

**The State of Affordable  
Housing in WA, 2006**  
Shelter WA Occasional Paper  
2006-1

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# Introduction

- *The State of Affordable Housing in WA* is Shelter WA's annual overview of the extent to which West Australians are able to access affordable housing.
- The overview is based on a range of key housing indicators, and focuses on families in the bottom half of the income range.

# **This Presentation provides a discussion on:**

- Housing affordability and low income households, focusing on home ownership and private rental

# **What low income groups are struggling in the current housing boom in WA?**

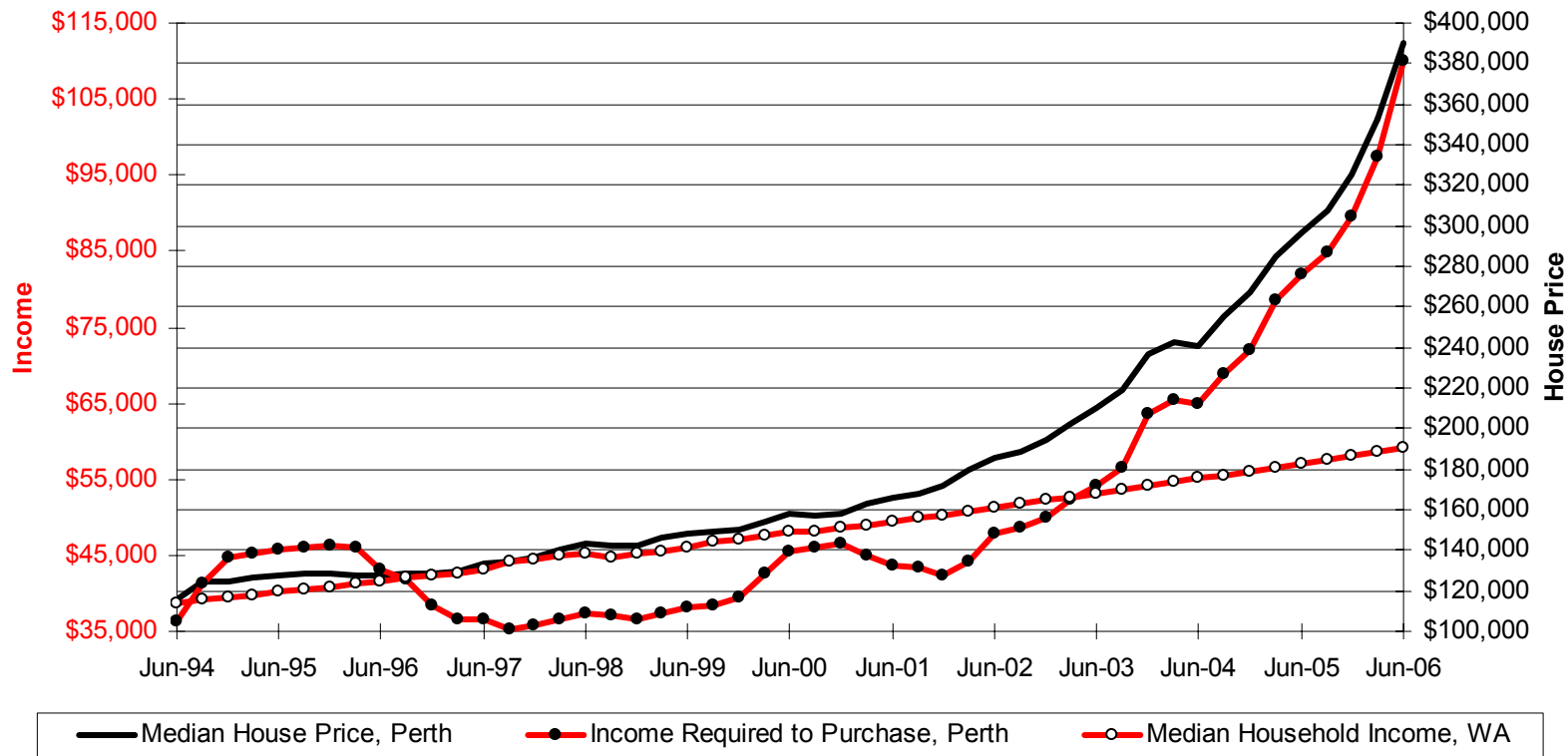
- Those on the top of the second income quintile (i.e. Gross income in June 2006-\$51,000 per annum),and;
- Median household income (i.e. Gross \$59,000 per annum or \$1,137 p/week), (ABS 2001 census-CPI inflated)

# **Do these income groups have the financial capacity to secure homeownership?**

- In June 2006 none of Perth's 291 metropolitan suburbs were affordable for households at the top of Q2
- 21 suburbs have become unaffordable over last 12 months

