

State of Affordable Housing in Western Australia



March 2011

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ACRONYMS

ABS	Australian Bureau of Statistics
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
COAG	Council of Australian Governments
CRA	Commonwealth Rent Assistance
DCP	Department for Child Protection
FAHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs
FHOB	First Home Owner Boost
FHOG	First Home Owner Grant
ICHO	Indigenous Community Housing Organisations
NAHA	National Affordable Housing Agreement
NPAH	National Partnership Agreement on Homelessness
NRAS	National Rental Affordability Scheme
OECD	Organisation for Economic Cooperation and Development
REIWA	Real Estate Institute of WA
SAAP	Supported Accommodation Assistance Program
WAPC	Western Australia Planning Commission

INTRODUCTION

Housing prices have increased dramatically over the past decade in Western Australia. Even with slight declines in housing prices since March 2010, home ownership is still well out of reach for many low and moderate income households. As of September 2010 the median house price in Perth was \$480,000 and the median rent was \$370 per week (REIWA 2010). With such high housing costs, many families find themselves unable to make ends meet and pay for other necessities. It can also adversely affect the well-being of the community as people residing in comparatively less costly housing in outer suburbs must often commute long distances to work, are less able to participate in community events due to time and money constraints, and may experience feelings of isolation and disconnection if they are displaced from proximity to extended family and social supports.

While the housing affordability crisis is severe, there are many positive developments in WA aimed at increasing affordable housing. For example, in 2009 the newly elected Labor Commonwealth government implemented a streamlined funding process that consolidated funds from the former Commonwealth State Housing Agreement and the former Supported Accommodation Assistance Program into the National Affordable Housing Agreement (NAHA). Three National Partnership Agreements (NPAs) complement the NAHA: the NPA Homelessness, the NPA Social Housing and the NPA Remote Indigenous Housing. The NAHA and NPAs added \$42 million to previous recurrent funds. Simultaneously, recognition of worsening rates of homelessness has driven a review of the homeless service system and investigation of the access barriers to homeless people seeking assistance from mainstream public services. An integrated system responding to end chronic homelessness and rough sleeping is being rolled out and the early signs are promising.

In the first five years (to 2014), the NAHA will provide \$6.2 billion worth of housing assistance targeted to low and middle income Australians, remote indigenous housing and people who are homeless. It aims to 'ensure that all Australians have access to affordable, safe and sustainable housing that contributes to their social and economic participation' (FAHCSIA 2009). These agreements and the funding they provide, linked to tightly monitored outcomes, are already having an impact on housing for low income households in WA. As of 30 June 2010, the Department of Housing had built 78 new houses and refurbished 150 houses in remote Indigenous communities. The National Partnership Agreement on Homelessness will provide WA with \$135 million over four years aimed at early intervention, breaking the cycle of homelessness, and improving and expanding existing homelessness services. In 2009 the Nation Building Economic Stimulus Plan, through the Social Housing Initiative, delivered an additional \$590 million to WA for social housing, with the condition that 75% of the social housing built with these funds is to be transferred to non-government community housing organisations.

Shelter WA welcomes this infusion of much-needed funding, expanded homeless services, and new social housing stock. Nevertheless, Shelter WA is concerned about the long term outlook for affordable housing in WA. The stimulus funding was a one-time expenditure in response to the global financial crisis and there are no forward commitments beyond 2012.

In addition to short-term funding, policy changes are needed in planning and zoning to increase the stock of affordable housing and help stem inflationary housing prices. Existing

policies which provide demand-side housing subsidies such as rental assistance, and first time home-buyer grants are useful and provide vital support for many disadvantaged people in precarious housing positions. Yet, these policies do little to encourage more stable, sustainable growth, which is needed to address the depth and breadth of housing stress experienced by low and moderate income households in WA.

At the time of writing, the WA state government is considering a new State Affordable Housing Strategy. The state government is also in the process of developing detail underpinning a Not-For-Profit Community Housing Growth Strategy. Both documents were developed following the work of the Social Housing Taskforce. These high level strategic documents, alongside the WA Planning Commission's *Directions 2031*, have the potential to significantly influence housing affordability and the provision of social housing in WA in the future.

This report describes the extent of the housing crisis in WA and the impact that the crisis is having on our society. It also explains what is being done to address the housing crisis, and what remains to be done. Shelter WA is an independent community based organisation committed to the principles of accessible, affordable, appropriate and secure housing for every person. Shelter WA focuses on people who have low incomes or who are otherwise disadvantaged in the housing market. This includes people who are homeless or who are at risk of homelessness. Shelter WA's role is to give an informed voice on housing policy issues based on research and consultation with housing consumers and community based organisations working on housing and related issues.

SITUATION ANALYSIS

Key definitions

Definitions of *affordability* vary depending on types of income and housing expenses included in calculations. For this report, housing is considered *affordable* for low and moderate income households (those earning below 40% of the income distribution) when those households spend less than 30% of their gross income on housing. *Housing stress* exists when these households spend more than 30% of their income on housing costs. *Extreme housing stress* exists when households spend over 50% of their income on housing.

Overcrowding exists when a dwelling is too small for the size and composition of the household living in it. The Australian Bureau of Statistics (ABS) uses the Canadian National Occupancy Standard for housing which assesses the bedroom requirements of a household by specifying that: there should be no more than two persons per bedroom; children less than five years of age of different sexes may reasonably share a bedroom; children five years of age or older of opposite sex should have separate bedrooms; children less than 18 years of age and of the same sex may reasonably share a bedroom; and single household members 18 years or over should have a separate bedroom, as should parents or couples (AIHW 2009).

Chamberlain and Mackenzie (2003) distinguish among primary, secondary and tertiary *homelessness*. Primary homelessness refers to people with no conventional accommodation. This includes people sleeping outdoors, in parks, or in make-shift structures. Secondary homelessness refers to people who move from one temporary shelter to another. This includes people living with other people because they have no accommodation of their own. Tertiary homelessness includes people living in accommodation below basic community standards.

Social housing refers to housing that is provided for low and moderate income households that is supported with some form of direct or indirect government subsidy. This includes *public housing* provided by the government as well as *community housing* provided by private, non-profit community housing providers (Social Housing Taskforce 2009a).

Overview

As of 31 December 2009, the resident population of WA was 2.27 million, an increase of 58,700 persons or 2.7% over the previous year. In the Perth and Peel region the current population is approximately 1.65 million. If a projected population of more than 2.2 million for the region is reached by 2031, an additional 328,000 dwellings will be needed (WA Planning Commission 2010a). A large proportion of this need will be for housing an ageing population and single people. This population will require a variety of housing types, located close to amenities and services.

Much of the growing demand for housing will need to be met through in-fill in existing suburbs, rather than new green field developments on the fringe of metropolitan areas. This will require changes in zoning and planning practices by local governments. It will also require a change in public attitudes about housing density. As of 2006, 79% of dwellings in WA were separate houses, 10.5% were villas or townhouses, 8.1% were units and 2.4% were other dwellings.¹ This is higher than Australia overall where 75% of dwellings are separate houses. The percentage of units and flats in Australia increased from 13% in 2001 to 14% in 2006, and an increase in WA from 7% in 2001 to 8% in 2006. Increasing density does not need to lead to building bigger houses on smaller lots, but instead, could include opening up ancillary dwellings for non-family members or building several small units together to preserve green space. When designed appropriately, in-fill development can fit in with the existing character of a neighbourhood and help address growing affordable housing needs.

As of 2006, the majority of dwellings in WA were owned (70.8%). This includes 32.7% being owned outright and 38.1% being purchased (meaning that the occupant was paying a mortgage for the property). Other tenure types include private and public rental, and in much less numbers, but of no less significance, are community housing and cooperative housing, caravan parks, lodging and boarding houses, and residential care facilities. Table 1 shows how tenure varies by region throughout the state.

¹ Many of the figures in this report were drawn from the 2006 Census. The next Census will be in August 2011.

Table 1: Tenure by region, WA

	Fully Owned	Being purchased (inc. under rent/buy scheme)	Public Housing	Community Housing	Rented Other	Other	Total
South West	35.6%	35.3%	3.5%	0.4%	22.0%	3.2%	100%
Southern	41.8%	28.5%	5.1%	1.0%	18.4%	5.2%	100%
Midlands	43.7%	30.6%	4.7%	0.6%	15.0%	5.4%	100%
South Eastern	23.7%	37.1%	6.3%	2.9%	25.0%	5.0%	100%
Central	38.8%	26.7%	7.1%	1.0%	21.3%	5.1%	100%
Pilbara	16.1%	21.9%	10.9%	2.2%	41.5%	7.4%	100%
Kimberley	32.3%	15.1%	12.7%	12.6%	20.6%	6.7%	100%
Perth	31.9%	40.6%	3.5%	0.4%	21.7%	1.9%	100%
Total	32.7%	38.1%	4.1%	0.7%	21.9%	2.5%	100%

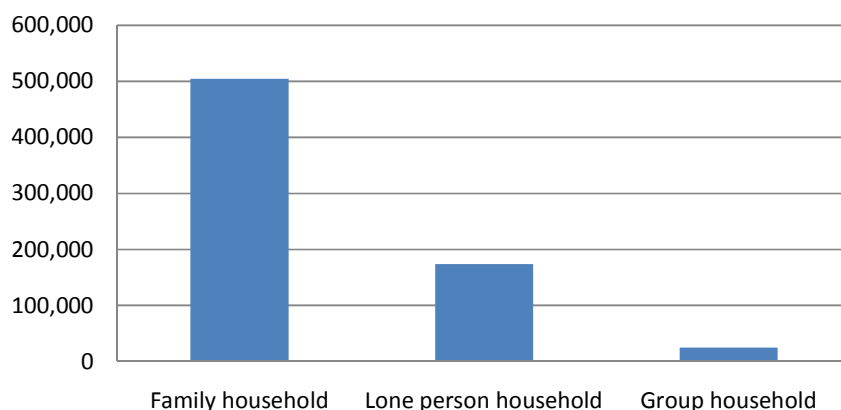
Note: Variation due to exclusion of 'tenure not stated'.

Source: Social Housing Taskforce (2009a, p. 32). Original data from ABS, 2006 Census Custom Table

The 2006 Census showed that the majority of households (66.5%) were family households, 22.9% were lone person households and 3.3% were group households (ABS 2006a). Couples as a group have above-average rates of home ownership while single-parent families and single-person households have below-average rates of home ownership (Kryger 2009).

Figure 1 shows the number of private dwellings in WA by household type.

Figure 1: Household composition, private dwellings, WA



Like the rest of Australia, the size of households in WA has steadily declined for some time. This is due to declining fertility rates, people forming households later and an increase in single-person households (Flood and Baker 2010). In 1976, the average household size was 2.8 persons. This number was 2.3 persons by 2006, and is estimated to further decline to 2.1 by 2031 (WA Planning Commission 2010b).

At the same time, the average dwelling size has increased. Between 1975–76 and 2007–08, the average dwelling size increased from 2.8 to 3.1 bedrooms per dwelling. In 2007–08, 29% of Australia’s total dwellings had four or more bedrooms. This percentage had increased substantially from 17% in 1976 (ABS 2010b). This mismatch in terms of housing size and occupancy can be partially accounted for due to cultural shifts and personal preference. It can also reflect a limited range of housing options available for consumers.

