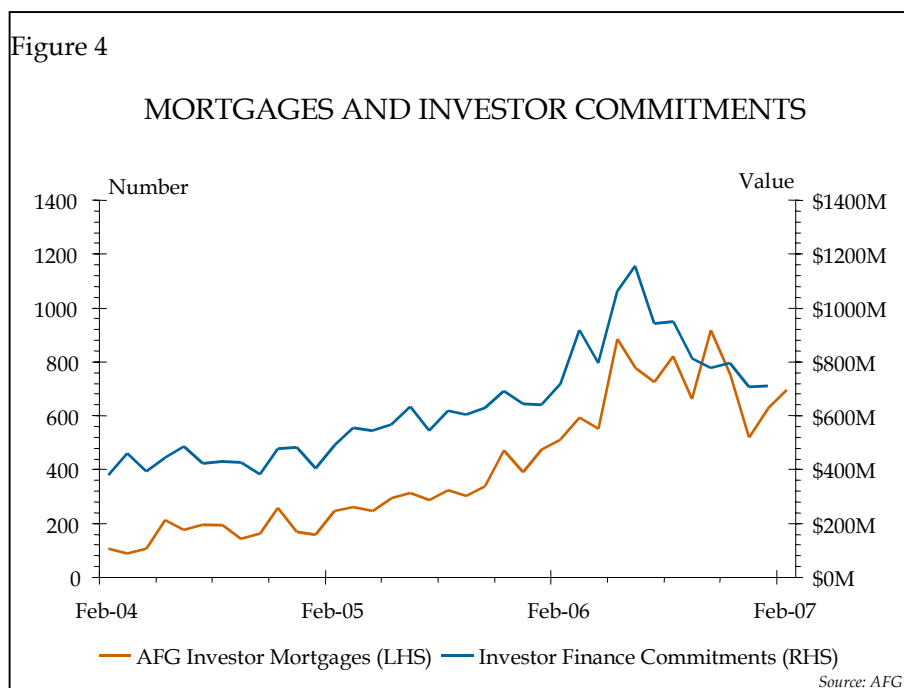
For these reason, it seems more likely that house prices will stabilise by mid-2007 and remain relatively flat for a sustained period (perhaps 18 to 24 months) than that prices will record a sharp or sustained decline. However, a marked drop in prices remains a possibility.

The resource boom has been the primary driver of strong housing market conditions, with strong demand for skilled labour, combined with a skilled labour shortage, resulting in strong wages growth and the attraction of skilled migrants to the State. For example, in the mining industry average weekly earnings are double the state average, and direct employment increased by 50% (or 17,000 employees) between 2003 and 2006.<sup>19</sup> Anecdotal evidence also indicates that well-paid miners may have made a significant contribution to demand for both owner-occupied and investment housing in recent years.

In addition, trade-up buyer and investor activity was significantly higher over the year to November 2006 than over the year to November 2005, notwithstanding the decline in housing sector activity in the second half of 2006. Trade-up buyer numbers over the year to November 2006 were 15.1% higher than over the year to November 2005, while the value of investor finance commitments in the established housing market was 50.8% higher. This indicates that there is considerable scope for activity to decline in these two sectors, while still remaining at what are historically high levels of activity.

Investor activity has already declined from a peak in mid-2006, and housing finance commitments data suggest that investor commitments stabilised in October and November, at a historically high level.

Investor activity is likely to decline further in coming quarters. The scope for high returns from capital appreciation have diminished substantially now prices are levelling off, and rental yields are likely to take some time to reach returns that are comparable with other investment opportunities. In this context, data from Australian Finance Group (AFG), which claims to account for around 10% of the Western Australian market, suggest that the number of investor loans it made remained robust until late 2006, although the number fell significantly in November and December (Figure 4).



Trade-up buyer activity is also expected to continue moderating (the flattening-off in activity in October and November aside).

This reflects a number of factors:

- Trade-up buyer activity is largely underpinned by first-home buyer and investor sales, as trade-up buyers as a group rely on first-home buyers and investors to purchase their existing home to facilitate their own purchase of their new home.
- Trade-up buyers have experienced a rapid build-up in equity in recent years, which has the potential to sustain the trade-up market in the short term. However, a stabilisation in house prices would reduce the rate of equity build-up, which could be expected to influence the pace of trade-up activity; and
- To the extent that increased house prices have increased the nominal transaction cost of selling and buying a new home, home-owners may be less inclined to trade up.

The available data (e.g. first-home owner grant data and AFG investor numbers) are consistent with a further decline in turnover. Moreover, the increase in interest rates in November 2006 and changing market sentiment are likely to dampen activity.

Changed market sentiment is reflected in media reports of property market representatives assessing the market as having peaked, with investors being advised to be cautious of investing in Perth. Front page news articles have speculated that Perth property prices could fall by 20%, while recent sales evidence indicates prices have fallen in some suburbs, leading to speculation about the potential emergence of negative equity, and projections of higher defaults and repossessions.

## 2008-09 and beyond

Conditions in the property market are expected to return towards longer-term trends through 2008-09, with these trends fully re-established by 2009-10 and 2010-11. In particular:

- The impetus from the resource sector is expected to moderate as current increases in production capacity improve the balance between supply and demand in commodity markets. As a result, population, employment and wages growth pressures, and flow through effects on the housing market, are expected to ease.
- Affordability is expected to improve as a result of a combination of flat prices (through to late 2008) and continued wage growth. Demand for housing is expected to increase as affordability improves.
- The balance between supply and underlying demand is likely to improve further, as a result of improvements in the capacity of the construction industry to complete homes.

- The current shortage of land is not expected to affect the supply of new dwellings significantly in the short term, given the large number of homes under construction and the current high rate of commencements. To the extent that the supply of land can be increased as the current stock of housing under construction is worked through, supply is not expected to be significantly constrained by land shortages in the longer term.

## SUMMARY

Between 2000-01 and 2005-06, the price of established homes in Perth increased by 111.8%, and while prices continued to grow in the December quarter 2006, the rate of growth had slowed significantly. Further, as discussed in the preceding chapter, a range of factors suggest that growth in house prices is likely to stabilise by mid-2007 and remain relatively flat for a sustained period, perhaps 18 to 24 months.

Having provided an overview of the Western Australian housing market since 2000-01, focusing on emerging trends and their likely affect housing prices in the short to medium future, the following chapter considers whether current prices are sustainable.

