



BANKWEST CURTIN ECONOMICS CENTRE

# KEEPING A ROOF OVER OUR HEADS

BCEC Housing Affordability Report 2016

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# About the Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Curtin Business School at Curtin University. The centre was established in 2012 through the generous support from Bankwest (a division of the Commonwealth Bank of Australia), with a core mission to examine the key economic and social policy issues that contribute to the sustainability of Western Australia and the nation, and the wellbeing of households both in WA and nationally.

The Bankwest Curtin Economics Centre is the first research organisation of its kind in Western Australia, and draws great strength and credibility from its partnership with Bankwest, Curtin University and the Western Australian government.

The centre brings a unique philosophy to research on the major economic issues facing the state. By bringing together experts from the research, policy and business communities at all stages of the process – from framing and conceptualising research questions, through the conduct of research, to the communication and implementation of research findings – we ensure that our research is relevant, fit for purpose, and makes a genuine difference to the lives of Australians, both in WA and nationally.

The centre is able to capitalise on Curtin University's reputation for excellence in economic modelling, forecasting, public policy research, trade and industrial economics and spatial sciences. Centre researchers have specific expertise in economic forecasting, quantitative modelling, micro-data analysis and economic and social policy evaluation. The centre also derives great value from its close association with experts from the corporate, business, public and not-for-profit sectors.

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# Foreword



Despite a general softening of housing market conditions in Western Australia in recent years, housing cost pressures continue to dominate as a key concern among Western Australian households. Housing affordability estimates have not trended in the same direction in all locations, with some areas bucking the general downward trend in house prices and rents. Furthermore, many individuals in the lower end of the income distribution have not benefited from these trends and remain acutely exposed to housing stress and the risk of homelessness. As the population ages, growing numbers of older Western Australians face crucial decisions regarding their housing in later life including options for downsizing. At the same time, the future home ownership prospects of the young remain dim.

*Keeping a Roof Over Our Heads* is the seventh report in the Bankwest Curtin Economics Centre's *Focus on Western Australia* series and the centre's second housing affordability report. Using the latest data available, this report seeks to critically assess recent trends in the state's housing costs and how these vary across spatial locations in WA. The report also examines the degree to which social housing alleviate housing cost pressures for low-income West Australian households and sheds light on some of the complexities that are associated with homelessness, such as precarious health. The report features findings from a new Bankwest Curtin Economics Centre survey of over 4,000 households in Western Australia, New South Wales and Queensland to highlight WA's housing affordability position relative to other states.

This report shows that measures of severe housing stress have increased more for renters in WA than the rest of Australia. While most key workers have seen an increase, from 2013 to 2015, in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage. It remains the case that there are no affordable one-bedroom rental properties for an adult award wage holder. Many pockets of the population are still vulnerable to housing stress, including single parents, and excess demand for public housing in WA has not eased over the years.

The BCEC Housing Affordability Survey indicates that households' experiences of housing affordability are influenced not just by prices or rents, but the extent of housing choice and commuting costs. The lack of housing diversity in WA compared to other states such as New South Wales can constrain housing choice among West Australian households. Furthermore, many West Australians spend more time commuting than they would prefer.

The ageing of WA's population raises new challenges and opportunities in relation to housing options for older households. Generation Y households continue to face severe barriers to accessing home ownership, raising questions regarding the role of intergenerational transfers from the old to the young in helping young West Australians secure affordable housing.

Finally and importantly, affordability concerns are particularly acute in regional Western Australia. Residents of regional WA are more likely to perceive their housing as unaffordable than residents of regional New South Wales or Queensland. Moreover, homelessness is far more widespread in the West Australian outback than metropolitan areas.

A handwritten signature in black ink, appearing to read "Alan Duncan".

**Professor Alan Duncan**  
Director, Bankwest Curtin Economics Centre  
Curtin Business School, Curtin University

# Executive summary

This seventh report in the Bankwest Curtin Economics Centre's *Focus on Western Australia* series addresses the topic of housing affordability, a major economic and social issue facing West Australian households.

This is the centre's second housing affordability report. It provides fresh insights into housing affordability in Western Australia by documenting changes in the state's affordability trends since the release of the first housing affordability report in 2014.