Western Australia has a relatively low ratio of 1 and 2 bedroom dwellings (9.7%). Between 1986 and 2006, the proportion of the population living alone grew from 9% to 12%. Yet, more than four in five (86%) people who lived alone in 2007–08 lived in dwellings with two or more bedrooms. Three quarters (75%) of dwellings housing two people had three or more bedrooms (ABS 2010b). Table 2 shows household and dwelling characteristics in Australia 2007-2008. A variety of housing types and sizes will be needed in the future to reflect the growing number of smaller households.

Table 2: Household and dwelling characteristics, 2007-2008

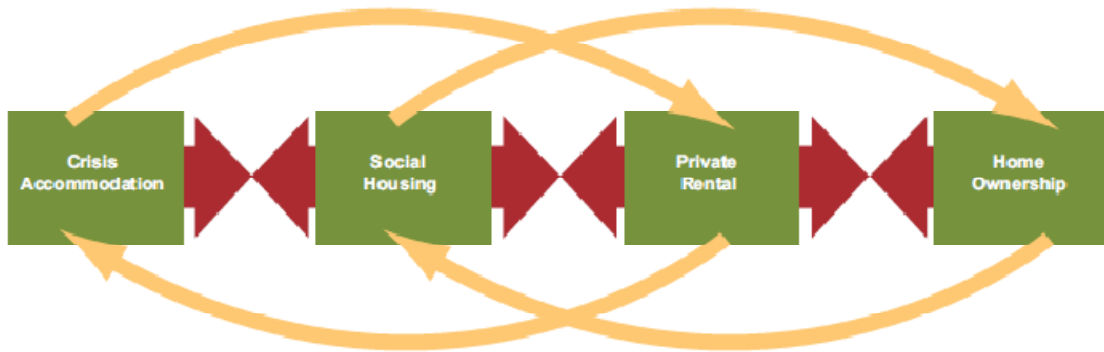
	One bedroom '000	Two bedrooms '000	Three bedrooms '000	Four or more bedrooms '000	Total households '000	Total households % of total
One person	267.3	721.0	803.1	197.0	2,004.1	24.8
Two persons	58.3	619.7	1,432.7	625.2	2,735.9	33.9
Three persons	n.p.	174.	681.1	456.7	1,314.9	16.3
Four persons	n.p.	76.3	592.3	587.9	1,258.3	15.6
Five or more persons	n.p.	18.2	230.4	514.2	764.1	9.5
Total households	331.3	1,609.2	3,739.6	2,381.0	8,077.3	100

n.p. = not published
Source: ABS (2010b)

Housing continuum

Affordable housing exists in a continuum that includes various types of accommodation and housing tenures. This includes crisis accommodation, social housing, renting in the private sector and home ownership. There is often an assumption that households move in a linear manner, through a continuum from government subsidised accommodation to private rentals to home ownership, becoming increasingly financially secure and stable in their accommodation. Figure 2, reproduced from the Social Housing Taskforce’s (2009a) report, *More than a Roof and Four Walls*, illustrates that households enter the continuum at various points and do not necessarily move through in a linear manner, but instead transition between tenures based on their circumstances and housing needs at the time.

Figure 2: Affordable Housing Continuum



Crisis accommodation

A number of agencies in WA provide crisis accommodation for people experiencing homelessness or at risk of becoming homeless. From 2008-2009, 19,900 people sought help from homelessness services (formerly Supported Accommodation Assistance Program or SAAP providers) in WA. This included 11,100 clients with 8,800 accompanying children (AIHW 2010a).

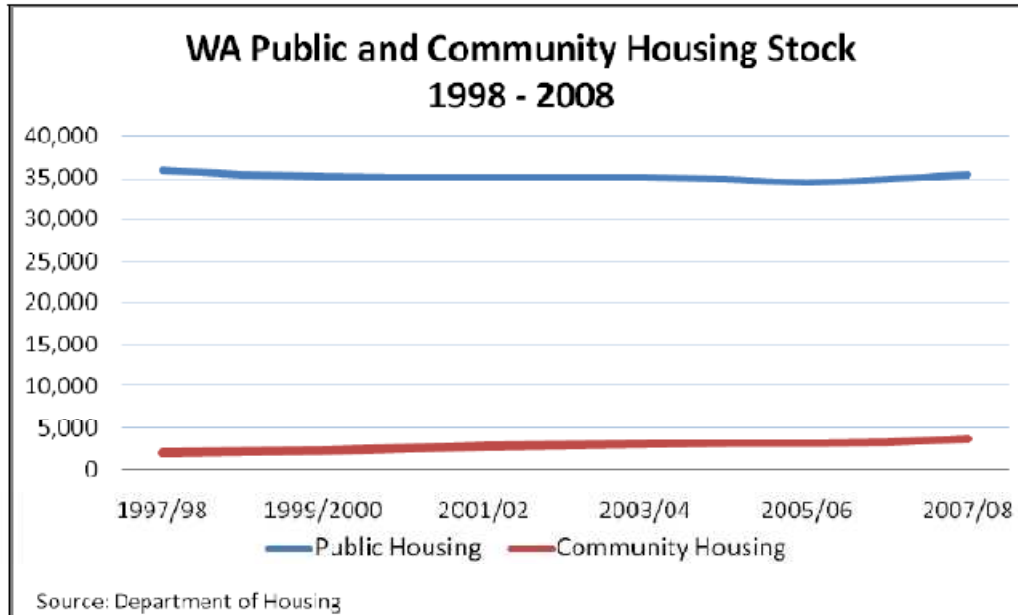
The Australia Council of Social Service conducted a survey of the community sector in 2008. It found that crisis and supported accommodation was the second most needed assistance reported by community service clients in WA (WACOSS 2010). Assuming no improvement, the Western Australian Council of Social Service (WACOSS) estimated that a 50% increase (approximately 350 additional beds) was needed to meet demand.

Timing of funding can be as important as the amount of funding. Some people experiencing early-stage secondary homelessness reported a household income of \$800 per week or more in the 2006 census, which places them in higher income levels (Chamberlain and MacKenzie 2008). But even this income does not guarantee a return to secure accommodation if the household has no savings for a bond, a month's rent in advance, and enough money to cover the other costs involved in setting up a home (Chamberlain and MacKenzie 2008). The problem is compounded if a household resides in a particularly high rent location such as the mining regions of Kimberley, Pilbara and Goldfields.

Social housing

Social housing includes housing subsidised directly or indirectly by government. This includes public housing managed by the government and community housing, owned and managed by non-profit organisations. The number of social housing units in WA has remained around 39,000 units since 1996, representing approximately 4% of all housing units. This is shown in figure 3.

Figure 3: WA Public and Community Housing Stock 1998-2008



Source: Social Housing Taskforce (2009b, p.21)

Historically, social housing has been a major component of housing supply for low income households. However, in the past decade, this stock has been in decline while demand has been increasing. Indeed, social housing declined from about 400,000 dwellings in 1996 to an estimated 390,000 in 2008. According to the National Housing Supply Council (2009), if social housing had maintained its share of total dwelling stock, there would have been approximately 480,000 dwellings available in 2008.

The traditional means of access to social housing in Australia has been through administrative 'allocation systems', in which access has been predominantly through public housing wait lists in each state and territory (public housing authorities being the dominant providers), supplemented by the disparate allocations systems of a large number of small community housing providers (Hulse et al 2007). Such systems are under increasing pressure. Hulse et al (2007) found that there has been a significant decline in the number of new households able to access social housing each year, contributing to persistently high wait lists and long wait times in most areas.

The distribution of social housing varies throughout WA. Table 3 shows the distribution of social housing across the state, including waiting times. In the Perth metropolitan area, the average waiting time is 91 weeks. In some parts of regional WA, the waiting time is as long as 114 weeks.

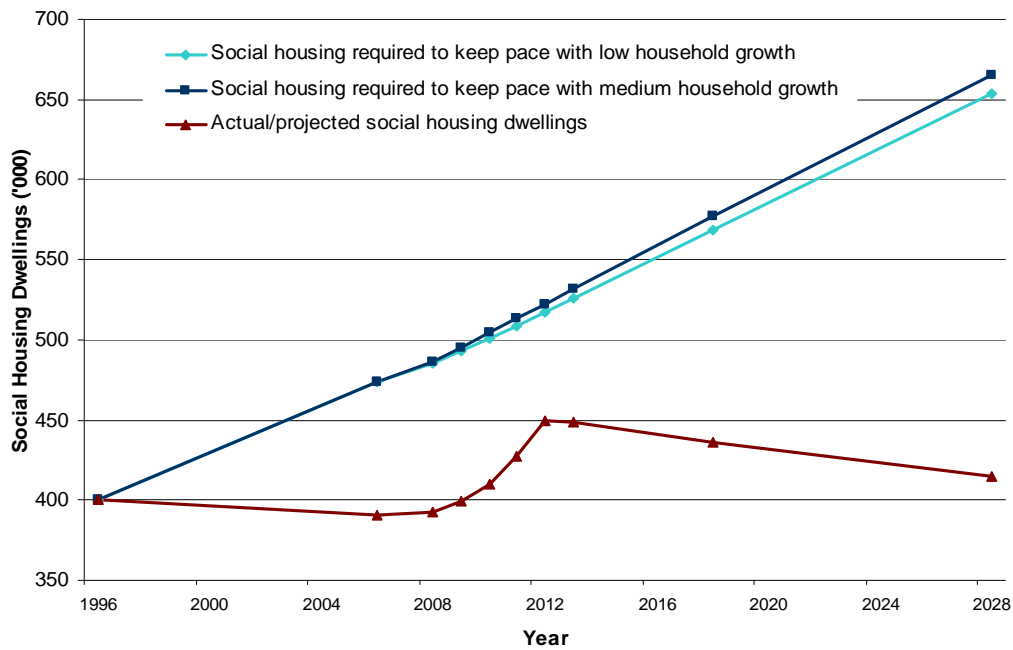
Table 3: Social rental stock, market presence and average waiting times by region

	Public Housing	Community Housing	Total Social Housing	Market Presence	Average Waiting Time (Weeks)
Southern	1,112	218	1,330	5%	73
South West	2,317	311	2,628	4%	114
Wheatbelt	1,050	389	1,439	4%	45
Goldfields	1,104	144	1,248	5%	66
Midwest/Gascoyne	1,668	217	1,885	7%	73
Pilbara	1,515	81	1,596	10%	78
Kimberley	1,582	49	1,631	15%	100
Total Regional WA	10,348	1,409	11,757	6%	80
Total Metro	25,125	2,218	27,343	4%	91

Source: Drawn from Table 3.4 in Social Taskforce (2009a), original data from the Department of Housing.

Figure 4 shows the social housing demand and supply projections to 2028. Unless drastic measures are taken to provide additional social housing units, demand will far outpace supply.