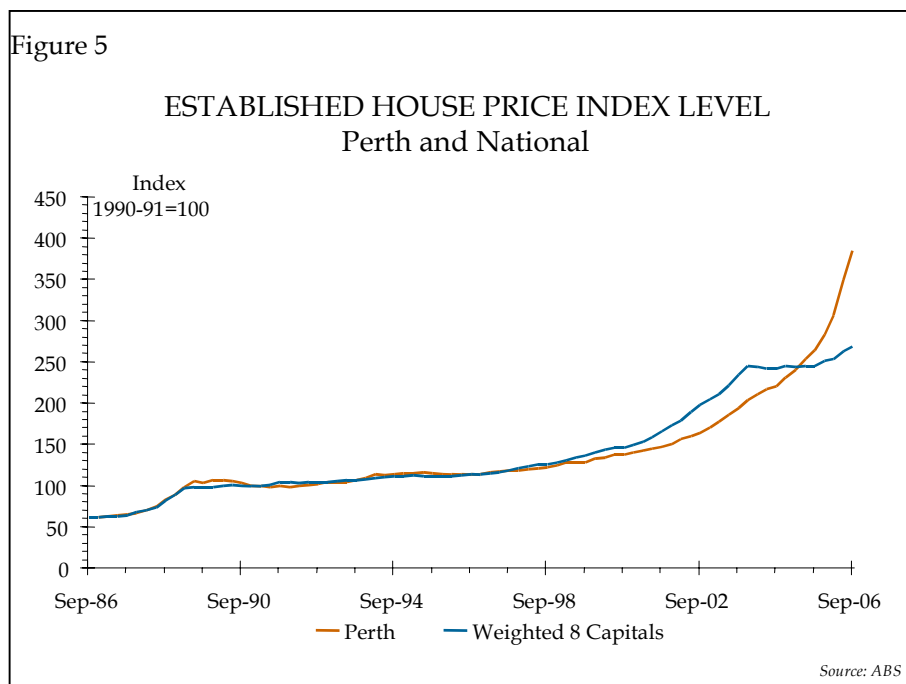
## Chapter 2: Housing affordability

### INTRODUCTION

Strong house price growth in Western Australia over 2005 and 2006 has seen cumulative price growth in Perth since the mid-1990s now outstripping that seen nationally (Figure 5).

As noted previously, preliminary REIWA data suggest that the median house price in Perth reached \$450,000 in the December quarter of 2006. REIWA's data indicate that Perth is now clearly Australia's second most expensive city after Sydney, which had a median price of just over \$520,000 in the September quarter of 2006. The Perth median house price was also around 15% higher than that of Darwin, Melbourne and Canberra, where the median price ranges from \$385,000 down to \$375,000.

However, while recent increases in Perth housing prices have eclipsed those in other Australia States and Territories, the effect on affordability measures is somewhat mixed, as discussed in more detail below.



### HOUSING AFFORDABILITY MEASURES

As noted above, the median house price in Perth is now the second highest of any capital city in Australia after Sydney, and is equivalent to 6.8 times the mean income in Western Australia.

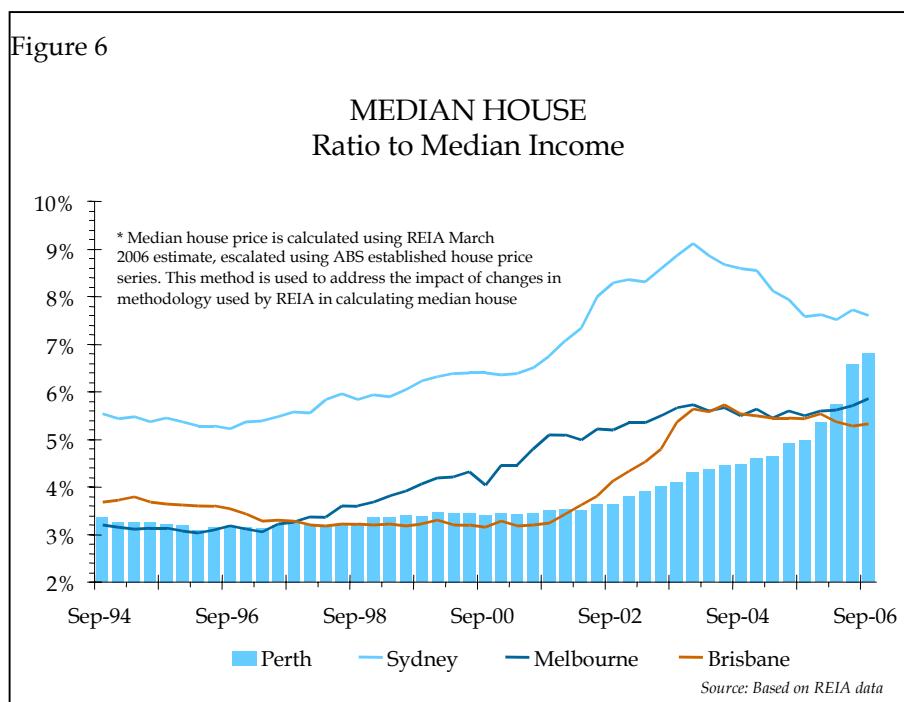
This ratio is at the highest level on record and the second highest of any capital city in Australia. It also represents a rapid decline in affordability as, until mid-1993, Perth had the lowest median price of the mainland capitals and the median house price to mean income ratio stood at four.

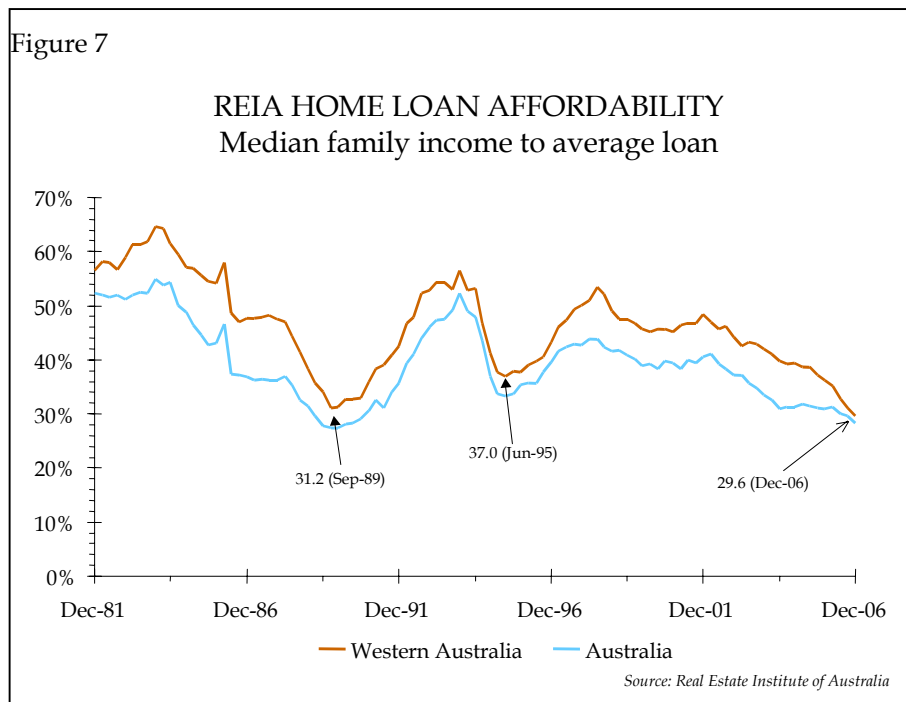


In considering whether housing prices in Western Australia are sustainable at current levels (or close to current levels), it is worth noting that:

- In Melbourne and Brisbane, the median house price to mean income ratio reached as high as 5.8 and 5.7 respectively. However, in both cities, house prices are now higher than at the time the house price to income ratio initially reached this level (in mid-2004).
  - In the case of Melbourne, the ratio has remained relatively flat, as growth in mean incomes (4.4% a year) has been at around the same pace as growth in house prices (4.9% a year).
  - In the case of Brisbane, the ratio has fallen to 5.3, as a result of mean incomes growing faster (7.9% a year) than the median house price (3.1% a year).
- In Sydney the median house price to mean income is (and has always been) higher than in Perth. Moreover, it has been above Perth's current ratio of 6.8 since late 2001. Notwithstanding this, the ratio has fallen substantially from its peak of 9.1 to its current level of 7.6, with most of this decline due to falling house prices (although house prices in Sydney appear to be stabilising). The ratio has remained at 7.6 over the past four quarters.