The report draws on a range of data sources including the Australian Bureau of Statistics' Survey of Income and Housing, suburban-level price and rent data from the Real Estate Institute of WA, and a new Bankwest Curtin Economics Centre survey of over 4,000 households in WA, New South Wales and Queensland to highlight WA's housing affordability position relative to other states.

This report focuses on a series of key issues:

- How have mortgage and rental cost burdens changed in the last decade?
- How do housing affordability and homelessness outcomes vary spatially between WA and other states, and within WA?
- To what extent does social housing alleviate housing cost pressures for low-income West Australian households?
- Which regions in WA are most vulnerable to homelessness, and what are some of the complexities that programs targeting homelessness should take into account?
- How do West Australian households' housing cost burdens influence their financial wellbeing, and to what degree are these households making constrained housing choices and accepting trade-offs in their housing decisions?

# Key findings

## Housing affordability in the west

- The typical housing cost burdens faced by mortgage holders in capital cities and territories have fallen consistently over the most recent two years of housing survey data.
- Sydney mortgage holders commit the greatest share of their disposable incomes towards housing costs – typically 29 per cent on most recent estimates.
- Perth homeowners with mortgages typically commit 27 per cent of their income in housing costs, down by 0.7 percentage points in two years and by around 3 percentage points since 2009-10.
- Housing costs for homeowners in regional WA rank second highest of all regional areas of Australia, with housing costs at a median of 34 per cent of income.
- A typical low-income renter in Sydney commits at least 42 per cent of their income to cover housing costs – up 3.3 percentage points in two years
- The share of WA homeowners who pay at least 30 per cent of incomes in housing costs has fallen from 38 per cent in 2011-12 to 35 per cent in 2013-14, following a similar trend for Australia.
- Low income WA households who rely either on award wages or government payments struggle to keep pace with rising rents on properties at the lower end of the market.
- Just under 10 per cent of WA renters now paying at least 50 per cent of their income in housing costs.

- More than 43 per cent of single parents in rented housing commit at least 30 per cent of their income towards housing costs whilst living on a low income
- A particular concern is the prevalence of housing stress among older age cohorts, with one in five older aged renters in severe housing stress.

## Social housing in WA

- In relatively expensive housing markets such as WA, NSW and the territories, housing authorities deliver public housing subsidies in excess of \$200 per week per rebated household.
- Almost all low-income public housing tenants pay rents below 30 per cent of their income. However, almost half of low-income tenants in WA bear housing cost burdens of 26 – 30 per cent.
- In 2015, the ratio of public housing applicants to dwelling stock was the highest in WA among all states and territories (70 per cent).
- In the Western Australian public housing sector, the number of wait list applicants and dwelling stock have both remained more or less constant over time.

## Homelessness in WA

- In 2011, the rate of homelessness in WA was 42.8 homeless persons per 10,000 population. This was below the national average of 48.9 homeless persons per 10,000 population.
- WA accounted for around 10 per cent of the nation's homeless count in both 2001 and 2011, after New South Wales, Victoria and Queensland.

- The West Australian outback is significantly more exposed to homelessness than metropolitan regions.
- The Kimberley region had the highest rate of homelessness within WA in 2011 at 385.8 homeless persons per 10,000 population.
- Homelessness is highly spatially concentrated in WA, with the Kimberley, Perth City, Pilbara, Goldfields and Stirling accounting for almost half the state's homeless persons in 2011.
- The share of WA's homelessness accounted for by the outback declined between 2001 and 2011 while the share accounted for by metropolitan areas increased.
- Indigenous homelessness is associated with a sense of loss of control, or legitimacy in, the public space in which an Indigenous person resides.
- The multiplicity of issues that homeless people face significantly increases their risk of death if accommodation is not found for them.

## Spatial variations in housing affordability

- There is a diversity of property prices within the Perth metropolitan area.
- The median price of a three-bedroom established house in the Perth metropolitan area was \$485,000 at the end of 2015.
- Following the decline in iron ore prices over this period, Karratha has seen its median 3 bedroom house price fall from \$645,000 to \$300,000, and Port Hedland from \$705,000 to \$465,000.

- All sub-regional housing markets in the Perth metropolitan area recorded a reduction in rent-to-income ratio for established houses between 2013Q4 to 2015Q4.
- While most key workers have seen an increase, from 2013 to 2015, in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage.