Figure 4: Social Housing Demand and Supply Projections

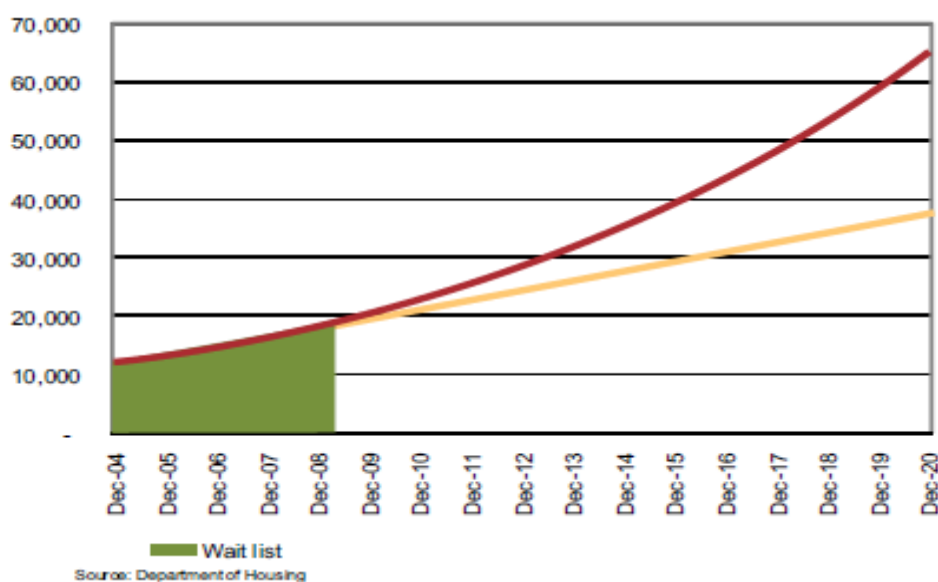


Source: Housing Ministers Conference (2010) report to COAG

Public housing

As of June 2009, there were 331,824 public housing dwellings in Australia; ten per cent of which were in WA (AIHW 2010b). The number of people on the waiting list for public housing has grown dramatically since 2004. By June 2010, there were 24,136 people on the waiting list for public housing in WA (WA Department of Housing 2010). Such high numbers of people on the waiting list indicates the extent of unmet need for subsidised housing. The Social Housing Taskforce (2009) estimated that if the increases in the waiting list continue at their current rate, there will be over 60,000 people on the waiting list by 2020. This is shown in figure 5.

Figure 5: Social Housing Waiting List Projections (December 2004 projected to 2020)



Jacobs et al (2010, p.1) suggest that 'There has been a significant social residualisation (an increase in the concentration of the worst-off households) in public housing in Australia. This has raised maintenance costs and concentrated high need households in some neighbourhoods, but also, critically, helped to stigmatise a sector that continues to struggle to generate political interest and support'. This residualisation has also contributed to the lack of resources and political will to improve public housing in WA.

There have been several recent changes to the way waitlists are categorised. Band 'A' housing is most highly subsidised and rents are capped as a proportion of income (currently WA public and most not-for-profit community housing rents are set at 25% of household income). Band 'B' is housing that is subsidised on a discount to market rate. This includes the National Rental Affordability Scheme (NRAS) which applies rents at 80% of market rate and government pays the owner an annual subsidy to meet the shortfall. Band 'C' dwellings are those provided under home-purchase programs for low and moderate income earners and include the First Home Owners Grants, shared equity schemes and Home Saver Accounts.

Due to increased targeting of public rental allocations to the most disadvantaged households, more people in this tenure have few other options and are likely to remain public housing tenants for life. Public housing tenant profiles reveal that almost 50% of tenants are in receipt of aged or disability pensions and can be expected to remain long term in their public rental property. This has impacted on the number of new occupations over time. In a fixed sector of approximately 40,000 public dwellings in 1997-1998, approximately 5,700 applicants were accommodated (14.5% turnover). In 2007-2008 out of a pool of the same 40,000 properties approximately 3,200 were vacated and re-occupied (8% turnover).

Many public housing tenants have limited opportunities and capacity to transfer to private rentals. For example, Anthony and Milsom (2006) found that 81% of public housing tenancies receive an income of \$499 or less per week, and over two thirds are in receipt of \$399 or less per week. This means that 82% of public housing tenants would experience housing stress if they transferred to the private rental market (Anthony and Milsom 2006).

Community housing

Community housing provides a valuable service for low income households that are unable to rent in the private rental market. In Australia, there were 39,270 community housing dwellings in 2009 (AIHW 2010c). Community housing providers are increasingly looking at ways to integrate housing, cross-subsidise across their units, and rent to moderate income households.

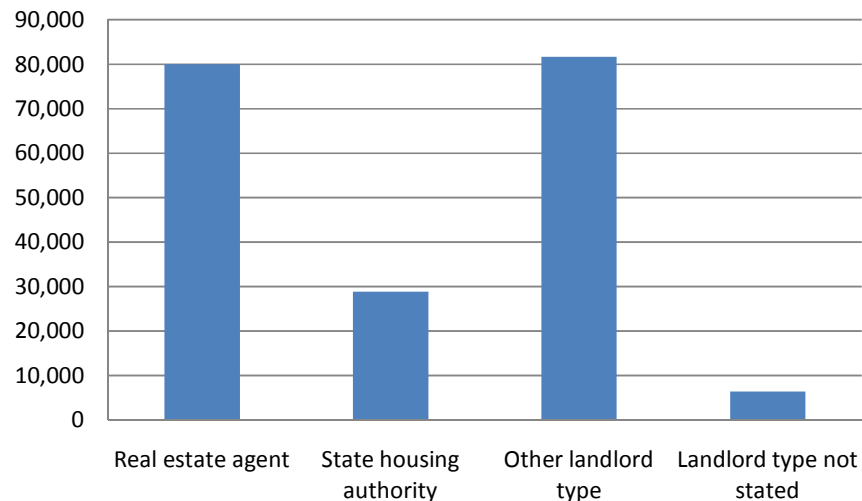
The trend in WA, like the rest of Australia, and indeed many other countries, is that the community housing sector must grow to accommodate the dearth of public housing. Diversification of the social housing system, and particularly providing a greater proportion of community housing, has many benefits. Community housing providers are able to leverage finance for affordable housing through GST subsidies, cross-subsidies across tenancies, tenants accessing Commonwealth Rent Assistance, and limited developer contributions through the land use planning system (Milligan et al 2005). In addition, community housing does not usually carry the same stigma that public housing has, which can help with greater acceptance among the broader community.

There are several key changes to the way in which community housing is administered in WA. The State is in the process of developing a not-for-profit growth strategy and community housing agreement contracts. The progress of transferring Department of Housing properties to community housing providers depends on the provider gaining 'growth' or 'preferred' provider status. A requirement for growth providers to receive new dwellings constructed under stimulus funds is to enter into community housing agreement contracts. These contracts are pending, reliant upon the determination of a framework for national regulation. A consultation conducted between April and June 2010 has not yet resulted in a recommended model. What is clear is that there is a need for a national financing model to promote a vibrant not-for-profit affordable housing sector in Australia (Milligan et al 2009).

Private rentals

Of the occupied private dwellings being rented in WA, 40.6% were rented from a real estate agent, 14.7% were rented from a State housing authority and 41.5% were rented from other types of landlords. This distribution is illustrated in figure 6. In comparison, 50.5% rented from a real estate agent and 14.9% rented from a state or territory housing authority in all of Australia.

Figure 6: Landlord type, occupied private dwellings, WA



From 2008 to 2009, median rents increased across WA. This is shown in table 4. During this period, the median rent increased by 9% in the Perth metropolitan area. By September 2010, the median weekly rent in Perth was \$370 (REIWA 2010). Rents increased even more dramatically in the Pilbara, with median rents increasing by 183% to \$850 per week by March 2009.

Table 4: Median Weekly Rent of New Bonds Lodged, March Quarters 2008 and 2009

Region	Median Rent March Qtr 2008	Median Rent March Qtr 2009	% change
Perth	\$320	\$350	9%
Peel	\$260	\$280	8%
South West	\$250	\$270	8%
Great Southern	\$230	\$250	9%
Wheatbelt	\$200	\$220	10%
Goldfields	\$320	\$300	-6%
Pilbara	\$300	\$850	183%
Kimberley	\$350	\$465	33%

Source: Social Housing Taskforce (2009a)

Older renters face particular changes in the private rental market since their incomes tend to fall with age, but housing costs remain the same (Flood and Baker 2010). Unlike younger renters still in the workforce, older renters are vulnerable to increases in rent without the means to earn higher wages.

The presence of affordable dwellings does not always mean that they are available to low and moderate income households. The National Housing Supply Council (2010) found that in 2007-2008 a total of 1,410,000 private rental dwellings were affordable for the 814,000 private renter households in Australia with incomes below the 40th percentile. Of these, 1,089,000 dwellings were occupied by households in higher income percentiles. This results in change from an 'apparent surplus' of 596,000 affordable dwellings to a shortfall of 493,000 affordable and available dwellings for those in the lowest two quintiles. In other words, 70% of all private rental dwellings affordable to households with incomes below the 50th percentile are not available to them because they are occupied by households in higher income brackets.

Hours needed to work to afford median rental unit

In order for someone earning the casual hourly wage rate of \$17.99 per hour to afford a median rental unit in Perth at \$350/week, they would have to work 65 hours per week.

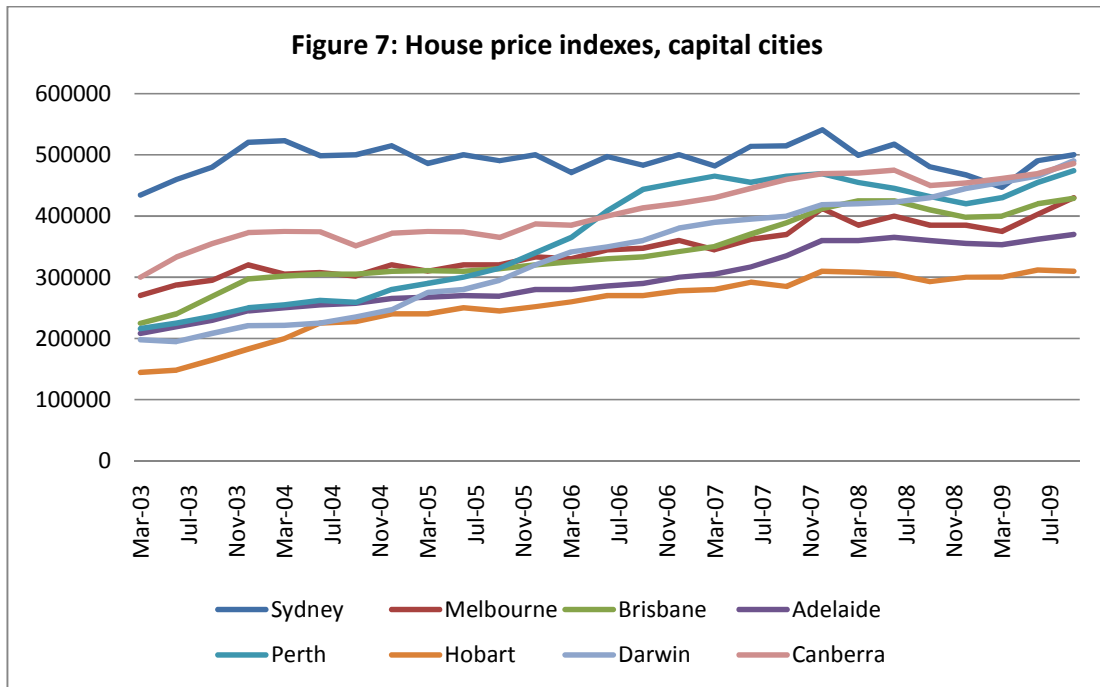
Someone earning the minimum hourly wage of \$14.99 would have to work 78 hours a week to afford the same unit.

A full-time worker earning the minimum weekly wage of \$570 would have to spend 61% of their income on housing for a median rental unit in the Perth metropolitan area.²

Home ownership

Housing prices have increased dramatically across Australia over the past 20 years. By March 2008, house prices in the Perth metropolitan area required 6.48 times the median income (Rowley and Ong 2009). This figure had traditionally hovered around three times the median annual income. Figure 7 shows housing prices in capital cities between 2003 and 2009 (National Shelter 2010).