These comparisons indicate that median house price to mean income ratio (in the median to long term) for Australian capital cities currently ranges from between 5.7 to 7.6. Accordingly, Perth's current median house price to income ratio is within the range of recent experience in other capital cities. Furthermore, the data suggest that longer-term changes in relative affordability are more likely to be driven by rising incomes than by falling prices.





However, the Real Estate Institute of Australia (REIA) publishes its own indicator of housing affordability, which measures median family income to loan repayments. REIA's index, shown in Figure 7, indicates that while affordability in Western Australia is at a historical low, housing in Perth remained marginally more affordable (in the September quarter 2006) than nationally, because incomes are also above average. This again suggests that Perth's current median house price may be sustained for some time.

That said, affordability nation-wide and especially in Perth is now well below its longer-term average, so it is also possible that recent increases have raised prices above the level that are seen as being sustainable in the longer term. If so, and affordability drifts back towards its longer-term average, the transition could be achieved by either a fall in housing prices, or a slowing of the rate of increase in prices below increases in incomes, or a combination of the two.

Any substantial trend for investors to leave the market now that significant capital gains are no longer in prospect could dampen prices and demand (Chapter 3).

Further, demand and spending capacity represent only part of the picture of longer-term market trends. The cost and rate of additions to the housing stock, and especially supply bottlenecks and the cost of land and construction, have been an important part of the development of Western Australia's tight housing market in recent years. If the cost and availability of new homes improves in future, affordability could also improve.

## SUMMARY

There is some evidence that the Western Australian housing market may have peaked, and price growth in future is unlikely to sustain recent rapid rates. However, assuming that generally stronger economic conditions in Western Australia relative to other States persist, and that the supply of additional housing remains constrained, prices may remain high relative to incomes for some time.

## Chapter 3: Rental Market

### INTRODUCTION

REIA data indicate that the median rent in Perth increased by around 60%, to \$260 per week, between June 2001 and September 2006.<sup>20</sup> This is well below the increase in the median house price of almost 112% over the same period (see Chapter 1). In recent quarters, however, rental growth has started to accelerate, and REIA data indicate rents in Perth rose by just over 18% in the year to September 2006.<sup>21</sup>

These recent rises need to be placed in context. As shown in Table 1 below, compared to other Australian capital cities, Perth median rents now sit around the middle of the range. But Perth's relative rental affordability is changing rapidly - REIA data suggest that, until as recently as September 2005, Perth was the cheapest capital city in Australia in which to rent a three-bedroom home.

TABLE 1. MEDIAN WEEKLY RENTS - 3 BEDROOM HOUSES (SEPTEMBER QUARTER)						
	2001	2002	2003	2004	2005	2006
Sydney	240	240	250	250	260	270
Melbourne	200	200	210	220	220	240
Brisbane	200	215	230	230	245	285
<b>Perth</b>	<b>166</b>	<b>178</b>	<b>178</b>	<b>190</b>	<b>220</b>	<b>260</b>
Adelaide	190	185	195	205	225	235
Canberra	230	255	280	290	300	320
Hobart	155	175	185	215	230	250
Darwin	230	245	245	270	280	305

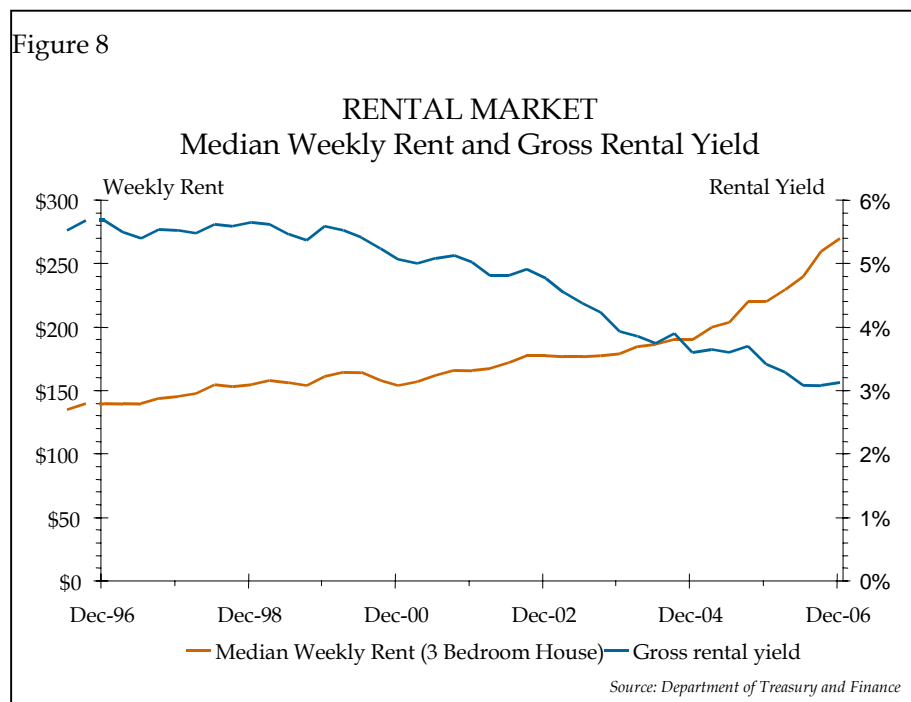
Source: REIA Median weekly rents, 3-bedroom houses

A somewhat different perspective on rental increases is offered by the ABS, which publishes information on rent increases as part of its consumer price index series. ABS data suggest that rents in Perth increased by a much more modest 16.8% between December 2001 and December 2006, while overall rents in Australia increased by 13.4% over the same period.<sup>22</sup>

The ABS data include public housing rents, which are likely to have risen by less than private rents. However, these represents less than 20% of renting households,<sup>23</sup> so while this would moderate increase in rents captured by the ABS data series, it is unlikely to account for all of the variation between the REIA and ABS estimated increases in household rents. Another possible reason that the ABS data suggest a much lower increase in rents is that it represents rents actually paid across the rental housing stock, whereas REIA's measure reports rents sought for a specific subset of the rental housing stock (3-bedroom house) at a point in time.

### RENTAL YIELDS

Figure 8 shows the level of the median weekly rent and the gross rental yield (annual rent divided by the median house price) in Perth since June 1996, and suggests that the return to an investor before capital gains has fallen from a longer-term average of over 5% to just over 3% a year.



