



The State of Affordable Housing in WA, 2007

The State of Affordable Housing in WA is:

- ✚ Shelter's annual overview of the extent to which West Australians are able to access
 - private home ownership and rental housing at a price within their means (up to 30% of gross income) and
 - social housing (public and community housing)
- The State of Affordable Housing Report focuses on families in the bottom half of the income range and is based on a number of housing indicators.

What low income groups are struggling in the WA housing market?

- ✚ Bottom 40% of income distribution (approx \$51,000 per annum and below)
- ✚ Median household income (approx gross \$62,000 per annum or \$1,137 p/week)

Are there any affordable suburbs left in Perth?

- In June 2007 *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.
- DHW First Start (shared equity scheme) implemented for 1000 households per year

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

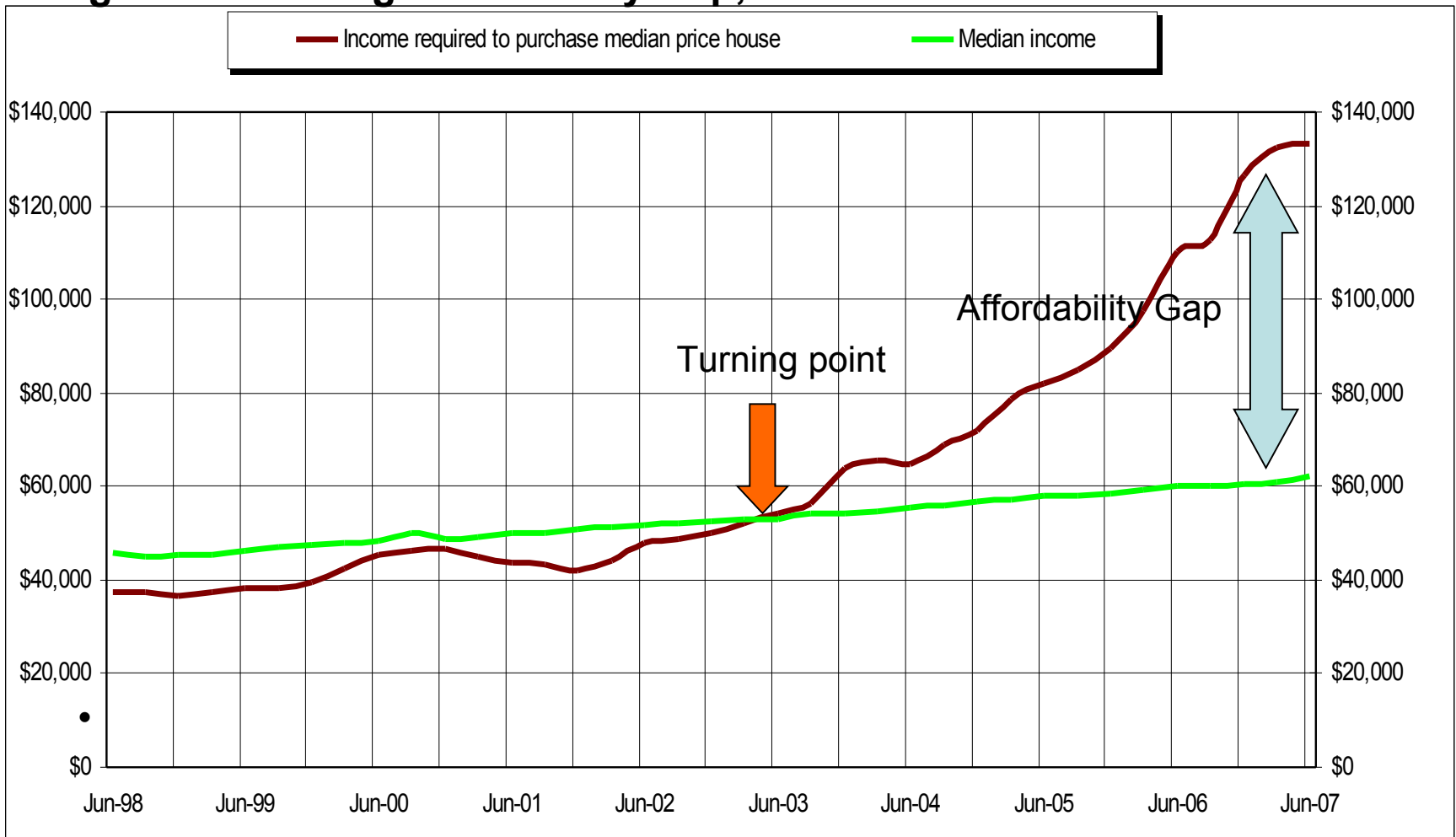


Figure 1 reveals the affordability gap (difference between the median income and the income required to buy a median priced house)

The data reveals that in June 2007:

- + The affordability gap was \$72,000**
- + A household required an income of \$133,000 to purchase a median priced house (\$446,000)**
- + Typical bank home loans are 5x annual income**

What impact could this have on the rental market?

