



**The State of Affordable
Housing in WA
Armadale Emergency Relief
and Housing Workshop
February 2008**



City of Armadale

Population Growth - the City of Armadale is experiencing rapid growth and estimates its population will increase from 55,000 to 85,000 over ten years.

There are more indigenous people - of the total population in Armadale (LGA) 2.8% were Indigenous persons, compared with 2.3% Indigenous persons in Australia.

Armadale is a little younger - the median age of persons in Armadale (LGA) was 36 years, compared with 37 years for persons in Australia.



**Low income groups struggle in the WA
housing market**

✚ 2007 WA median household income was approx gross \$62,000 per annum or \$1,137 p/week

✚ Shelter WA looks at housing for the bottom 40% of income distribution (in 2007 approx \$51,000 per annum and below)

✚ Median gross household income in Armadale is approx **\$51,428** per annum or **\$989** p/week – **Armadale is a low income region**



Armadale House prices

The average Median House Price in the City of Armadale is **\$432,540**, an increase of 24% from last year.

Median House prices in the City of Armadale showing a 5 year average growth rate of 22% per annum

The Median House Price in Perth is \$450,000
Armadale is not much cheaper than Perth

Affordable suburbs in Perth

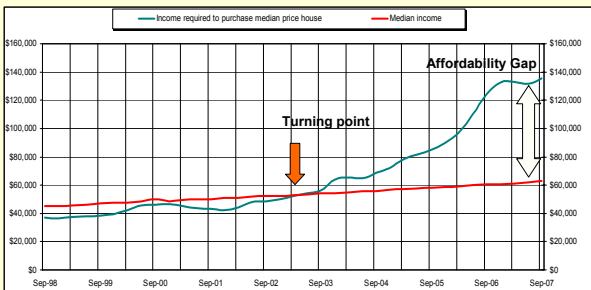
⚠ In June 2006 **none** of Perth's 291 metropolitan suburbs were affordable to purchase for households in the bottom 40% of the income range or households in receipt of the median income

⚠ **Armadale was one of the last places still affordable.**

Suburbs affordable for low-median income households

	Jun-07	Jun-06	Jun-05	Jun-04	Jun-03
Armadale			✓	✓	✓
Beckenham					
Brookdale			✓	✓	✓
Bullsbrook			✓		
Coolbellup					✓
Cooloongup				✓	✓
Forrestfield					✓
Kelmscott				✓	✓
Midland					
Mirrabooka				✓	✓
Westfield			✓	✓	✓
Westminster					✓

Figure 1: Housing Affordability Gap, Perth from 1998 to 2007

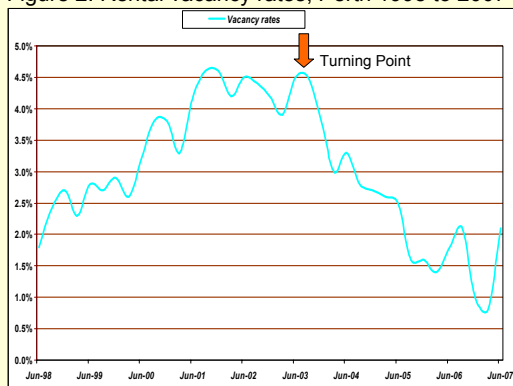


affordability gap (difference between the median income and the income required to buy a median priced house)

In September 2007:

- ✚ A household required an income of \$135,322 to purchase a median priced house of \$450,000
- ✚ The affordability gap was \$73,532 (median income is \$62,000, but income required to purchase a median priced house is \$135,322)
- ✚ In Armadale a household required an income of \$130,000 to purchase a median priced house of \$432,540
- ✚ In Armadale the median household weekly income is \$989 or \$51,428 pa - revealing an affordability gap of \$78,572 required to purchase a median priced house

Figure 2: Rental vacancy rates, Perth 1998 to 2007

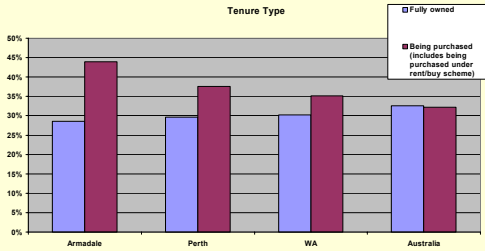


Link between growing affordability gap and shrinking rental vacancy rates:

- ✚ June 2003 affordability gap started its upward trend
- ✚ June 2003 vacancy rates start their downward trend
- ✚ Vacancy rate less than 1% at March 2007
- ✚ Widening affordability gap leaving potential first home buyers limited home purchase opportunities - increasing demand in rental sector

Tenure, Owner Occupiers and Renters

- In Armadale (C) (LGA), 28.6% of occupied private dwellings were fully owned, 43.9% were being purchased and 20.1% were rented.
- In comparison with Perth, WA and Australia, Armadale has a significantly higher amount of houses being purchased.



Factors in housing supply

- ✚ combination effect
- ✚ housing type mismatch
- ✚ zoning, density and mixed tenure restrictions
- ✚ increasing affordability gap
- ✚ shrinking rental vacancy rates
- ✚ increasing median rents
- leading to
- ✚ negative impact on low cost housing supply

Other factors affecting the supply of affordable housing in WA:

- ✚ Rental returns on investment have not kept up with property values - return dropped to 3.2% by June 2007
- ✚ Generous changes in taxation on superannuation resulting in funds redirected out of rental housing investment market
- ✚ WA had the highest population growth in 2006-2007 (2.3%), compared to Australia (1.6%)
- ✚ Housing type mismatch: in 2006 single person households made up over one in four (27.5%) of all households in WA, however smaller dwellings comprised only 16% of all housing approvals in 2006/07
- ✚ Significant increases in costs of labour and materials and labour shortage for construction (seems to be resolving in late 2007 – new approvals down and backlog working though)

Impacts on the housing market

- ✚ More difficult for low income households to access affordable accommodation (competing with more people now not able to purchase)
- ✚ Vacancy rates higher at the top luxury end of the market
- ✚ Median rents continue to rise (supply and demand)
- ✚ Growing numbers of low income groups experiencing housing stress (paying more than 30% of Income in Housing costs) – particularly difficult when new home buyers and first home buyers have gained a mortgage at the maximum they can afford to borrow and then interest rate rises mean their housing payments increase leaving less money for other essential living costs
- ✚ Supply of housing stock for low income single households particularly scarce

Groups fairing worst in the current market

- ✚ Of the 85,500 low income households receiving Commonwealth Rental Assistance (on top of Centrelink benefit) approximately one third (23,500) remain in housing stress after receiving CRA, and 1/3 were not in housing stress before (due to non-taxable incomes and exempt payments).
- ✚ 16,900 households on the public housing waiting list (Nov 2007)
- ✚ Nearly 13,000 households required emergency and crisis accommodation (SAAP) in 2006 (50% – 90% turn away rates - large unmet need)
- ✚ SAAP exit points – secure permanent accommodation and support services not available to ensure people coming out of SAAP are maintained in the community

Shelter WA

- Your peak body for low income and disadvantaged consumers in the housing market
- Monitors housing in WA. Part of national federation of State Shelters
- Support your Shelter – be a member
- www.shelterwa.org.au
- Heidi Stewart Research Manager
- Bronwyn Kitching Executive Officer
- Corinne Mercer Administration & Finance Officer