Rental yields do not capture the strong capital gains that investors have enjoyed in recent years, which have meant that existing investors' overall rates of return have remained relatively high. However, as house price growth is expected to be modest at best over the four years to 2009-10 (see Chapter 2: Housing affordability), capital gains will no longer be sufficient to make investment attractive. Furthermore, the chart is representative of the situation faced by a recent investor in the housing sector.

The rental vacancy rate remains low, with rates increasing from 1.4% in the March quarter to 2.1% in the September quarter 2006, still well below the longer-term average of 3.5%. Further, there is little evidence that the rental market is oversupplied, with REIA data indicating that the rental market again tightened in the December quarter 2006, with the rental vacancy rate dipping to 1%.

The tightening in the rental market is also reflected in the median rent for a three-bedroom home in Perth, which REIWA data indicate rose by 3.8% in the December quarter 2006, from \$260 to \$270 per week.

A low rental yield and low vacancy rate raises the prospect that further strong growth in weekly rents may be required to re-establish gross rental yields that are attractive to investors. At the estimated December quarter 2006 median house price of \$450,000 the median weekly rent for a three bedroom house would need to increase by almost 60%, from around \$270 per week to around \$432 per week, to re-establish a gross rental yield of around 5%.

In the absence of an increase in rents, a further expansion of the supply of rental properties would require either expectations of continued strong price growth offsetting the effect of the low rental yield on the investors overall rate of return, or a substantial fall in dwelling prices.

As discussed in Chapters 1 and 2, neither of these extremes appears likely at present. However, evidence points to a more dynamic and gradual scenario, under which investors' expectations of capital gains diminish, initially leading to an increase in rents (as would appear to be occurring at the moment). An increase in rents may affect tenants' ability to pay, leading to increased risk of default in the rental market. This could adversely affect investors' perception of the rental market, potentially leading to a shift out of rental housing and into alternative investments. Such activity may then assist in placing downward pressure on prices, assisting a rebalancing of gross rental yields, while also encouraging first-home buyers, including those renting, back into the housing market.

## SUMMARY

Available data suggest that the housing price cycle may have peaked, and hence purchase affordability has stabilised, albeit at historically low levels. However, the effect of recent increases in house prices has yet to fully flow through to the rental market.

This adjustment process is likely to take some time, slowed by both fixed term tenancy agreements and long term investors, who may chose to balance setting rents to achieve of a return on the higher opportunity cost of capital that their investment now represents compared to the cost of their original investment.

## Chapter 4: Housing Circumstances of Western Australian Households

### INTRODUCTION

This chapter outlines data on housing affordability and circumstances, drawing mainly from the ABS's 2003-04 survey of *Housing Occupancy and Costs*. This is the most recent data available, but does not reflect the consequences of the recent acceleration in house prices and private rents. Hence, while it is reasonable to assume that the patterns and distributions of tenure patterns and housing stress it relates are still broadly true, it is likely that the incidence of housing stress has worsened since the survey.

Table 2 summarises the tenure distribution of Western Australian households in 2003-04 (the most recent publicly available data).

**TABLE 2. HOUSING CIRCUMSTANCES - HOUSEHOLDS, WESTERN AUSTRALIA: 2003-04**

	Households		Average Weekly Housing Costs	
	('000)	%	\$	% of Gross Income
<b>Owner</b>				
Owner without a mortgage	240	31	20	2
Owner with a mortgage	294	38	247	18
<b>Renter</b>				
State/territory housing authority	31	4	80	17
Private landlord	169	22	167	17
Total renters	214	28	151	16
<b>Total (a)</b>	<b>771</b>	<b>100</b>	<b>142</b>	<b>13</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

(a) The table excludes some minor housing tenures.

Around 70% of households either own their home outright or are buying it. Households renting from a private landlord represent some 80% of all renting households, while 4% of households rent from the public housing authority (where rents are capped at a maximum of 25% of gross income). While not shown in the table, about 5% of all households are first-home buyers who purchased a home in the last three years.

### HOUSING STRESS

A household is generally considered to be experiencing housing stress when housing costs exceed 30% of gross income when household income is in the lowest 40% of the income distribution (the "30/40 rule" established by the 1992 National Housing Strategy).

However, a distinction can be drawn between a purchasing owner-occupier and a rental tenant who each pay more than 30% of their gross income in housing costs.

Owners with a mortgage have the highest average housing costs as a percentage of gross income. However, these tend, on average, to also have higher total incomes, and part of these costs represents the acquisition of an asset that will provide benefits in the future (in the form of housing services and capital gains). Conversely, renters' housing costs are solely a payment for current housing services.

Detailed information on the housing costs of Western Australian households is not publicly available. However, information is available at the national level that can be used to draw some conclusions about which groups in the community are most likely to be experiencing housing stress. It seems plausible that Western Australia's cost distribution is at least broadly similar to the national average.

Table 3 compares housing costs as a proportion of gross income across different tenure types.

**TABLE 3. AVERAGE HOUSING COSTS AS A PROPORTION OF GROSS INCOME BY TENURE, AUSTRALIA: 2003-04**

	Owners		Renters			Total
	without a mortgage	with a mortgage	Public	Private	Total	
<b>Low-income Households <sup>(a)</sup></b>						
25% or less	99.8	55.7	85.8	35.2	48.9	74.6
More than 25% to 30%	0.1	13.2	10.6	14.1	12.7	6.8
More than 30% to 50%	n.a.	20.8	3.6	41.8	31.9	14.3
More than 50%	0.0	10.3	0	8.9	6.5	4.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Number of Households ('000)</b>	<b>1,039</b>	<b>489</b>	<b>163</b>	<b>503</b>	<b>712</b>	<b>2,297</b>
<b>All Households</b>						
25% or less	98	67.3	76.1	60.7	64.3	77.9
More than 25% to 30%	0.2	10.3	12.9	9.3	9.8	6.4
More than 30% to 50%	0.5	15.5	8.6	20.6	18	10.6
More than 50%	1.4	7.0	2.4	9.4	7.8	5.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Number of Households ('000)</b>	<b>2,703</b>	<b>2,714</b>	<b>376</b>	<b>1,639</b>	<b>2,133</b>	<b>7,736</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

(a) Households with disposable incomes between the bottom 10% and bottom 40% of the income distribution.

The above table suggests that:

- Some 31% of low-income households purchasing a home experienced housing stress in 2003-04, while 51% of low-income households renting from a private landlord faced housing stress.
- Relative to the general population, low-income households were only marginally more likely to be experiencing housing stress. Low-income households (based on the definition used in the above table) represented 30% of the total households and 35% of all households whose housing costs exceeded 30% of gross income; and

- Housing stress appears to be concentrated within two low-income groups, owners with a mortgage and private rental tenants.

Tables 4 and 5 examine the extent to which housing stress within the two tenure types identified above are concentrated within particular life-cycle groups (i.e. lone person aged under 35, couple with dependent children etc.).