## The 2015 BCEC Housing Affordability Survey: Key findings from WA

- Almost half of all respondents from WA spent more than 30 per cent of their income on housing costs with a quarter spending more than 40 per cent.
- 83 per cent of households with annual incomes of \$31,000 to \$70,000 paid over 30 per cent of income in housing costs and 29 per cent paid over 50 per cent.
- Over a third of households paying over 30 per cent of their income in housing costs said that they were forced to do so because there were no other options.
- Private renters were twice as likely to state that they were forced to pay over 30 per cent of their income in housing costs compared to owner purchasers.
- Just over a third (36 per cent) of households indicated that a 10 per cent increase in rents or mortgage payments would have a major impact on the affordability of their housing.
- There has been a big fall in the number of respondents regarding their housing as unaffordable between 2013 and 2015. This is largely attributed to a decrease in rents since 2013.

- Single parents were more likely than other demographic groups to perceive their housing unaffordable (33 per cent).
- 55 per cent of respondents reported sustaining high housing costs affected their mental health.
- 19 per cent of both owners and private renters were forced to locate more than 10km away from their preferred location to access affordable housing in 2015.
- In both the 2013 and 2015 surveys, most respondents living more than 5km from their preferred location were forced to do so because of affordability reasons.
- For those households residing in their preferred location, half had to make sacrifices to access the location.
- Almost a quarter of all regional respondents reported that their housing was unaffordable, compared to just 17 per cent of those in metropolitan areas.
- Respondents in regional WA were far more likely to be forced to take on a high housing cost burden than metropolitan respondents, particularly in order to access a suitable location.
- The availability of diverse dwelling sizes and types in Sydney may temper perceptions of unaffordability despite the city's high prices and rents. On the other hand, the lack of diversity in WA's housing stock may exacerbate perceptions of unaffordability particularly in regional areas despite cheaper prices.
- One in ten respondents from NSW prefer living with their parents over other tenures, compared to 5 per cent in WA and 7 per cent in Queensland.
- WA respondents spent more time commuting than they would prefer than respondents in NSW or Queensland.

### The 2015 BCEC Housing Affordability Survey: State comparisons

- Respondents from regional WA were more likely to perceive their housing as unaffordable (24 per cent) and least likely to perceive their housing as affordable (36 per cent) than respondents from regional areas in NSW and Queensland.

### The 2015 BCEC Housing Affordability Survey: Household profiles

- 26.5 per cent of retired households still had to cover mortgage or rental costs and 15 per cent of retired households were paying over 30 per cent of their income in housing costs.
- 16 per cent of 55-64 year olds and 25 per cent of those aged 65 years or over had already downsized with a further 31 per cent and 29 per cent respectively having thought about downsizing.
- Among those who had not already downsized, 80 per cent stated they would certainly downsize in the future.
- The most common reason for downsizing was to live in a smaller house that is easier to run.
- 62 per cent of Gen Y households in WA were able to access their first choice location compared to 57 per cent in NSW and 59 per cent in Queensland.

- For those Gen Y households already in home ownership, 38 per cent received help from their parents or grandparents.
- 12 per cent of those in group households and 10 per cent living with parents have purchased a dwelling they are not living in, termed “rentvestors”.
- A third of Gen Y’s believe they will be able to purchase a home in the next 2–5 years and a quarter think home ownership is 5–10 years away.
- 44 per cent of private renters were contributing more than a third of their income towards their housing costs.
- 28 per cent of private renters with incomes under \$31,000 were paying more than 50 per cent of their income towards housing costs.
- 39 per cent of all private renters report themselves as being poor or very poor.

# Introduction

Affordable, secure and appropriate housing is a fundamental determinant of wellbeing. Beyond providing necessary shelter, a home is a place where families are raised and memories are built. Hence, it is an important source of identity for most individuals. At a macroeconomic level, housing commands a significant share of investment and consumption nationally. The housing market can also have significant productivity impacts through its effects on employment participation. High house prices or rents that are high relative to wages are a drag on local, metropolitan and regional economic growth. They depress the after-housing cost incomes of households and deter job moves to regions that are booming. Some industries resort to ‘fly-in fly-out’ adjustments in response to housing shortages, which not only add to business costs but result in adverse social consequences in ‘fly-in fly-out’ communities.