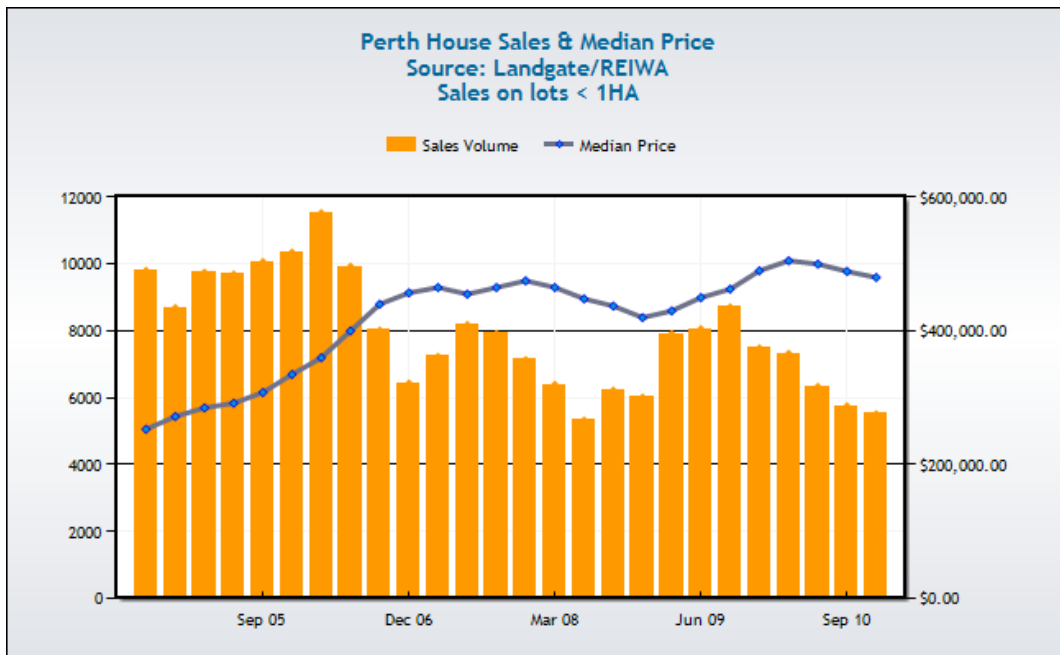
² Calculated using Department of Commerce wage rates <http://www.commerce.wa.gov.au/LabourRelations/PDF/Awards/M/MCEWageratesApril2010.pdf>. Based on 30% affordability rates. $(\$350/.3)=\$1166/\$14.99 = 78$ hours. Median unit rent \$350 as of December 2009.



Source: Original data from ABS (2010c)

Over the 12 months July 2009 to June 2010 house prices climbed steadily to a peak of \$502,500 in March 2010 before easing in June 2010, and easing further to \$480,000 in September 2010. Figure 8 from the Real Estate Institute of WA (REIWA) illustrates the rate at which median house prices increased in WA from 2004 to 2010.

Figure 8: Perth House Sales and Median Price 2004 - 2010



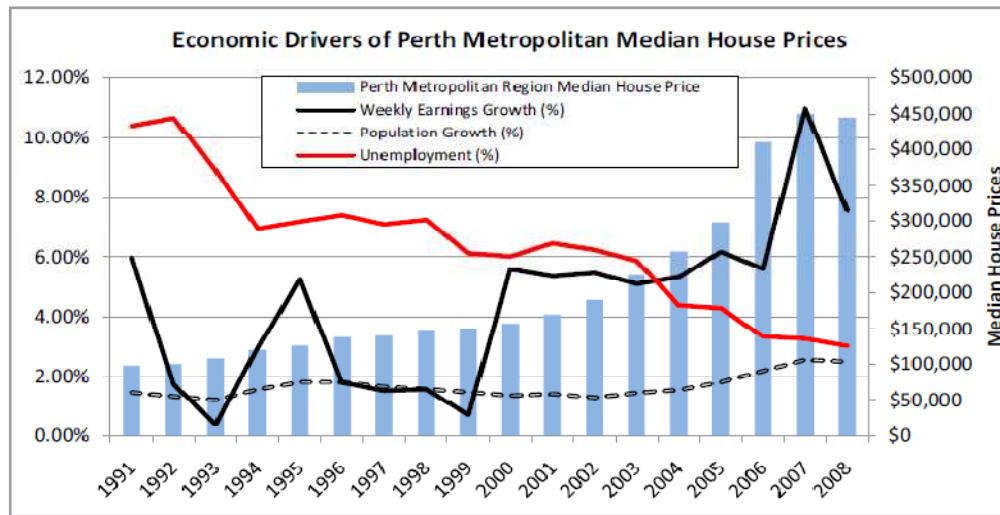
House sales in Perth dipped between June and December 2009, falling from 12,800 sales in the June 2009 quarter to 10,400 in the December 2009 quarter. By the June 2010 quarter there were 14,500 homes offered for sale, this is still 3,000 less than the peak selling quarter of March 2008 when nearly 17,800 homes were on the market in Perth.

Since mid 2006, Shelter WA's ongoing monitoring of housing affordability has revealed that none of Perth's 291 suburbs were affordable for single income households in the bottom 40% income range. In 2007-2008, the COAG Reform Council (2009) found that only 5% of individual home sales in Perth were affordable to moderate income households. This continued to be the case throughout 2009 and into 2010, posing risks for marginal mortgagee households (i.e. households that are over-extended and potentially facing default and re-possession if they are unable to pay higher mortgages resulting from any increase to the interest rates).

A number of demographic trends influence rates of home ownership including an ageing population, a decline in the proportion of nuclear families and a decline in marriage and fertility rates (Flood and Baker 2010). As of the 2006 Census, 70% of households in Australia owned or were purchasing their homes. This number has remained fairly constant since 1961. However, these aggregate figures disguise changes among different types of households. For example, there has been a decrease in rates of home ownership among 25-39 year olds (Flood and Baker 2010). This decrease is most likely due to young people forming households later than in previous decades and the lack of affordable houses available for them to purchase.

Older people are also facing difficulties paying off their mortgages. A National Centre for Social and Economic Modelling (NATSEM) report in 2008 showed that there were twice as many people aged over 60 in 2005-06 who were still paying off their home loan than there were 10 years earlier (9.5% in 2005-06, compared to 4.2% in 1995-96). The report also showed that in 2005-06, a quarter of people aged over 60 did not fully own a home (they were either renting or buying). This was up from 20% in 1995-96. Figure 9 shows the economic drivers of Perth metropolitan median house prices from 1991 to 2008.

Figure 9: Economic Drivers of Perth Metropolitan Median House Prices



Source: REIWA, ABS Cat 6302, 3101, 6202

Source: Rowley and Ong (2009, p. 13)

Traditionally, home ownership has provided many Australians with security of tenure and connection to community. It also provided families a way to grow personal wealth. Home ownership has also acted as a social security for aging Australians since older home owners have on average lower housing costs compared to older renters (Flood and Baker 2010). Some of these benefits to home ownership are changing as house prices become out of reach for many Australians or households take on increasing amounts of debt in order to purchase their first home.

Unoccupied housing

The vacant stock identified in the 2006 Census was roughly equivalent to six times the number of new dwellings completed each year, and eight times the number of homeless people in 2006 (National Housing Supply Council 2010). Table 5 shows the unoccupied private dwellings by state and capital city.

Table 5: Unoccupied private dwellings by capital city and balance of state for six states, 2006 (per cent)

	Capital city	Balance of state	State total
NSW	7.4	12.5	9.5
Victoria	8.1	15.7	10.3
Queensland	6.4	11.2	9.2
South Australia	6.9	18.5	10.3
Western Australia	8.0	17.6	10.7
Tasmania	8.1	15.9	12.8
Six states total	7.5	13.6	9.9

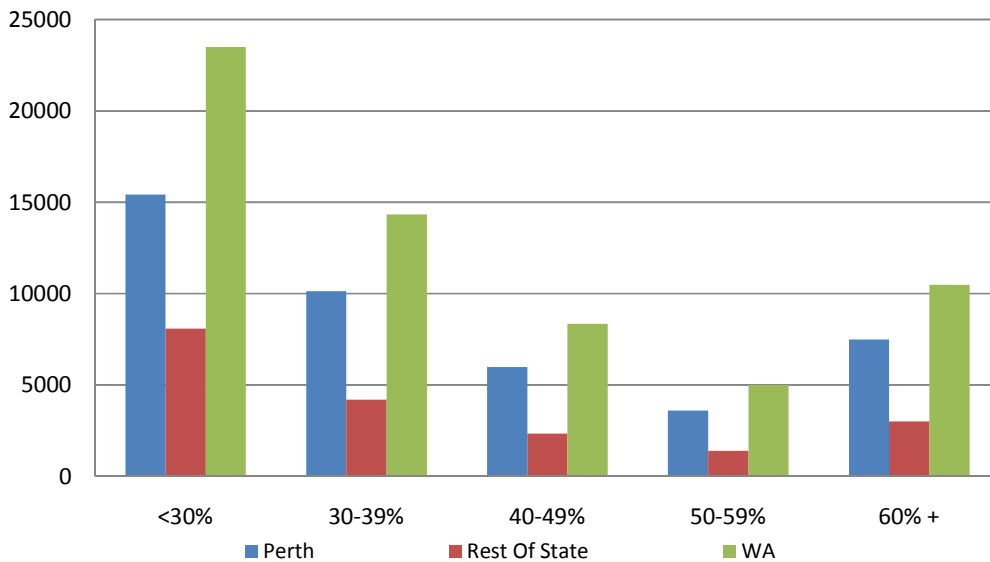
Source: ABS (2007b)

Housing stress

Housing stress exists when a household in the bottom two quintiles of income distribution pays more than 30% of its gross income on housing. Housing stress varies by tenure – nationally, private renters comprise 61% of the families in housing stress (Miranti and Nepal 2008). Household, Income and Labour Dynamics in Australia (HILDA) surveys indicate that between 2002 and 2006, the average real value of debt per household increased from \$113,000 to \$164,000 while the median income increased only from \$56,000 to \$69,000 (Bloxham and Betts 2009). Such an increase invites immediate problems if disposable income falls (due to unemployment or underemployment) since the debt will remain unchanged. As ‘sub-prime’ (or low-doc or no-doc) loans are much less significant in Australia than in the United States, it is unemployment that poses the greatest risk to capacity to service a mortgage.

In 2006, 38,174 households in the private rental market in WA were in housing stress. A quarter of low and moderate income renters were in extreme housing stress, paying more than 50% of their income on housing (Social Housing Taskforce 2009b). As of 5 June 2009, 34,480 Centrelink recipients also received Commonwealth Rent Assistance, which is available for low income renters in the private rental market and in community housing (but not in public housing). Even with this assistance, 41.9% of these households were still paying more than 30% of their income on rent.

Figure 10: Proportion of income spent on housing among renters with incomes below 40% of the income distribution



Source: Generated from Table 1.2 ABS Custom Table in Social Housing Taskforce (2009b).

In 2007-2008, 47.5% of low income households in the private rental market across Australia were in rental stress and 46.6% of low income households with a mortgage were in mortgage stress across Australia (National Shelter 2010).³ Historically, those in the private rental market have paid more of their income on housing than mortgage holders, owners or public renters. However, by 2006 with rising house prices, mortgage holders were beginning to experience housing stress at rates comparable to private renters.