**TABLE 4: HOUSING COST AS A PROPORTION OF GROSS INCOME (%)  
- LOW-INCOME HOUSEHOLDS  
LIFE-CYCLE GROUPS, AUSTRALIA: 2003-04**

	Lone Person aged Under 35	Dependent Children		Couple Only With Household Head Aged:		Lone person aged 65 and over	All
		Couple	Sole Parent	55 to 64	65 and over		
Owner without a mortgage	n.a.	3	4	4	4	6	4
Owner with a mortgage	44	26	28	23	11	62	26
<b>Renter</b>							
Public Housing	30	18	17	25	21	23	19
Private landlord	35	24	30	42	30	44	28
Total renters	34	23	26	33	25	37	26
<b>Total</b>	<b>31</b>	<b>21</b>	<b>24</b>	<b>9</b>	<b>6</b>	<b>13</b>	<b>17</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

(a) Households with disposable incomes between the bottom 10% and bottom 40% of the income distribution.

**TABLE 5: HOUSING COST AS A PROPORTION OF GROSS INCOME (%) - LOW-INCOME HOUSEHOLDS  
LIFE-CYCLE GROUPS, AUSTRALIA: 2003-04**

	Lone Person aged Under 35	Dependent Children		Couple Only With Household Head Aged:		Lone person aged 65 and over	All
		Couple	Sole Parent	55 to 64	65 and over		
25% or less	31	66	55	92	95	81	75
More than 25% to 30%	17	12	12	2	1	3	7
More than 30% to 50%	36	17	29	3	3	11	14
More than 50%	16	6	4	3	n.a.	5	4
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

(a) Households with disposable incomes between the bottom 10% and bottom 40% of the income distribution.

For low-income households with a mortgage, housing stress is concentrated in lone person households, particularly where the person is aged less than 35 years or over 65 years. Table 4 indicates that those aged less than 35 years are far more likely to be paying housing costs exceeding 50% of gross income. It is worth noting that a lone person aged under 35 years is more likely to have greater scope for household income growth in future years (due to both wage growth and finding a partner) compared to the older cohort (who are more likely to be reliant on an inflation-indexed Commonwealth pension as a main source of income).



For low-income households renting from a private landlord, lone person households are again more likely to be experiencing housing stress, as are sole parent families. While couple households with a household head aged between 55 and 64 years and renting from private landlords also report a high ratio of average housing costs to gross income, this group is relatively small in absolute terms (around 90% of households in this group own or are purchasing their home).

Households relying on Commonwealth pensions or allowances as their main sources of income are also more likely to be experiencing housing stress. Table 6 compares average housing costs to gross income by main source of income and tenure.

**TABLE 6: AVERAGE HOUSING COSTS AS A PROPORTION OF GROSS INCOME (%) BY MAIN SOURCE OF INCOME, AUSTRALIA: 2003-04**

	Private Income				Government pensions and allowances	Total
	Wages and salaries	Business Income	Other income	Total		
Owner without a mortgage	2	2	3	2	5	3
Owner with a mortgage	19	20	19	19	29	19
<b>Renter</b>						
State/territory housing authority	16	10	28	16	21	19
Private landlord	17	16	29	17	35	19
Total renters	16	16	29	17	29	19
<b>Total</b>	<b>14</b>	<b>13</b>	<b>7</b>	<b>14</b>	<b>16</b>	<b>14</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

Finally, Table 7 compares housing costs as a proportion of gross income for recent home buyers (household purchasing a home in the last three years). While first-home buyers are more likely than repeat home buyers to be paying more than 30% of their gross income in housing costs, they remain significantly less likely to be doing so when compared with low-income households renting from a private landlord.

**TABLE 7: RECENT HOME BUYERS, AUSTRALIA: 2003-04**

	First-home buyers		Repeat Home Buyers		All Home Buyers	
	New	Established	New	Established	New	Established
25% or less	54	55	76	69	70	65
More than 25% to 30%	16	13	9	9	11	11
More than 30% to 50%	21	21	9	14	12	16
More than 50%	9	10	6	8	7	9
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

Table 8 suggests that first-home buyers are more likely to have household incomes in the top 40% of the income distribution. This means that fewer first-home buyers suffer from housing stress compared to the general population.

**TABLE 8: RECENT HOME BUYERS BY INCOME DISTRIBUTION QUINTILES, AUSTRALIA: 2003-04**

	First-home buyers		Repeat Home Buy		All Home Buyers	
	New	Established	New	Established	New	Established
Lowest quintile	6	10	13	21	11	17
Second quintile	13	9	18	17	17	14
Third quintile	16	19	21	16	20	17
Fourth quintile	31	26	21	19	24	21
Highest quintile	34	36	28	27	29	30
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: ABS, Housing Occupancy and Costs, Australia, 2003-04

## SUMMARY

The groups most at risk of experiencing housing stress are low-income owner-occupiers with a mortgage and low-income households renting from a private landlord (of whom around half face housing costs exceeding 30% of gross income).

Low-income owner-occupier households tend to experience housing stress if they are single adult households (e.g. lone person households and sole parent households are more susceptible). These groups are also more likely to experience housing stress when renting from private landlords.

Households that rely on a Commonwealth pension or allowance as their main source of income are also more likely to be experiencing housing stress. This group represents 27% of all households and around 25% of all households renting from a private landlord.

## Chapter 5: Existing Sources of Housing Assistance

This section outlines existing means through which Government provides assistance to owner-occupied and rental tenants in both the private and public sectors.

### OWNER-OCCUPIED

#### First-home Owners

Assistance with housing costs for owner-occupiers is provided primarily through the First-Home Owners Grant and the stamp duty exemption for first-home buyers. At the time of the 2006-07 Budget, first-home owner grant expenditure was estimated to be \$129 million in 2006-07 while the stamp duty exemption was estimated to cost \$72 million.

As shown in Table 9, substantial increases in house prices since 2001 have resulted in a large increase in the up-front costs of home ownership incurred by first-home buyers. These up-front costs extend the time it takes a potential first-home buyer to save for a home, or increases the debt taken on by those first-home buyers who are able to borrow to cover some of the up-front costs.

**TABLE 9. MEDIAN FIRST-HOME BUYER, FIRST-HOME BUYER PRICES, DEPOSITS, UP-FRONT COSTS AND GOVERNMENT ASSISTANCE, JUNE QUARTER**

	2001	2002	2003	2004	2005	2006	2006 Sept
	\$	\$	\$	\$	\$	\$	\$
Median Price	128,000	152,000	181,000	227,000	245,000	315,000	350,000
<b>Deposit (10%)</b>	<b>12,800</b>	<b>15,200</b>	<b>18,100</b>	<b>22,700</b>	<b>24,500</b>	<b>31,500</b>	<b>35,000</b>
Conveyance Duty	3,040	4,054	5,562	8,563	8,000	11,450	13,200
Mortgage Duty	288	342	407	511	551	709	394
Mortgage Insurance <sup>(1)</sup>	1,728	2,052	2,444	3,065	3,308	4,253	4,725
Other Up-front Costs <sup>(2)</sup>	1,517	1,517	1,517	1,517	1,517	1,517	1,517
<b>Up-front Costs</b>	<b>6,573</b>	<b>7,965</b>	<b>9,929</b>	<b>13,655</b>	<b>13,376</b>	<b>17,278</b>	<b>19,836</b>
<b>Assistance</b>							
First-home owner grant	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Stamp Duty Relief	500	500	500	0	8,000	2,220	0
<b>Total</b>	<b>7,500</b>	<b>7,500</b>	<b>7,500</b>	<b>7,000</b>	<b>15,000</b>	<b>9,220</b>	<b>7,000</b>
<b>Cash Requirement</b>	<b>11,873</b>	<b>15,665</b>	<b>20,259</b>	<b>29,355</b>	<b>22,876</b>	<b>39,558</b>	<b>47,836</b>

(1) The mortgage insurance premium is calculated as 1.5% of the loan amount. Actual mortgage insurance premium rates will vary depending on the insurer and the deposit. The estimated premium rate is based on a survey of major lenders.