# Figure 1 demonstrates key phases in housing price growth and affordability

**Figure 1: House Prices, Household Income and Affordability, Perth 1996-2006**

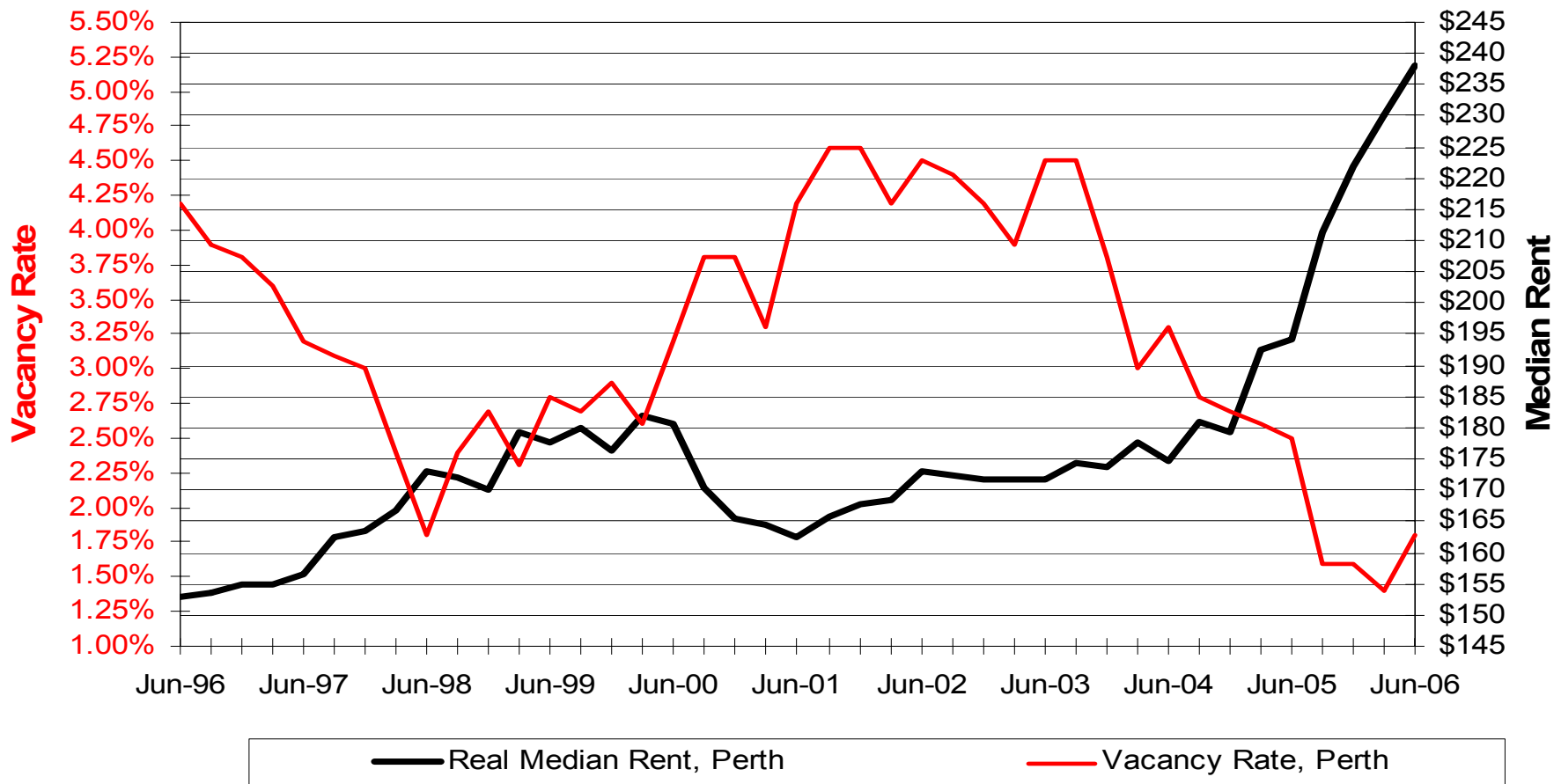


# The data reveals that:

- In June 2006 the ‘affordability gap’ (the difference between income required to affordably purchase house and median income) was 86%, double that of June 2005 (43.5%)
- Annual median housing price growth reached 32%

The big reduction in affordability for home purchasers could be expected to see low income earners stay longer in private rental.

Figure 2: Rent and Vacancy Rate, Perth, 1996-2006: Department of Land Information, 2004; REIWA, Property Market Indicators, 2006