Housing affordability goes beyond the cost of housing. It also includes the opportunity costs (comparative foregone utility) of living in one dwelling over another. For example, a house might be cheaper to rent or buy in outer suburbs or regional areas but access to employment, education, recreation and other amenities may be lessened. Other costs include heating and cooling a dwelling. It may be cheaper to rent or buy a house that is not insulated, has no floor or window coverings and lacks awnings or verandas but the occupants would need to spend money to keep the house at a comfortable temperature in seasonal extremes. Another cost often overlooked is the relative access to public and other transport provision, water, power, information technology infrastructure, telephone networks and community facilities.

³ Original figures from COAG Reform Council (2010).

Housing needs of particular groups

Homelessness and the risk of homelessness

On any given night, over 105,000 Australians are homeless. Roughly 13% of the 2006 total were in WA (Chamberlain and MacKenzie 2008), which is higher than expected given that WA then comprised only 10% of Australia's population (ABS 2007a). This includes people experiencing primary homelessness, referring to those who must sleep outdoors, in parks or in make-shift structures, often referred to as rough sleepers. Secondary homelessness includes people who move between temporary places, staying with friends, relatives or in crisis accommodation. Tertiary homelessness refers to people living in accommodation that is considered below basic community standards.

Homelessness remains a critical problem for Perth and many of WA's regional centres and remote communities. In WA, over 13,300 people are homeless on any given night. Of these, approximately 2,392 sleep rough (AIHW 2009). Table 6 shows the distribution of homeless people across types of accommodation, comparing WA with the rest of Australia.

Table 6: Persons in Different Sectors of the Homeless Population

	Australia		Western Australia	
	N	%	N	%
Boarding houses	21,596	20	1,652	12
SAAP accommodation	19,849	19	1,395	11
Friends and relatives	46,856	45	7,952	59
Improvised dwellings, sleepers out	16,375	16	2,392	18
	104,375	100	13,391	100

Source: Census of Population and Housing 2006; SAAP Client Collection 2006; National Census of Homeless School Students 2006

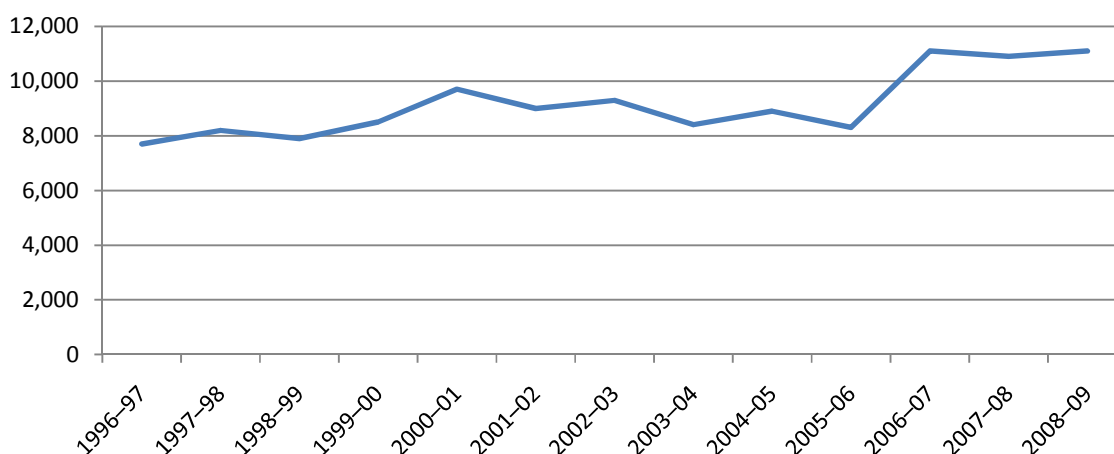
The figures above show an increase since 2001, up from 11,697 homeless people in WA in 2001 and 99,900 in Australia. A certain percentage of this may be due to better counting of the homeless population. Nevertheless, homeless service providers report a growing demand for their services.

In contrast to the popular belief that the homeless population is predominantly middle-aged and older single men, the contemporary profile of the homeless population is one in which the majority are aged under 35 and a large number are children. In 2006, 62% of homeless people in WA were aged 34 or younger with a significant number (32%) aged 12 to 18 years. Nine per cent were children under 12 years who were with either one or both parents (DCP 2009). Of the homeless adults on Census night, 82% of people had substance abuse issues and had been homeless for 12 months or longer; 50% of those who had no substance abuse issues had also been homeless for the same length of time – a year (Johnson and Chamberlain 2007). This illustrates that although substance abuse is co-occurring in a large

proportion of people who are also homeless, it is not a primary determinant, and people without drug and alcohol problems are equally at risk of becoming homeless for long periods.

People who sought homelessness services in 2008-2009 gave a variety of reasons for seeking crisis accommodation including domestic violence (29%), financial difficulties (11%), family breakdown (8%), emergency/previous accommodation ended (7%), and needing time out from family or other situations (6.3%). Other reasons given were substance abuse, health issues, overcrowding and sexual abuse (AIHW 2010a). Figure 11 shows the demand for homelessness services in WA from 1996-2009.

Figure 11: Clients served by homeless services in WA 1996-2009



People with disabilities and/or mental health issues

Over four million Australians reported having a disability in 2009, equating to 18.5% of the population (ABS 2009a). For the purposes of the ABS’s Survey of Disability, Ageing and Carers, a disability is defined as any limitation, restriction or impairment which restricts everyday activities and has lasted or is likely to last for at least six months. The WA Disability Services Commission estimates that 405,500 people in WA have disabilities, and a further 246,800 West Australian’s are carers of people with disabilities (Disability Services Commission 2008). People with disabilities and their carers face particular challenges securing safe, affordable housing.

Securing stable and appropriate housing can also be difficult for people experiencing mental health disorders. A National Survey of Mental Health and Well-being found that 45.5% of the population experience a mental health disorder at some point in their lives. Only one third of people with a mental health disorder reported accessing services for their mental health problem (Mental Health Council of Australia 2007). Furthermore, over 70% of respondents to a Mental Illness Fellowship of Australia survey identified housing and housing support for people with mental illness as a key issue (Mental Illness Fellowship of

Australia 2010). Additionally, there is a high prevalence of people with mental illness among the homeless population. For example, the Mental Health Council of Australia (2007) estimates that up to 85% of homeless people have some type of mental illness.

Seniors

Housing plays a significant role in determining the standard of living of older Australians (Bradbury and Gubhaju 2010). For those who own their own homes outright, the fall in income level after retirement can be offset by a decrease in housing costs. However, older renters may face considerable housing stress as their housing costs remain the same or increase over time while their income declines.

In 2006, 33% of Australia's oldest generation (over 85 years) were living alone, the highest proportion of all generations. A further 30% were living with their husband, wife or partner while 17% (roughly 94,500) were living in nursing homes or cared accommodation for the retired or aged.

On the 30th of June 2008, WA had 17,340 residential aged care beds and 3,611 Community Aged Care Packages (CACPs) (WA Minister for Health 2008). While the planning target set in May 2004 was a combined service provision ratio of 108 places per thousand of the target population, the actual ratio fell slightly from 104.5 to 103.5 over the 2007 financial year (WA Minister for Health 2008). As with affordable housing, demand exceeds supply. In 2006-2007 WA had 3,152 CACPs available, but Aged Care Assessment Teams (ACAT) indicated a need for 4,044. In 2007-2008, there were 3,611 CAPs available and a demand for 4,202, leaving a shortfall of almost 600 community aged care services not provided to frail older people wishing to remain living at home with support (WA Minister for Health 2008).

Older Australians face a number of challenges securing and maintaining housing that will continue to meet their needs as they age. For example, as people age they may need wheelchair access into their homes, wider doorways, and grab bars fitted in bathrooms. Existing homes can be altered to include these features, yet refitting a home is often more expensive than designing it properly in the first place. Universal design is the concept that housing should be designed to be useable by everyone without the need for adaption or specialised design. In particular, it refers to integrating accessible design features into all housing instead of requiring special adaptation for people with disabilities (Australian Network for Universal Design 2010). With an aging population, incorporating universal design into housing makes sense so that people can age in place.

Young people

Young people face a range of challenges securing affordable housing. Among the most severe is the risk of homelessness. In 2008-2009, 3,500 people under the age of 25 sought homeless services (AIHW 2010a). The reasons young people gave for needing homeless services varied. Among men under 25, 19.2% sought homelessness services due to relationship/family breakdown. Of women under 25, 21.8% cited relationship/family

breakdown; 21.6% cited domestic/family violence as the reason for seeking services (AIHW 2010a).

The lack of affordable housing in WA has led to changes in the age at which people tend to leave their parents' home and establish a household of their own. In 1986, 19% of young people aged 20-34 lived at home with their parents. By 2006, this number was up to 23% of young people living with their parents (ABS 2009b). People cite various reasons for remaining at their parents' home. People aged 20-24 years reported that their main reason for not leaving their parents' home was financial (45%). For people aged 25-29, the most common reasons for staying at home were financial (20%) and the convenience and enjoyment of living at home.

Many young people are delaying home ownership. For example, from 1995 and 2004, the proportion of young adult households who owned their home fell from 48% to 44%. This is most likely due to rising house prices as well as shifts in behaviour, where many young people are partnering and having children later than previous generations (ABS 2006b).

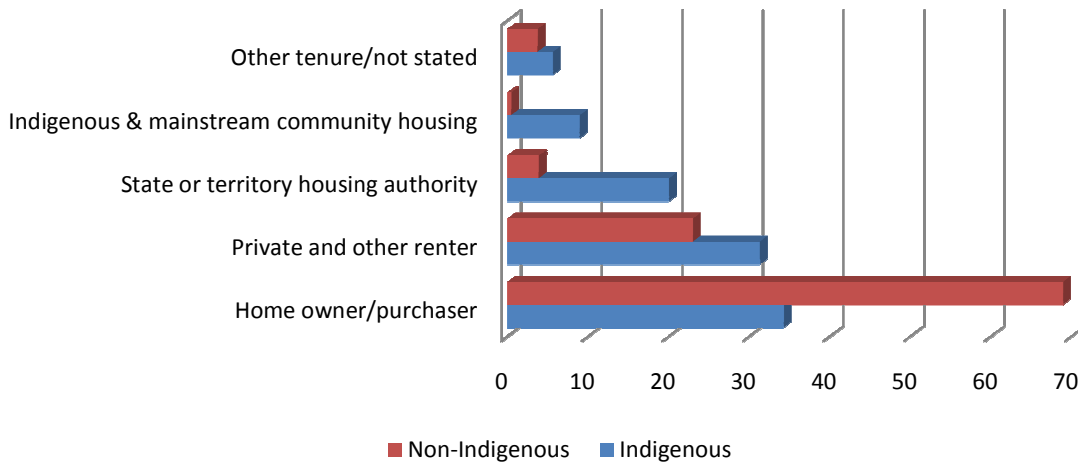
Indigenous households

The 2006 Census figures registered 58,711 people in WA identifying themselves as being Indigenous. This is approximately 3% of the then total Western Australian population (1,959,088) and 13% of the then total Australian Indigenous population (455,031) (ABS 2007a).