(2) Includes loan application and establishment fees, building and pest inspections, and settlement costs. While historical information on these costs is not readily available they are generally independent of the property value and loan amount. Estimates are derived from a survey of major lenders.

Potential first-home buyers are finding the transition into first home ownership less affordable, which is evident from the decline in first-home owner grant applications in late 2006.

## Home loans

### Home loans

The Department of Housing and Works (DHW) manages a number of home ownership programs, including the Keystart Loan scheme, to assist Western Australians on low to moderate incomes. The DHW has a specific scheme for Aboriginal people and Torres Strait Islanders, and another which enables people with disabilities to buy or modify their home to suit their needs.

### Keystart

Keystart, the home lending arm of the DHW, assists Western Australians to achieve home ownership through low deposit, affordable home ownership schemes. Keystart has provided more than 61,712 low deposit loans. When launched in 1989 during a very high interest rate environment, Keystart aimed to help low to moderate income earners who did not qualify for public housing but could not procure home finance from mainstream financiers who required substantial deposits.

### First Start

The First Start shared equity scheme was introduced in 2007 as the first step towards addressing WA's housing affordability crisis.

First Start is planned to help 3000 WA families and individuals over three years.

The scheme is based on the Department of Housing and Works purchasing a share in the property and then providing the homebuyer with a Keystart low-deposit loan to purchase the remaining share.

The Department will purchase:

- up to 40 per cent for families with incomes under \$60,000;
- up to 30 per cent for couples with incomes under \$50,000; and
- up to 30 per cent for singles with incomes under \$35,000.

Home buyers will purchase the department's share of the property as their finances permit. The maximum property price will be \$365,000. First Start borrowers must be owner-occupiers and qualify for the First Home Owner's Grant.

### Goodstart

The Goodstart Shared Equity scheme was introduced in August 1997, for the purpose of assisting DHW tenants and applicants into partial and eventually full ownership of Department properties. Eligible tenants and applicants are given the opportunity to purchase, at market value, a minimum 70% share in a dwelling owned by DHW, or 50% if they already live in the property concerned. The remaining share of the property is retained by DHW, but can be purchased by the customer when they can afford to do so. 122 households were assisted in 2005/2006.

## **Aboriginal Home Ownership Scheme**

The Aboriginal Home Ownership Scheme was also introduced in 1995/1996 and was specifically developed to meet the needs of West Australians of Aboriginal and Torres Strait Islander descent. Since the scheme commenced, 569 households have been assisted into home ownership with a total loan value of \$60.9 million.

The scheme permits applicants to purchase a minimum 70% share in a dwelling, with the remaining share held by the DHW. As with Goodstart, customers are able to purchase the remaining share when they can afford to do so.

## **Access home loans**

This scheme was introduced in 1995-96 and enables people with disabilities to buy, build or modify their homes to meet their particular needs. This scheme is not selective in relation to a person's disability and assists people with a broad spectrum of problems. Since inception 590 loans have been approved under the scheme with a total value of \$50.9 million. Purchasers under this scheme can obtain loan funds to buy a minimum 70% share in a dwelling with the remaining share held by the DHW. This share may be purchased by the customers when they can afford to do so.

## **PRIVATE RENTAL**

Given the price growth experienced by the Perth housing market in recent years, there is also potential for significant growth in rents in coming years. This suggests that the group in the community with the most severe and persistent housing stress, low-income private rental tenants, are most at risk of a deterioration in the current circumstances.

## **Letting Fees**

The Western Australian Government recently announced it would prohibit the charging of letting fees by real estate agents, usually equivalent to a week's rent, from early April 2007. These fees were generally payable by individuals renting residential properties through real estate agencies.<sup>24</sup>

## **Bonds**

### **Bond Assistance Scheme**

The DHW's Bond Assistance scheme was established to help people on low incomes gain access to the private rental market by accessing interest-free bond loans. Applicants must meet public housing income limits, have assets below \$2,500 for singles and \$5,000 for couples, and be 16 years or over. The bond loan cannot be used for other expenses such as advance rent or letting fees, and rent cannot be more than 60% of an applicant's gross income. The bond must not have already been paid. The loan is repaid in regular payments of at least \$15 per fortnight.

The scheme provides in excess of 13,000 loans approved each year. Generally, assistance of up to \$950 may be available depending on the applicant's family circumstances. Some 128,301 Bond loans have been granted since 1996.

### **Bond Loan Scheme**

The Bond Loan Scheme provides another option to people on the Department's waiting list and an immediate alternative to those people requesting priority assistance. To be eligible applicants must meet public housing income and asset limits. The loan is repaid by regular fortnightly instalments during the course of the tenancy and any outstanding balance is to be paid within 30 days of vacation.

The maximum bond loan is the lesser of either four times the weekly rent or the Departments scheduled maximum. Bond loan minimum repayments are \$15 per fortnight.

The bond loan limit was increased in October 2005 to maintain affordability and assist clients to meet the cost of entering the private rental market. The current loan limits cover all types of family groups.

### **Private Rental Access Scheme**

The DHW also operates the Private Rental Access Scheme, which aims to improve Indigenous people's access to the private rental market in the metropolitan area. The scheme enables up to 40 families in a calendar year to access housing in the private rental market through the provision of industry-recognised tenancy references. The scheme aims to counter negative stereotyping and improve local real estate agents understanding of Indigenous issues within a housing context. It also seeks to empower tenants with increased knowledge of their rights and responsibilities as tenants in the private rental market.

### **Commonwealth Rent Assistance**

Commonwealth Rent Assistance (CRA) is the Australian Government's main program to assist low-income households in the private rental market. It is the Australian Government's largest housing program, with over one million individuals assisted at any given time. The payment is a supplementary benefit paid through the income support system.

To be eligible for CRA a person must be receiving a pension, benefit or allowance (excluding Austudy), a service pension from the Department of Veterans Affairs and/or Family Tax Benefit Part A at greater than the base rate. Private renters and community housing tenants may be eligible for CRA, but public housing tenants are not.

The amount of CRA paid depends on the amount of rent paid and the rent threshold (the minimum rent that a person needs to pay before they begin receiving CRA), up to a maximum rate. Maximum rates and rent thresholds vary depending on the client's family circumstances. CRA is paid at a rate of 75 cents for every dollar above the threshold until a maximum rate is reached.