Figure 2: Rental vacancy rates, Perth 1998 to 2007

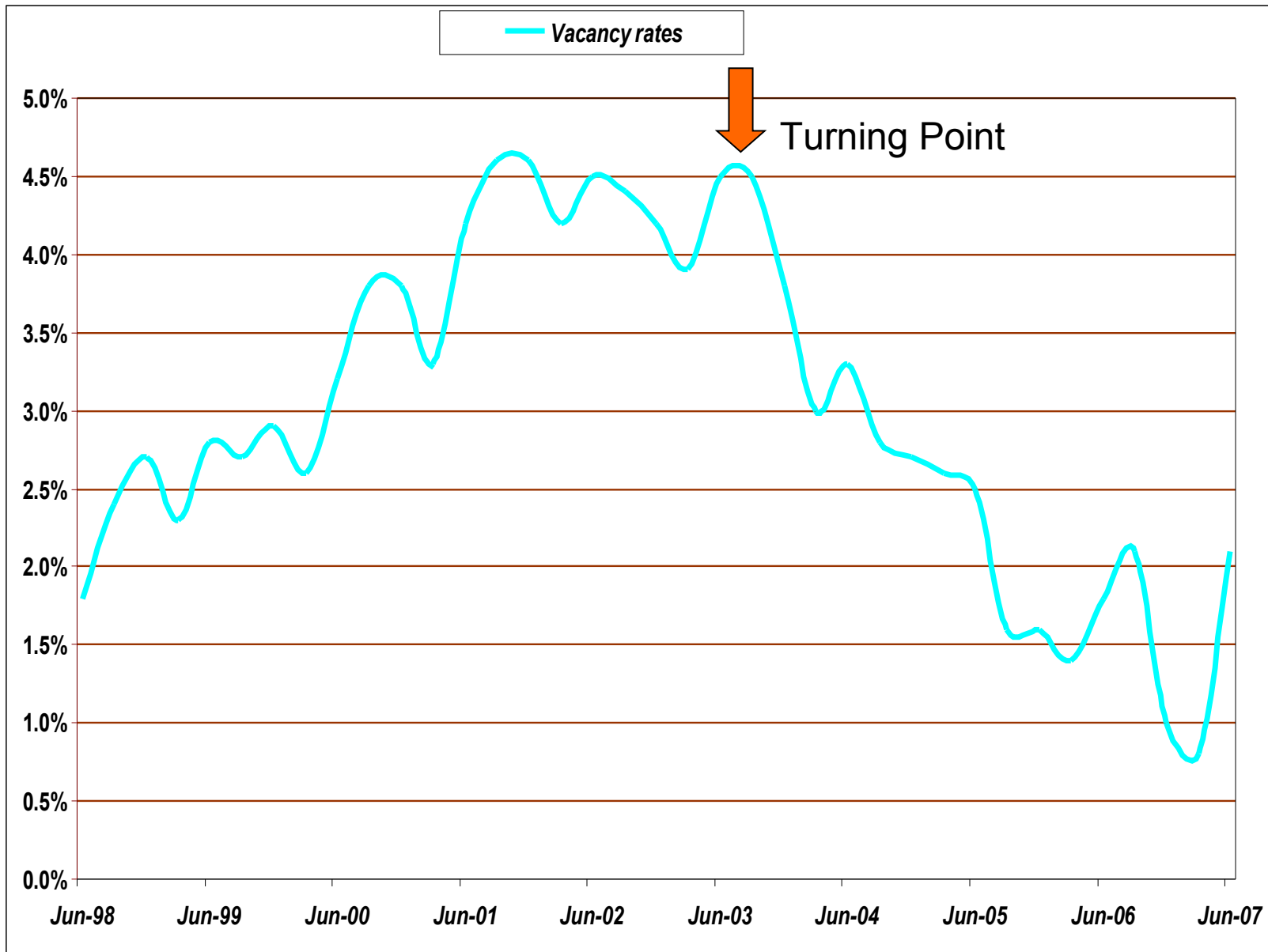
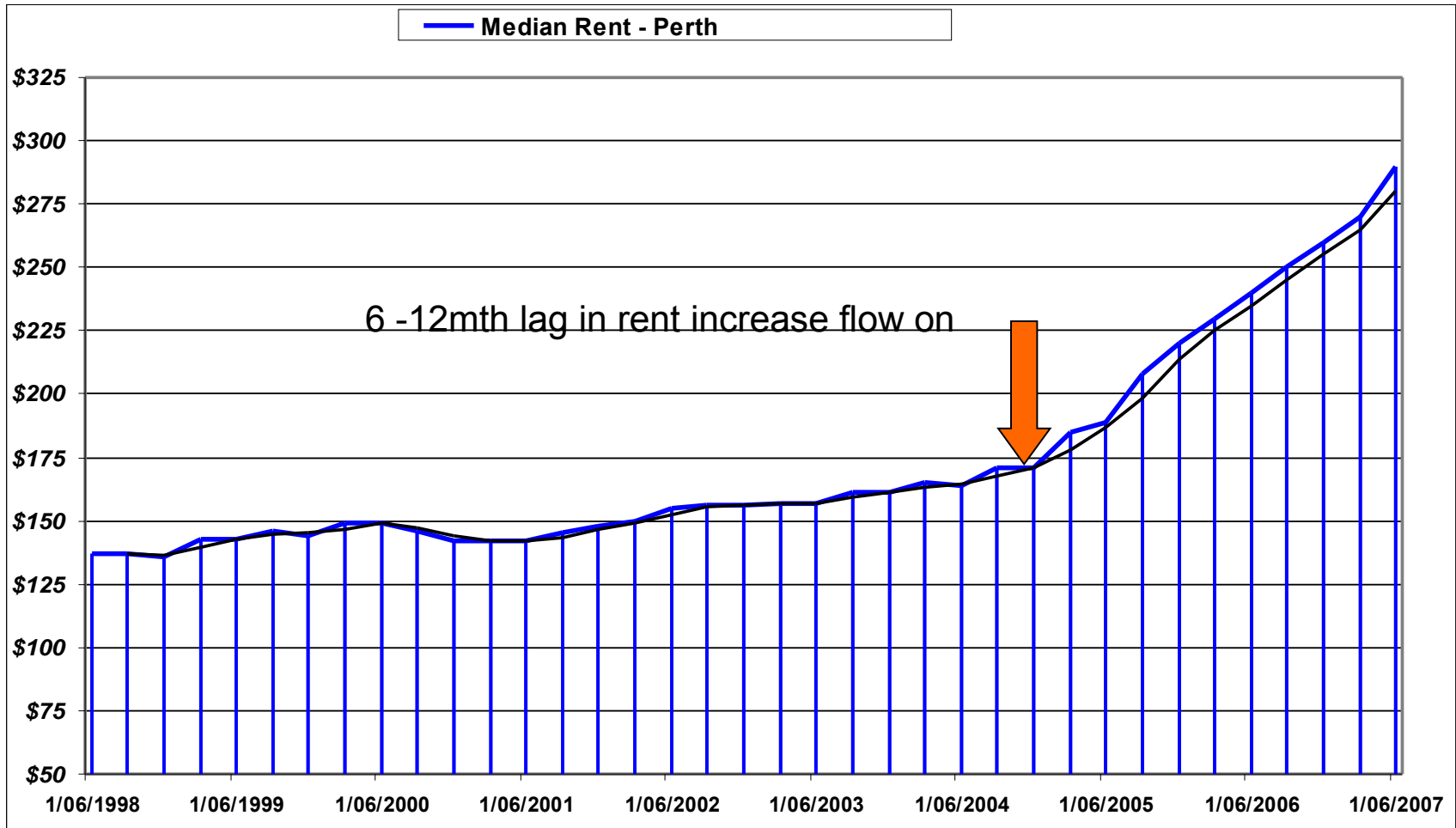