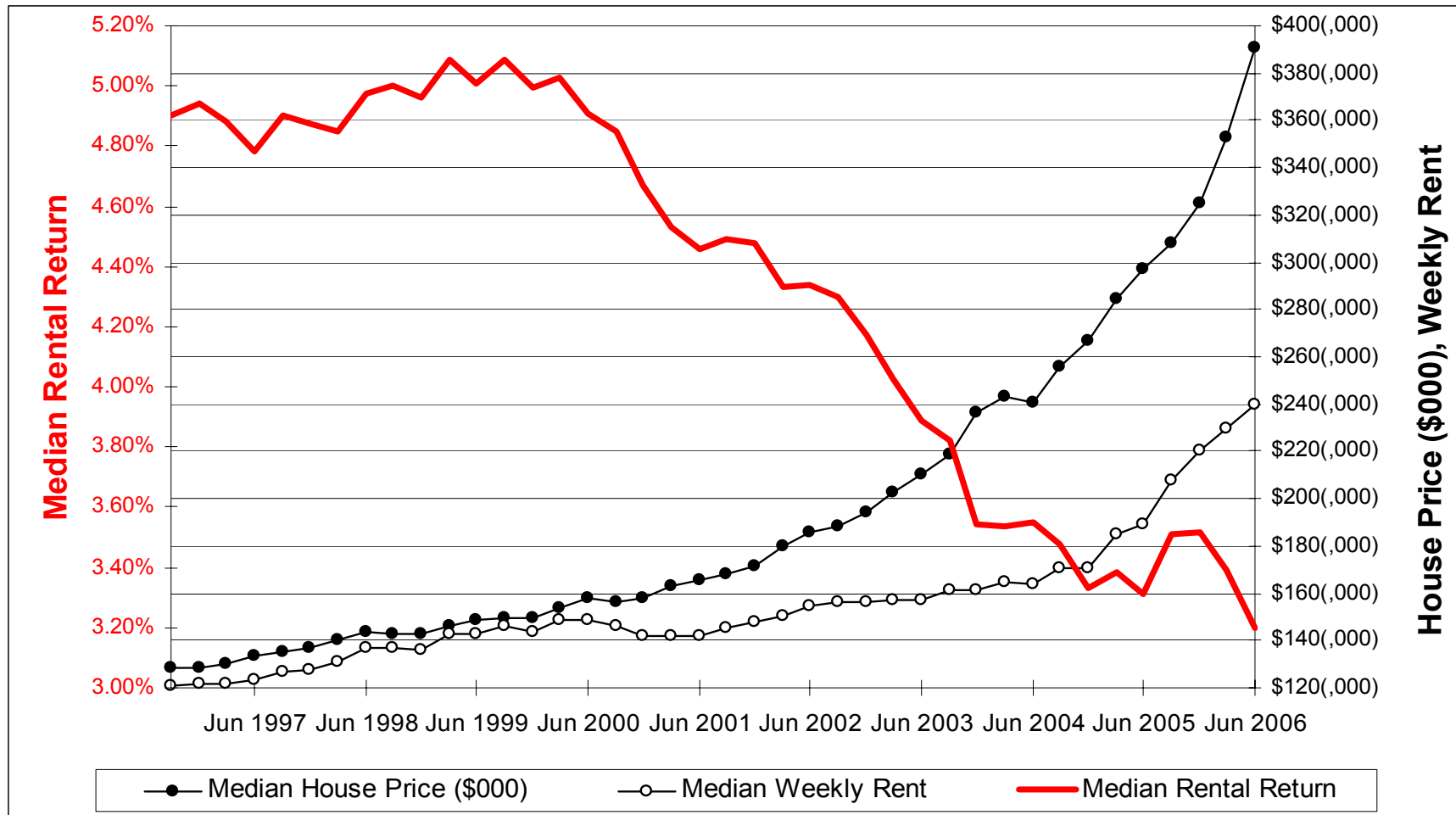


## Figure 2 reveals that:

- Median rent in Perth has undergone an annual increase of 27%
- Rapid increase in median rents is having a significant impact on vacancy rates;
- Low income earners are likely to be the most disadvantaged due to the double impact of accelerated rents and shrinking vacancy rates

Another key factor affecting private rental supply is the rental return (i.e. median weekly rent/median value of rental properties).

Figure 3: Gross Rental Return, Perth 1997-2006 (Shelter WA, 2006)



# The data indicates that:

- Median rental return has not kept up with property values resulting in return falling to 3.2% in 2006;
- Rental return of around 5% required to cover property management costs (Productivity Commission, 2004);
- Investor attraction is driven more by future capital gain as opposed to rental return

## **Other factors affecting the supply of affordable housing include:**

- Population growth (WA recorded the second fastest population growth of the states and territories in 2004–05, (ABS, 2006);
- Lack of smaller dwellings. Comprised less than 10% of housing approvals in 2006;
- Increase in labour and material costs
- Labour Shortage

# **How could all this impact on households at bottom (affordable) end of the market?**

- Expect to see very little accommodation available at the bottom end of the market; Vacancy rates higher at the top end of the market;
- Median rents continue to rise;
- Economic discrimination in rental markets against low income earners?

# How many low income households are affected by these factors?

- In 2005 there were 142,000 WA's aged 18 years and over on less than \$40,000 per annum renting in the private market in WA
- Just under half of all WA renters (42%)
- In 2005, 85,122 low income households received Commonwealth Rental Assistance (CRA) payments
- Nearly one third remained in housing stress Post CRA

## **Overall the research indicates that:**

- There are a significant number of low to median income Western Australian's who may never attain home ownership;
- The market is not supplying enough low cost private rental;
- Homeownership is becoming unsustainable;
- More focus on tenure security underpinned by supply-side subsidies and incentives

# Were to from here?

- Shelter's *State of Affordable Housing Paper* will develop policy options aimed at addressing the affordable housing issues highlighted in this discussion;
- *State of Affordable Housing Paper WA 2006* will be released on Shelter's website at [www.shelterwa.org.au](http://www.shelterwa.org.au) in late December 2006