CRA is increased through indexation to the Consumer Price Index. However, rent increases have been significantly faster than inflation, so CRA is covering a diminishing proportion of tenants' housing costs. Between the June quarter 2001 and the December quarter 2006 CRA increased by 18%, while REIWA data suggest the median rent for Perth increased by 83%.

## PUBLIC RENTAL

### State Housing

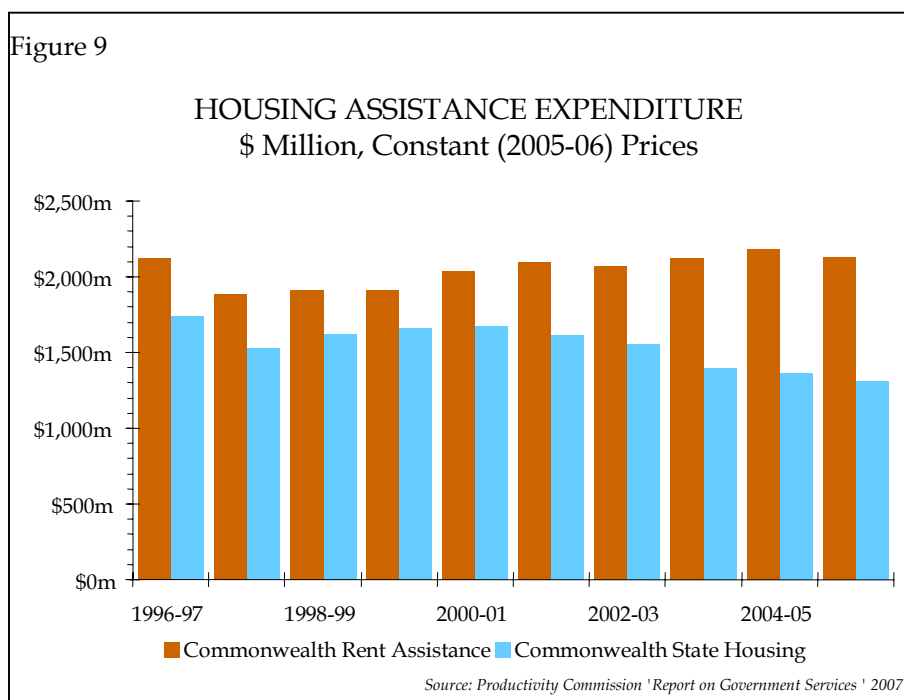
The main source of State government housing assistance for rental tenants is through the Commonwealth State Housing Agreement (CSHA). Real annual expenditure for public and community housing under the CSHA is shown in Figure 9, which also shows the decline in real expenditure on public housing compared to the real growth in Commonwealth Rent Assistance. Per capita expenditure by State on public and community housing in 2005-06 is shown in Figure 10.

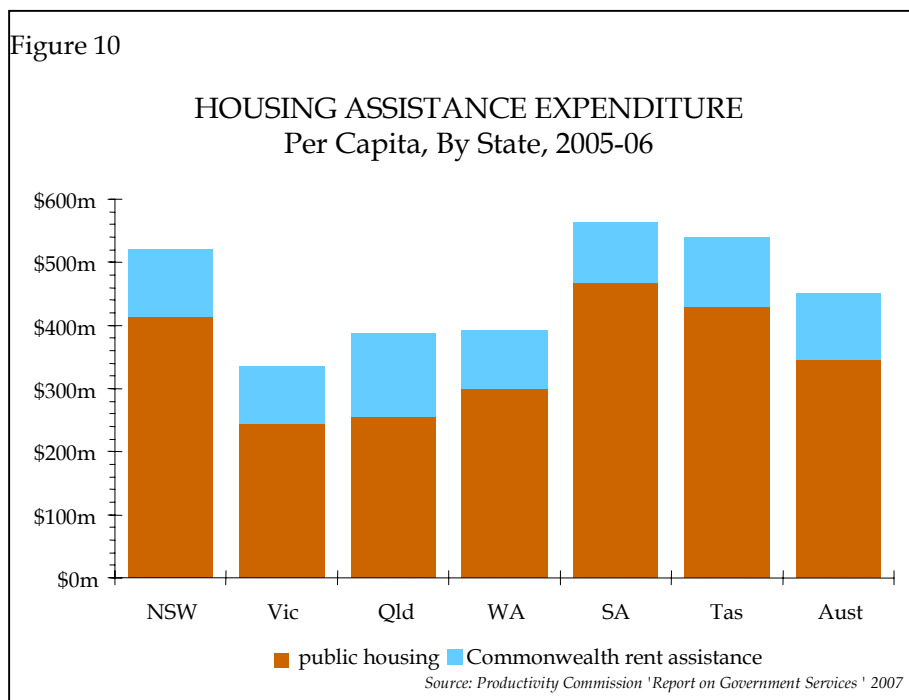
The Productivity Commission’s Report on Government Service Provision shows that, in Western Australia in 1995-96, a total of 38,409 households occupied 32,684 public housing dwelling units. In 2005-06, 29,819 households occupied 31,006 public housing dwelling units.

The reduction in households accommodated in 2005 compared to 1995 may reflect the fact that, in earlier years, the dwelling stock included a large number of flats in what were considered to be undesirable public housing estates. These had a fast turnover of households, which contributed to the larger households accommodated figure.

Under the New Living program, a large number of these flats were demolished, and total flat and apartment numbers fell by 1,804 from 6,863 in 1995 to 5,059 in 2005<sup>25</sup>.

There were around 12,500 households on the public housing waiting list in 2005, and around 3,500 households were accommodated in public housing in that year (down from 7,500 households in 1995). Greater targeting of public housing by the DHW to those in greatest need has reduce the capacity to respond to affordability pressures in the private rental market, where the stock of low rent housing (less than \$100 in 2001) in WA declined by 39% between 1986 and 1996.





Only Regional WA recorded a small decline over the subsequent 1996 to 2001 period. The homogeneity of WA's housing stock, being dominated by detached housing, does not assist in private rental affordability whereas the public housing stock is far better configured to meet the continuing trend in declining household size.

The DHW has also indicated that the public housing system supports a diverse range of some 35,000 households, dominated by seniors and single parents.

While there has been an ongoing program to modernise and reconfigure the public housing stock to better meet changing demographics (as discussed above), declining Commonwealth funding has seen the proportion of public housing fall markedly to below 5% over the past 10 years. This restricts the social housing sector's capacity to respond to general housing affordability pressures in an ageing community with increasing complex needs that were previously accommodated through institutional care.

The ageing and progressive retirement of the Baby Boomers cohort (those born between 1946 and 1965) will also throw up a range of new challenges for the community, not the least being the demand for affordable housing. While the declining percentage of baby boomer households renting privately is consistent with ageing, the sheer number of baby boomer households currently renting will place significant pressure on public housing waiting lists as retirement incomes fall and the proportion of households accessing CRA increases disproportionately.<sup>26</sup>

## Community Housing

Community housing plays an important role in the provision of housing assistance to low income Australians. It originated in the 1970s as a more responsive community-based approach to housing for targeted disadvantaged groups such as the aged, people who are homeless and those with a disability. It also pioneered new approaches to tenant participation in the management of their housing.<sup>27</sup>



While community housing is still a relatively small sector, it has grown in size and importance in most States and Territories during the past decade. As a consequence there are now over 1,200 community-housing organisations across Australia providing approximately 44,000 affordable rental housing dwellings to low-income households.