Shelter WA's research has consistently indicated that overcrowding is the most significant form of housing disadvantage for Indigenous households. The degree of overcrowding among Indigenous people appears to increase with distance from Perth. The ABS found that in 2008, 25% of all Aboriginal and Torres Strait Islander adults lived in overcrowded housing. This figure remained steady from the ABS's previous count in 2002 (ABS 2010a). The Australian Institute of Health and Welfare has identified that there are 20,000 too few properties available for Indigenous people nationally, adding to overcrowding and homelessness. Indigenous people experience homelessness at a higher rate than non-Indigenous people (1.9% of Indigenous population are homeless compared to 0.5% of the non-Indigenous population). In 2006, 1,496 Indigenous people in WA experienced homelessness. The majority of these were secondary homeless, which includes residing in crisis accommodation and staying with friends or relatives (AIHW 2010a).

Rates of home ownership are far greater among non-Indigenous households (69%) than for Indigenous households (34%). Figure 12 shows types of housing tenure for Indigenous and non-Indigenous Australians.

Figure 12: Households in Australia, by tenure type and Indigenous status (per cent)



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Indigenous community housing organisations (ICHOs) play an important role in delivering and maintaining affordable housing in WA, particularly in remote communities. The capacity of ICHOs varies dramatically across the state. A review of Indigenous community housing organisations identified a range of factors that influence the capacity of ICHOs including location, governance, human resource management and housing management (Eringa et al 2008).

According to a recent report by National Shelter (2010), delivery of Indigenous housing is increasingly being taken out of Indigenous hands. This has led to an increased risk of inappropriate housing design, delivery and management. There is no advocacy body that specifically advocates for Indigenous housing in Australia. Shelter WA is working with the other state Shelters, National Shelter, the Community Housing Federation of Australia, Homelessness Australia, and Indigenous community housing providers to develop an Indigenous Housing Policy Platform. National Shelter proposed the following policy program:

1. More resources need to be urgently directed to producing the needed 20,000 dwellings.
2. Indigenous community housing providers must be supported to play a central role in meeting this need, and in developing the skills and ability to continue meeting the housing needs of Indigenous peoples into the future.
3. Indigenous peoples need to be closely involved in all aspects of the response, from developing high level Indigenous housing policy to on the ground housing and service delivery and management.
4. Mainstream government and community housing providers need to genuinely engage with Indigenous peoples to develop appropriate housing and support models in order to address issues of overcrowding and sustain tenancies.
5. Programs need to be developed to support Indigenous peoples to better access the housing market, including home ownership and private rental, and to address discrimination.
6. To ensure that Key Points 1 to 5 are achieved in a way that is respectful of Indigenous peoples' human rights and fosters self determination, governments need to support and adequately resource the establishment of an Indigenous owned and controlled National Indigenous Housing body.

Migrants, refugees and asylum seekers

Overseas immigration to Australia was 213,400 in 2007-2008 (National Housing Supply Council 2009). The reasons for migrants' relocation, their education and skill level, and the circumstances surrounding their arrival, influence the type of accommodation they require. Initially, overseas immigrants often require accommodation in the private rental market. Economic migrants, in contrast to humanitarian migrants, will often move quickly into home ownership once they have settled in to their new region (Housing Industry Forecasting Group 2008). WA's case is a little different from most other states in that in 2001-2002, 59% of Western Australia's migrants were in the skilled category, much higher than the Australian average of 40% (ABS 2005). In general, skilled migrants have less difficulty in finding employment and are more likely to buy dwellings than unskilled migrants (ABS 2005).

There were 375,000 international students in Australia in 2005. International students may be particularly vulnerable to unscrupulous landlords since they may be unaware of tenancy regulations and landlord obligations. International students may also be unwilling to complain for fear of eviction or questioning of their non-resident status.

The University of Western Australia's Housing Office is approached by increasing numbers of international students with emergency accommodation issues. Some stated that they weren't informed about accommodation options prior to departure from their home country, while others stated that they were wrongly advised that accommodation was easy to find once they arrived in Perth.

Marginal tenancies

Many people find themselves in marginal tenancies, meaning that they do not have a standard rental agreement in place and are not covered under the Residential Tenancies Act. This includes people living in a range of housing types including boarding and lodging houses, supported accommodation, student housing and caravan parks. Currently in WA, there is little consumer protection for people in marginal tenancies.

Lodging house, boarding house and rooming house are all terms used to describe accommodation that provides a furnished room with shared use of other facilities such as a kitchen and bathroom. If meals are provided, it may be referred to as a hostel or boarding house, rather than a lodging house. Lodging and boarding houses provide accessible, affordable and flexible accommodation for individuals who may be unable to secure or maintain private, self-contained accommodation. Yet, the conditions of many lodging houses are substandard and boarders and lodgers are not adequately protected against unscrupulous landlords.

Who are boarders and lodgers?

Traditionally, lodging houses have been occupied by single people, mostly men, who were unable to secure more stable housing arrangements. More recently, many international students in WA are in boarder and lodger arrangements. Other people in boarding and lodging houses might include:

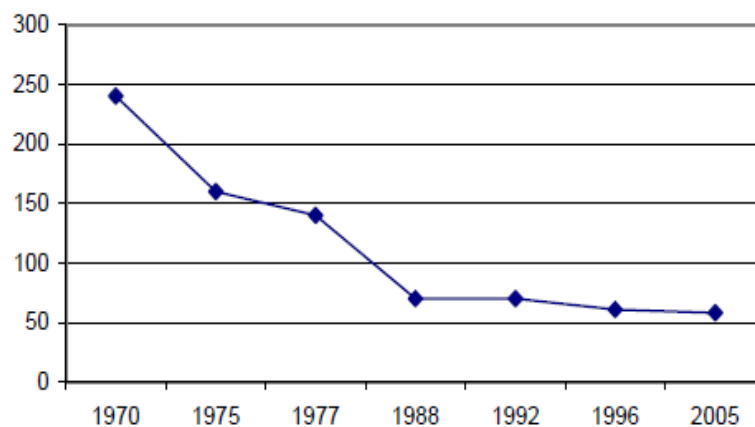
- Women and children living in women's refuges;
- People with mental health issues and intellectual disabilities in designated housing;
- People with substance abuse problems;
- People released from prison;
- Refugees and recent immigrants who struggle to find private rental;
- Low-income earners – cannot access other rental accommodation;
- Occupants in shared households without written residential tenancy agreements;
- persons occupy premises as a residence remuneration for work in connection with the premises;
- Homeless people referred to rooming houses due to no alternate accommodation;
- People from regional and remote locations staying for the purpose of accessing services eg. medical;
- People staying in serviced apartments; and
- Backpackers and others who stay in hostels on a long term basis

Based on Tenants Advice Service background paper on boarders and lodgers.

Boarders and lodgers face insecure housing tenure since they are not protected under the Residential Tenancies Agreement. Therefore, boarders and lodgers have no security of tenure and often lack consumer rights and protections provided to other renters. In 2005 there were a total of 30 lodging houses in the Perth metropolitan area providing 772 beds. These were provided by the private sector, regional housing associations, church welfare agencies, and the Department of Housing.⁴

The number of lodging house beds has decreased over time. For example, figure 13 shows the total number of lodging houses from 1970 to 2005 in the City of Perth, Town of Vincent, Cambridge and Victoria Park (Allen 2005).

Figure 13: Total number of lodging houses: City of Perth, Towns of Vincent, Cambridge and Victoria Park



The demand for lodging house accommodation is likely to increase over time for a number of reasons including the lack of affordable housing overall and the growing numbers of low income and single person households. There is also an increased casualisation and mobility of the workforce, which may lead to higher demand for lodging houses. In addition, there are more people with support needs and fewer family and personal resources to meet those needs.

Another group of people at the margins of the Australian housing market are those living in caravan parks. There are 263 caravan parks in WA. Many of these are exclusively for short stays although some allow people to stay on a more permanent basis. In WA between 1983 and at least 2005, consistently around 20% of caravan park accommodation was occupied by permanent residents (Tourism Western Australia and Tourism Research Australia 2007). People living in caravan parks permanently have few legal protections. If a park is closed or sold, residents may face the loss of their only investment and face the prospect of homelessness, especially if the cost of relocation of the caravan or cabin is greater than its

⁴ As of 2008-2009, community housing organisations provided 631 boarding and lodging dwelling units in WA (AIHW 2010c).

capital value, or if there is no other park to which they can afford to move (Wensing, Holloway and Wood 2003).

People living in regional WA

The vast geographical area of WA presents many issues when considering residential development and the provision of community infrastructure. Scarcity of housing, high costs of building and the overall lack of infrastructure, roads, supply of water and utilities has long been an issue in WA regional centres and towns and in remote areas where mineral and mining industries are located.

Some regional mining towns are experiencing dramatic increases in housing costs, pushing many low and moderate income households out of the area. In 2010 the median sales price in Port Hedland was \$685,000, up 14.2% from the previous year. In Karratha house prices reached \$800,000 by March 2010, up 28% from the previous year. Table 7 shows the median house prices for homes across WA.

	March Qtr 2010	Change from 12 months ago
Northam	\$279,500	11.8%
Regional WA	\$315,000	18.9%
Kalgoorlie Boulder	\$350,000	7.7%
Bunbury, Greater	\$370,000	5.1%
Esperance	\$375,000	5.6%
Albany	\$392,000	4.5%
Mandurah – Murray	\$400,000	6.0%
Geraldton – Greenough	\$416,000	18.9%
Busselton	\$455,000	2.8%
Perth Metropolitan	\$500,000	16.3%
Broome	\$684,000	11.2%
Port Hedland	\$685,000	14.2%
Karratha	\$800,000	28.0%

Source: REIWA 2010

The sudden increase in workers to remote and regional centres coupled with tight housing supply has driven up the price of homes and inflated rents. Due to the higher salaries paid by resource companies, their workers are able to afford the higher housing prices and they attract workers from other sectors. Many resource towns now suffer from a lack of key workers, government officers, social, community and essential services workers due to the high cost of housing.

A study of housing affordability in resource boom towns found that Indigenous communities were pushed out of Karratha due to the high cost of housing. Once forced out, these communities had to relocate to areas without access to transport and jobs meaning that 'the cycle of poverty continues for many low-income households, despite the affluence created by mining activities' (McKenzie et al 2009, p.3).

Both State and Federal Governments have acted to improve the supply of housing in regional centres. The Royalties for Regions policy negotiated by Minister Grylls when the Coalition government was formed in 2008 promised monies to regional areas through three streams: the country local government fund, the regional community services fund and the regional infrastructure and headworks fund. In February 2009, \$200M was committed to Government Regional Officer Housing. This is expected to deliver 400 new dwellings for government workers in the regions (as of October 2010, 200 houses had been built). The State Budget handed down in May 2010 also committed significant funds to regional development especially in Kalgoorlie, the Kimberley and Pilbara regions.

A service workers apartment precinct is under development in Karratha and Aboriginal visitor hostels are being provided in Broome and Boulder. Land releases and more flexible zoning and planning regulations will allow more housing, appropriately smaller and diverse types of dwellings to be built.

Additionally, the National Partnership Agreement on Social Housing will provide hundreds of new dwellings throughout regional WA. The National Rental Affordability Scheme is also bringing more housing to some regional centres. Until these initiatives are realised, many of WA's resource boom towns will continue to struggle with housing availability and affordability, and the extraordinary rents in regional WA will continue.