Figure 2 suggests a link between the growing affordability gap and shrinking rental vacancy rates:

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

How has the affordability gap and tight vacancy rates affected private rents?

Figure 3: Median rents in Perth, 1998 to 2007



The trend emerging from the data is:

- ✚ Late 2004 represents the critical turning point when the combination effect of the increasing affordability gap, shrinking rental vacancy rates and increasing median rents started to have negative impacts 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)

Overall impacts on the housing market?

- + More difficult for low income households to access affordable accommodation
- + Vacancy rates higher at the top end of the market
- + Median rents continue to rise
- + Growing numbers of low income groups experiencing housing stress
- + Supply of housing stock for low income single households particularly scarce

What income groups are probably fairing worst in the current market?

- + Of the 85,500 low income households receiving Commonwealth Rental Assistance approximately one third (23,500) remain in housing stress after receiving CRA.
- + 16,900 households on the public housing waiting list (Nov 2007)
- + Nearly 13,000 households required crisis accommodation (SAAP) in 2006

In general this report indicates that

- + Governments could have been better prepared if they had taken heed of affordability gap and supply problems in 2002/03**
- + Affordability gap indicates that a growing number of households will struggle to attain home ownership;**
- + The private market is not supplying enough low cost private rental**

Government responses:

- + Federal election proposals (both sides of politics) and State housing policies predominantly focused on addressing housing demand from median income groups (i.e. non means tested FHOG, tax free savings account, increase stamp duty threshold etc)
- + Mostly demand driven policies, which if supply lags behind, could fuel inflation
- + Less attention has been paid on reversing decades of underinvestment in public housing

Build on the past and plan for the future: Grow and fund a modern social housing system

- + Firstly ensure the State Housing Authorities are financially viable (Treasury assistance)**
- + Encourage workforce incentives through lifting income eligibility for access to social housing (will increase rental revenue)**
- + Develop a common social housing framework**
- + Set targets to increase stock**