The sector is very diverse, and includes small self-managing housing co-operatives, large welfare agencies, church and community service based organisations and special purpose housing associations. Some of these organisations have been very active over the last decade, partnering a diverse range of public and private agencies, and developing a range of innovative and large projects.

Community Housing includes rental accommodation managed by non-profit community organisations, housing associations and local governments. It provides tenants with an alternative to renting in public or private rental markets. Community housing offers tenants security of tenure, links to local community supports and an opportunity to participate in the design, location and management of their accommodation.

Community housing programs cater to a range of client groups, however applicants seeking housing assistance must meet the eligibility criteria for public housing accommodation.

Community groups involved in the management of this accommodation include regional housing associations, church and welfare organisations, local governments, aged care providers and housing cooperatives.

As at 30 June 2006, Western Australia's Community Housing stock comprised 4,275 units, compared to 4,168 units at 30 June 2005.

### **Community Housing Programs**

As an alternative to mainstream public rental housing, the DHW administers several community housing programs, which provide housing assistance to income eligible people through community groups and local government.

DHW allocates funding to community housing organisations and local governments to provide short and long term rental accommodation to applicants, including people with disabilities. DHW provides four main Community Housing programs:

- Community housing program;
- Joint venture housing program;
- Community disability housing program; and
- Crisis accommodation program.

## SUMMARY

While there are a number of means through which the Government currently assists prospective home owners, the effectiveness of these appears to have diminished in the face of escalating home prices.

Recent moves to abolish the charging of letting fees by real estate agents, and a number of other Government programs, assist in reducing the upfront costs faced by prospective tenants in the private rental market. However, the effectiveness of such programs in assisting prospective private sector tenants secure a rental property is unclear in a tight rental market, with REIWA finding that the rental vacancy rate fell to 1% in the December quarter of 2006. These circumstances are likely to continue to place pressure on the social housing sector.

## Chapter 6: Conclusion

As noted in the introduction, the purpose of this paper is to inform public debate by detailing recent trends in the Western Australian housing market and outlining the dimensions of housing stress, and to assist policy makers responding to the problems it is causing. It makes no attempt to identify or promote policy initiatives to alleviate housing stress.

While detailed information on the housing costs of Western Australian households is not publicly available, data at the national level suggests that housing stress is concentrated within two low-income groups, owners with a mortgage and private rental tenants:

- Around 31% of low-income households purchasing a home experienced housing stress in 2003-04, while
- Around 51% of low-income households renting from a private landlord faced housing stress.

Consequently, while public debate has focussed primarily on housing stress for first-home buyers and (to a lesser degree) demand for social housing, data suggest that the greatest incidence of housing stress is in the private rental sector.

While 31% of first-home buyers experienced housing stress in 2003-04 (in line with low-income households), available data indicate more than 60% of these buyers have household incomes in the top 40% of the income distribution.

Available data suggest that while the housing price cycle may have peaked, and hence purchase affordability stabilised, the effect of recent increases in house prices has yet to fully flow through to the rental market. This adjustment process is likely to take some time, slowed by both fixed term tenancy agreements and long term investors, who may choose to balance setting rents to achieve a return on the higher opportunity cost of capital that their investment now represents versus the cost of their original investment.

Nevertheless, given the already high incidence of housing stress in the private rental market, it is highly likely this situation will further deteriorate over the short to medium term.

## Data Sources

ABS Australian Bureau of Statistics  
 HIA Housing Industry Association  
 REIA Real Estate Institute of Australia  
 REIWA Real Estate Institute of Western Australia  
 ABS, *Building Approvals, Australia* (8731.0), Canberra  
 ABS, *Building Activity, Australia* (8752.0), Canberra  
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*Report on Government Services 2007*, Productivity Commission, Canberra  
 Valuer General's Office

## Notes and References

- 1 High income households are able to maintain adequate expenditure on other needs even with a relatively high percentage of their income being spent on housing.
- 2 Source: Valuer General's Office
- 3 Annual average growth compares activity in a full 12-month period with 12 months. The other commonly used growth measure, through-the-year growth, compares activity at a point in time (e.g. a month or quarter) with its level a year previously (e.g. December 2006 to December 2007).
- 4 ABS 3101.0, Australian Demographic Statistics
- 5 ABS 3101.0, Australian Demographic Statistics
- 6 Source: RBA Bulletin Database, Table F05
- 7 ABS 5671.0, Lending Finance Australia, Table C1
- 8 DTF estimate based on value of investor finance (ABS 5671.0) and median house price data (Real Estate Institute of Western Australia)
- 9 ABS 5671.0 and DTF estimate
- 10 DTF estimate based on ABS 5609.10a and ABS 5609.09b

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- 11 In 2005 the ABS introduced a new Established House Price Index back-dated to March 2002, and the December 2006 increase was the smallest recorded in this series. The September 2001 increase of 1.4% was recorded in the previous Established House Price Index, which began in 1986 but was discontinued in June 2005. Therefore, these increases may not be strictly comparable.
- 12 ABS 8731.0, Building Approvals, Australia, Table 7
- 13 ABS 8752.0, Building Activity, Australia, Table 38
- 14 Housing Industry Association (Western Australia), Weekly Trends
- 15 Department of Employment and Workplace Relations, Skilled Vacancy data
- 16 BIS Shrapnel, Residential Property Prospects 2006-2009 – December 2006 Update, page 1. ANZ Bank, Property Report – Outlook for the Western Australian housing market- 13 December 2006, page 4.
- 17 REIWA Market Update
- 18 REIWA Market Update
- 19 ABS 6291.0, Labour Force, Australia
- 20 REIA Market Facts, Median weekly rents, 3-bedroom houses.
- 21 REIA Market Facts, Median weekly rents, 3-bedroom houses.
- 22 See ABS 6401.0, Table 13 available electronically at <http://www.abs.gov.au> .
- 23 See Table 2 in Chapter 4.
- 24 Private landlords managing their own properties are already prohibited from charging letting fees.
- 25 The New Living program won a World Habitat Award in 2004, and involves the renewal of 17 public housing dominated areas across the State. Though each is different, the aims include: to reduce the public housing presence which dominated the area; to refurbish houses for sale to the public or existing tenants; reduce the social stigma caused by the density of inappropriate and outdated public housing; upgrade and refurbish public rental housing; improve the social mix; improve the total area with streetscapes and parks to create a satisfied community; and encourage a sense of added security for local residents by eliminating areas which provided venues for anti-social behaviour.
- 26 Housing Stress In The Private Rental Market: The Case For Increased Funding For Public Housing In Western Australia
- 27 Hal Bisset: Developing a National Affordable Housing System for Australia: Building on research and practice, 2005.



# HOUSING STRESS

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in Western Australia