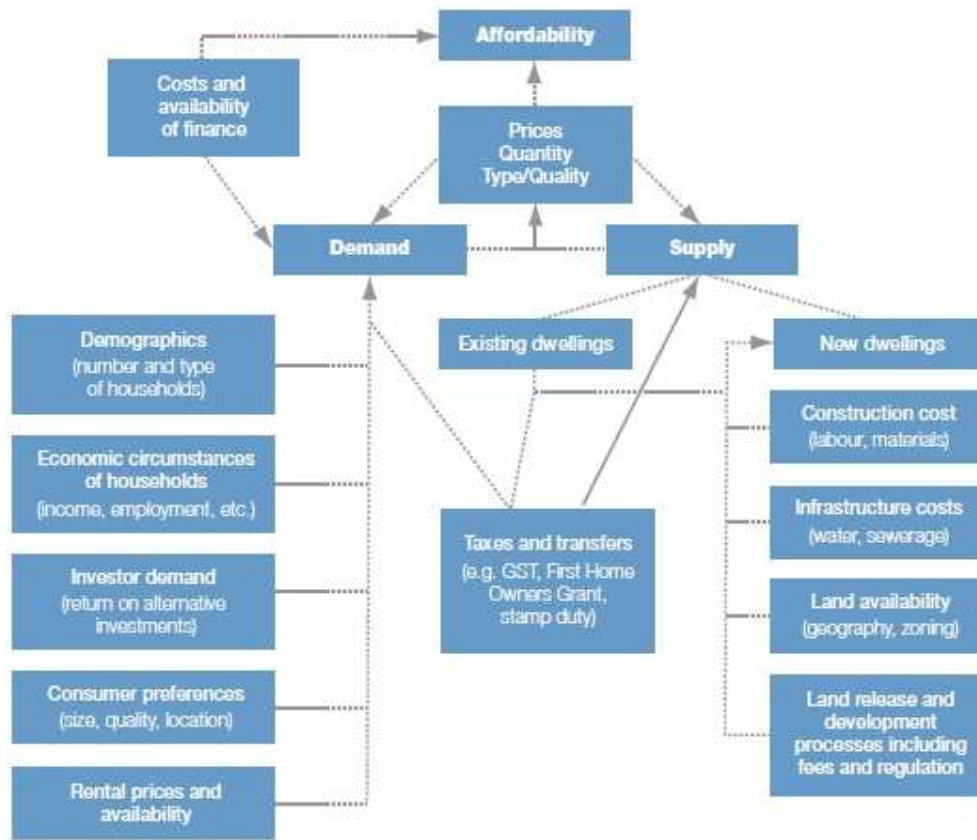
CONTRIBUTING FACTORS TO THE HOUSING CRISIS IN WA

Supply and demand factors

The estimated underlying housing demand in WA is for around 50,000 new dwellings. The National Housing Supply Council (2010) identified factors that influence supply and demand of the housing market. The demand side factors are listed below and shown in figure 14:

- demographics (number and type of households)
- the economic circumstances of households (including income and employment status)
- investor demand (return on alternative investments and perceptions of relative risk)
- consumer preferences (size, quality and location)
- price and availability of rental accommodation and houses for purchase
- taxes and transfers (e.g. GST, stamp duty and government assistance to first home buyers)
- the cost and availability of finance

Figure 14: Factors influencing housing supply, demand and affordability⁵



The National Housing Supply Council (2010) found that the factors that affect the supply of housing are:

- construction costs (labour, materials)
- infrastructure costs
- land availability (geography, zoning, environmental and heritage constraints)
- land release and development processes (including fees and regulation)
- taxes and transfers
- Land prices and time taken to complete construction

Taxation

Tax policies can be effective tools to promote the supply of suitable housing and encourage investment in affordable housing. On the other hand, tax policies can favour and protect existing asset holders, creating barriers to new entrants seeking to buy housing, restricting

⁵ Diagram from National Housing Supply Council (2010). NHSC adapted the diagram from Productivity Commission (2004).

new supply and stimulating demand. Tax concessions include the exemption of owner-occupied housing from capital gains tax and land tax, discounts on capital gains tax for investment properties, and negative gearing (the ability to offset the costs of owning investment properties against other income) (Brody and McNess 2009). Many of these tax concessions are counter-productive. They encourage people to build larger houses than what they need to tie up their savings in 'tax-free' residential home-ownership that is non-productive and environmentally wasteful, restricting diversity in smaller types of built form and contributing to inflated prices and rents (TaxWatch 2010).

Negative gearing has fuelled inflated housing prices. Julian Disney, Director of the Social Justice Project at the University of New South Wales recommends that, like most other OECD countries, taxation policy in Australia should be modified so that interest and other housing investment expenses to the owner are deductible only against income from the property investment, and not from other sources such as an executive salary or stocks and shares (Disney 2009). Brody and McNess (2009) found that people in the top income quintile are able to access up to around \$15,000 every year in tax concessions related to housing. This is up to nine times the tax concessions accessed by people in the lowest income quintile.

The Henry Tax Review proposed changes in tax policy including to remove stamp duty, levy land tax on all land based on its value, change the taxation of investment properties by increasing the rate of taxation on capital gains to match the rate on other investment income and restricting negative gearing. In its response to the review, the Rudd government announced that it would not implement any of these recommendations. It is unclear at this time whether the Gillard government will consider any of the recommendations.

Planning and zoning

There are several mechanisms that local governments and state government can use to encourage affordable housing. These include removing existing barriers to affordable housing, offering land development incentives, providing faster approvals for preferred developments, inclusionary zoning, impact fees and offering planning bonuses or concessions (Gurran et al 2008). Additional mechanisms for local governments to promote affordable housing could include:

- fee discounts for affordable housing developments,
- planning bonuses such as relaxed boundary setbacks,
- lower requirements for car parking spaces,
- height increases for multi-storey units,
- mixed use zoning for buildings or sites where a combination of commercial, educational, or community service facilities and residential dwellings can be co-located for developments containing affordable housing,
- compulsory inclusionary zoning targets, and
- flexibility in plot ratios.

The State is in the midst of developing implementation plans for *Directions 2031* to guide future growth. The distribution of housing will be an important part of planning for WA's future. Clear planning mechanisms are needed to ensure that increased supply is affordable to low and moderate income households. Without specific provisions for additional dwellings to target these households, there is a risk of increasing density without increasing the social and economic mix needed for the health and vitality of our communities. The WA Planning Commission (WAPC) and the Department of Planning will need to provide detailed guidelines for local governments to supply affordable housing as part of their housing targets. Such guidelines could include fee discounts for affordable housing developments, planning bonuses for developments containing affordable housing, and inclusionary zoning targets.

Local Responses to the Need for Affordable Housing

In October 2010, Shelter WA hosted a workshop for local government councillors and staff titled 'Local Responses to the Need for Affordable Housing'. Forty mayors, councillors and planning staff participated in the workshop, representing 12 local governments in the Perth metropolitan area. Several themes emerged from the workshop, including the following:

- Participants recognised the need for affordable housing in their jurisdictions, particularly for existing members of the community who were experiencing housing stress.
- Some participants also expressed challenges they face in balancing the need for affordable housing with resistance from some ratepayers. In particular, participants mentioned competing interests in changing zoning to accommodate additional affordable dwellings (such as allowing the use of ancillary units for non-family members).
- Participants mentioned the need to educate the public about affordable housing and the need to de-stigmatise social and affordable housing.
- Several participants expressed the need for clear guidelines from WA Planning Commission and the Department of Planning, especially for small localities without dedicated planning staff, to articulate affordable housing strategies, targets and planning mechanisms. Several councillors and planning staff said they needed specific tools to help guide them when working with developers.

IMPACT OF THE HOUSING CRISIS

Financial costs to households

The lack of affordable housing in WA affects households in different ways depending on their tenure, income level, and point in their housing career. While Australia avoided the full brunt of the global financial crisis, increasing house prices has caused significant financial hardship for those unable to enter the housing market and for those unable to keep up with mortgage payments. As of March 2010, the Reserve Bank of Australia

estimated that 27,000 households were in arrears (90 days or more behind on mortgage repayments) compared with an estimated 23,000 at the end of 2008 (Berry et al 2010).

In a study of the rates and causes of mortgage default, Berry et al (2010) found that the main triggers of mortgage default included loss of income, excessive debt and high interest rates. They noted that other life events such as illness, accidents or divorce also contributed to mortgage default. They found that most often it was a combination of factors that would lead to a household defaulting on their mortgage. In their study, they found that people used a variety of strategies to avoid losing their homes. The most common were taking on more debt by borrowing on credit cards (40%) or from family and friends (38%), or refinancing their loans (21%). Twenty-four percent (24%) of respondents sought financial advice.

Impact on health and well-being

As the home is the largest and most expensive asset for the majority of households, there are likely to be social and generational implications with changes in housing prices and availability (Richards 2008). Not at all surprisingly, both home ownership and ownership of investment property tend to rise with incomes, so it is low income households that tend to suffer from rising house prices and higher income households that tend to gain (Richards 2008).

High housing costs can have a significant impact on the health and well-being of individuals, their families and the community. In 2010, the ABS released results from the 2008 National Aboriginal and Torres Strait Islander Social Survey. It found that 37% of people who lived in dwellings with major structural problems reported high or very high levels of psychological distress (ABS 2010a). This was substantially higher than the 28% of people who lived in dwellings without major structural problems.

Impact of high housing costs on physical and mental health

As part of its Affordable Housing Survey, Shelter WA asked respondents about their experiences in securing and maintaining housing in WA. Respondents indicated that the high cost of housing is taking a significant toll on their physical and mental well-being.

- Over 40% of respondents reported physical and mental health issues as a result of housing costs or concerns about accommodation.
- Eighty-six percent (86%) of respondents reported experiencing stress or anxiety as a result of housing costs or concerns about accommodation.
- Sixty-seven percent (67%) said they had to cut back on basic necessities such as food, clothing, education or healthcare as a result of high housing costs.
- Seventy-nine percent (79%) reported cutting back on holidays or entertainment.
- Almost 50% experienced homelessness, and 30% had provided help to friends or family who were unable to pay their rent and/or who lost their accommodation.

BENEFITS OF AFFORDABLE HOUSING

When it is well developed and managed, affordable housing offers many benefits, to the community, developers and residents. Housing New South Wales' Centre for Affordable Housing compiled the following list of benefits of affordable housing (Housing NSW 2010):

The community benefits from affordable housing because it contributes to sustainable and dynamic local communities, by:

- providing housing for a diverse local workforce
- providing direct economic benefits to the local community, including increased demand for goods and services which in turn provides increased local employment opportunities
- accommodating people with the different skills required to support communities, such as shop assistants, bus drivers, construction workers, cleaners, nurses and teachers
- meeting the needs of the growing number of smaller households living in high-cost areas
- promoting economic and social integration – ensuring that families' housing costs are not so high that they can't afford to meet education and health costs and that there is sufficient security of tenure to improve their capacity to obtain and maintain employment

Residents of affordable housing benefit because it provides housing that:

- is more affordable than that already available in the private market, thus still allowing adequate income for essential expenses such as food, clothing, health and education
- integrates with the community
- provides a way for people to remain in areas in which they have lived for a long time, and to live close to their support networks, during changes in life circumstances such as divorce, retirement, or recovery from a long-term illness or injury.

Developers of affordable housing benefit because:

- some local policies to promote affordable housing offer significant financial incentives for developers – for example, through the provision of density bonuses
- affordable housing provides housing close to employment centres, which supports a strong labour force and a vibrant economy
- there are often attractive returns to be made, especially from mixed developments or joint ventures

Housing Principles

Shelter WA supports the following housing principles, developed by Queensland Shelter (2010):

- Housing is affordable - people should not be left in poverty after they have met their housing costs;
- Housing is adequate – everyone is entitled to housing that meets community standards and individual needs;
- Housing is secure – people should not live under the threat of loss of home and shelter;
- Housing is accessible – people should have information about all housing options and should be located close to services, transport, and support networks;
- Housing is in the right place – housing should be located close to services, transport, and support networks;
- Housing meets people’s life cycle needs – people have varying housing needs throughout life and it is vital that appropriate housing is available to match these changing needs; and
- Housing incorporates universal design principles – all new and extensively modified housing should incorporate universal design principles.

GOVERNMENT INITIATIVES TO ADDRESS THE HOUSING CRISIS

Government policies influence housing prices and the supply of affordable housing in a number of ways, through taxation and setting interest rates, as well as through direct subsidies, programs to provide incentives for the development of affordable housing and through stimulus spending. Financial data from the second half of 2009 revealed that while Australia slowed somewhat as a result of the global financial crisis, Australia avoided recession. The stimulus monies and government funded infrastructure projects had the desired effect of retaining jobs and incomes and maintaining the residential construction industry. In contrast to other parts of Australia, WA was partly cushioned from the vagaries of the crisis in banking and finance by the wealth of its natural assets and mining sector. While there was a steadying in house prices and slowing in home building and buying, the breadth and scale of the impact was not as great as it may have been.

Since commencing implementation of the sweeping reforms outlined in the Council of Australian Government’s Reform Agenda from July 2009, a noticeable flurry of activity around housing has taken place. This includes new social housing construction, new and increased service provision for homeless people and acknowledgement of the lack of mental health and disability services for these people in need. Both Federal and State Governments have responded to the severe shortage of affordable housing with new initiatives and construction. A few of these initiatives are discussed below.

Federal Economic Stimulus Funding

The Commonwealth government allocated \$5.238 billion for social housing in February 2009 as part of its Nation Building Economic Stimulus Plan. The funds will be used over three and a half years to construct new social housing. The Plan also includes \$400 million for repairs and maintenance to existing social housing, over two years.

Across stage one and two of the Nation Building Economic Stimulus Plan, \$550 million will be spent to construct 2,068 new homes in WA. By June 2010, the Department of Housing had built 313 new social housing dwellings in WA. This was 37 more than had originally been targeted (Department of Housing 2010).

National Affordable Housing Agreement

In 2009, the Commonwealth government announced the National Affordable Housing Agreement (NAHA). The NAHA is supported by the National Partnership Agreements on social housing, homelessness and Indigenous Australians living in remote areas. It will provide \$6.2 billion worth of housing assistance to low and middle income Australians in the first five years.

Priority areas for reform identified in the NAHA include:

- Reducing concentrations of social housing by creating mixed communities that promote social and economic opportunities
- Establishing a nationally consistent approach to social housing to create a more transparent, accountable and efficient sector
- Enhancing the capacity and growth of the not-for-profit housing sector
- Improving access for Indigenous people
- Increasing capacity to match new housing supply with underlying demand

The National Affordable Housing Agreement and the National Partnership Agreements on Remote Indigenous Housing, Homelessness and Social Housing are fully operational in WA with the transfer of funds completed, and new social housing construction and refurbishment and homeless service initiatives well underway.

National Partnership Agreement on Remote Indigenous Housing

The housing needs of Indigenous people in WA have long been neglected. The National Partnership Agreement on Remote Indigenous Housing (NPA) is designed to address significant overcrowding, homelessness, poor housing conditions and the severe housing shortage in remote Indigenous communities.

Funding for the NPA will include a total of \$5.5 billion over 10 years (\$1.94 billion new funding plus previous funding allocated under the Australian Remote Indigenous Accommodation Program funding of \$3.55 billion). These funds will provide

- up to 4,200 new houses in remote Indigenous communities; and
- upgrades to around 4,800 existing houses through a program of major repairs and/or replacement.
- Funding is also provided for a minor repairs and maintenance program, housing functionality checks, tenancy management, improvements to town camps and for the provision of employment related accommodation.

With the National Partnership Agreement on Remote Indigenous Housing the Department of Housing built 89 new homes in WA remote Indigenous communities over 2009-2010 and completed 150 refurbishments.

Changes to Aboriginal housing management have been enabled with new legislative powers to implement provisions of the Residential Tenancies Act in rural and remote Aboriginal housing. Much of this housing stock is badly neglected, overcrowded and far from services or regional centres. Negotiating control of the housing and tenancy powers in order to deliver and sustain quality asset management is being undertaken across remote parts of WA from July 2010. The implementation of this shift to state intervention in remote Aboriginal housing will be keenly monitored by Shelter WA.

National Partnership Agreement on Social Housing

The goals of the National Partnership Agreement on Social Housing are for:

- people being able to rent housing that meets their needs,
- people who are homeless or at risk of homelessness achieving sustainable housing and social inclusion, and
- Indigenous people having improved housing amenity and reduced overcrowding.

According to FAHCSIA, the agreement facilitates the Social Housing Growth Fund, in which the Commonwealth Government provided \$200 million in 2008-09 and \$200 million in 2009-2010.

According to FAHCSIA, the states and territories will increase the supply of social housing under the agreement, delivering approximately 1,600 to 2,100 additional dwellings to 2009-10, and provide opportunities to grow the not-for-profit housing sector.

National Partnership Agreement on Homelessness

In April 2009, the Rudd government released the white paper, *The Road Home*, which set a target to halve street homelessness by 2020 and offer supported accommodation to all

rough sleepers who need it. In order to meet that target, homelessness funding increased by 55%. This represented an additional \$800 million over four years.

In WA, the joint Commonwealth/State Homelessness National Partnership Agreement (NPAH) is administered by the WA Department for Child Protection.

The NPAH commits towards the following intermediate targets by 2013:

- A decrease of 7% in the number of people who are homeless
- A decrease of a third in the number of Aboriginal people who are homeless
- A decrease of 25% in the number of people sleeping rough (DCP 2010)

Funding through the NPAH will provide for a range of programs including:

- Services for rough sleepers
- New housing support workers for private and public tenancies
- Housing support workers for people leaving supported accommodation and institutional care
- New and expanded supports for women and children who experienced domestic violence
- A Foyer development to provide supported, yet independent, accommodation for young people

At the end of June 2010 contracts were signed and the equivalent of 100 new positions created across the state. Shelter WA is working to monitor the success of this improved response to homelessness and hopes to see a measurable decline in the number of people and households without accommodation, and in the length and recurrence of homeless episodes for our most vulnerable groups.

National Rental Affordability Scheme

Announced in July 2008, the National Rental Affordability Scheme (NRAS) aims to boost the supply of affordable housing. It does this by pooling resources from financial institutions, not-for-profit organisations and local governments and combines these funds with Commonwealth and state government incentives. The annual incentives are comprised of the following:

- A Commonwealth government incentive of \$6,855 per dwelling per year as a refundable tax offset or payment; and
- A state or territory government incentive of \$2,285 per dwelling per year in direct or in kind financial support.

Up to 5,000 new rental dwellings in WA will become available over five years. These dwellings will be rented to low and moderate income households at a rate of 20% lower than market rent. The incentives are indexed annually to maintain investment returns to owners.

First home owners grants

The First Home Owner Grant (FHOG) was introduced in 2000 to offset the effect of the GST on homeownership. The grant provides \$7,000 to first time homebuyers. The First Home Owners Boost (FHOB) of \$7,000 for the purchase of an existing home or \$14,000 to build a new dwelling was added to the existing FHOG in October 2008. The boost was scaled back and then ceased on 1 January 2010.

Increasing first home owners' grants can have an inflationary effect on housing prices. In this way, such grants are counterproductive, making housing less affordable rather than more so. There is also some speculation that first home owners who borrowed the maximum loan possible in a rush to get into ownership and access the boost while interest rates were low are now at risk of mortgage stress and foreclosure as interest rates rise.

Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) provides a government subsidy to low income renters in the private rental market and renters in community housing. CRA provides a vital support for many low income households. In 2007 in WA nearly 65% of Commonwealth Rent Assistance recipients received the maximum rate, a steady increase over the previous two years. Even with CRA around 30% of recipients in WA still pay more than 30% of their income on rent. If rent assistance had not been provided 60% of those on income support would be in rental stress (i.e. paying more than 30% of their income on rent).

Levels of CRA have not kept pace with rising rents. A recent report prepared by RMIT for Tenants Union of Victoria found that between 1995 and 2009 rents in Australian capital cities rose by 41%. During that same period, the maximum rate of CRA remained constant in real terms (Colic-Peisker, Ong and McMurray 2010).

First Home Savers Accounts

First Home Saver Accounts provide assistance for people saving money for a deposit for their first home. Those planning on buying their first home in four or more years may be eligible to receive a 17% government contribution on the first \$5,000 worth of savings in a financial year, whilst paying a reduced (15%) tax rate on interest or earnings.

Housing Affordability Fund

With an investment of up to \$512 million over 5 years, this fund aims to reduce the costs involved in building new homes. It will target developments that make entry into the property market more affordable for home buyers and increase housing supply. The Housing Affordability Fund targets greenfield and infill developments where high dwelling demand currently exists or is expected.

State Affordable Housing Strategy

The Social Housing Taskforce completed their work in December 2008 and the Final Report was released in June 2009. A key recommendation of that report was for the development of a State Affordable Housing Strategy. One aspect of the recommended strategy is to address the lack of community supports that enable vulnerable tenancies to be maintained. These supports range from:

- in-home care services for frail aged and people with disabilities,
- financial counselling and emergency assistance for people in financial crisis,
- justice and corrections services to prevent re-offending and for pre-release and post release offenders,
- better support for children in the care of the state through transition to independence and beyond,
- better targeted training and education supports for those disconnected from work and needing improved skills,
- more responsive mental health services, for people with fluctuating mental health status, and
- more and better homeless, outreach, early intervention and prevention services.

The stated goal of the State Affordable Housing Strategy is to increase the range of housing solutions and options for those on low-to-moderate incomes, where accommodation is available, affordable and appropriate.

The objectives of the strategy include:

- strengthen social housing
- improve housing supply
- enable successful transition

Mechanisms to achieve these objectives include the following:

- private investment vehicle
- alternate housing market
- planning reforms
- value-adding partners
- Keystart loans
- NRAS Initiatives
- private brokerage
- public housing company
- affordability incentives
- needs-based allocation

CONCLUSION

Low and moderate income West Australians are facing significant hardships due to the high cost of housing. In many cases, those hit hardest by rising costs are those who can least afford to do so. With median house prices reaching almost half a million dollars and median rents almost \$400 week, many households are finding it increasingly difficult to pay for basic necessities. For many families, the high cost of housing is also compromising their physical and emotional well-being.

Since 2009, the government has provided significant funding towards social housing in WA. Shelter WA welcomes such funding for people in need. The new houses and repairs to existing houses will offer much needed relief for thousands of West Australians. Nevertheless, a comprehensive, long-term strategy is needed to address the depth and breadth of the affordable housing crisis in WA. The anticipated State Affordable Housing Strategy may begin to address some of these long-term challenges. As the new strategy is introduced, Shelter WA will continue to promote accessible, affordable, appropriate and secure housing for everyone, and will continue to monitor the state of affordable housing in WA.

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