Housing market conditions in Western Australia have relaxed to a degree, with the changing economic climate having taken some of the heat out of the housing market. However, these softening market conditions don’t appear to have translated uniformly into improved housing affordability across all locations and house types, and housing cost pressures remain a key concern for many West Australian households. Indeed, many of those on the lowest incomes remain exposed to extreme housing stress and the risk of homelessness.

This is the Bankwest Curtin Economics Centre’s second Housing Affordability report, and has been prepared to explore how trends in housing costs both in Western Australia and across Australia have changed since the release of the first housing affordability report in 2014. It offers up-to-date findings on changes in housing stress levels between 2003 and 2013, as well as the extent to which the spatial distribution of housing affordability has changed across housing markets between 2013 and 2015. The report also draws on a new BCEC Housing Affordability Survey of over 4,000 households in WA, New South Wales (NSW) and Queensland to highlight how housing affordability in WA compares to other states.

The report shows how affordable housing options vary across the state’s metropolitan and regional localities, and examines the degree to which the housing market in the state is meeting the diverse needs and aspirations of West Australian households across the full range of socio-economic circumstances.

Housing affordability is a difficult concept to measure. An ideal affordability indicator should account for the full financial costs of tenure beyond direct mortgage or rental payments – for example, maintenance costs, rates and utilities charges, as well as commuting costs and other consumption costs. Equally, a full measure of housing affordability should also ideally capture the link between less tangible housing and neighbourhood quality factors and their contribution to household wellbeing.

Of course, affordability in this broadest sense is extremely hard to quantify. For this report we begin by concentrating on the more traditional benchmarks by which housing affordability is judged, by measuring housing costs as a fraction of household income (the “housing cost burden”) or by further focussing on those who face the combination of low incomes and high housing costs (“housing stress”).

Yet even so, there remain difficulties in characterising housing situations as “unaffordable”. Many households are well able to accommodate high housing costs, making the conscious decision to commit a significant share of their income into housing, either to progress up the property ladder, to secure the greatest lifetime housing wealth and amenity, or to accumulate wealth from investing in property. The situation is somewhat different for many other households, for whom the combination of low or uncertain incomes and high housing costs leads to a constant battle to keep a roof over their heads.

The report takes a multilayered approach to the issue of housing affordability. We compare housing costs for West Australian households over the last decade with those faced by households in other Australian states and territories using the nationally representative Survey of Income and Housing (SIH) from the Australian Bureau of Statistics. We look separately at the way housing cost burdens have evolved for homeowners and renters, with a particular focus on housing cost pressures faced by low-income households.

Analysis of recent transactions data provided to BCEC by Real Estate Institute of Western Australia (REIWA) provides an up-to-date profile of local housing costs in WA, and shows how house prices and rents have changed across localities since the last BCEC Housing Affordability report.

The report includes findings from a second specially commissioned Housing Affordability Survey which casts new light on the degree to which the housing experiences of WA householders have changed since the Centre's first housing affordability survey. Importantly, the survey presents new measures on perceptions of housing affordability to shed light on the actual experiences of households arising due to housing cost burden. This complements the more traditional benchmarks that we estimate from the SIH. The BCEC Housing Affordability Survey has been significantly expanded to provide greater coverage of regional areas in Western Australia. Importantly, the scope of the 2015 survey has been expanded to include Queensland and NSW in 2015. This permits a valuable comparison of the housing situations of West Australians relative to two other states.

We present some of the housing stories of those interviewed as part of the BCEC Housing Affordability survey. This provides further context to our summary results, and establishes a strong connection to some of the actual situations faced by West Australian households.

The report provides some commentary of policies that impact on the current housing affordability situation in Australia, with some discussion of the sorts of policy interventions that might be required to promote greater access to affordable housing both in Western Australia and nationally.



# How does housing affordability in the west compare with the rest of Australia?

# How does housing affordability in the west compare with the rest of Australia?

For this first series of findings, we compare the housing costs faced by families across Australian states and territories over the last decade using representative household survey data from the ABS Survey of Income and Housing (SIH) from 2003-04 to the most recent 2013-14 survey. We look separately at the evolution of housing cost burdens for mortgage holders and renters, using median housing costs as a proportion of household disposable income to measure broad trends. We further differentiate the housing cost burdens faced by low-income households. For the purpose of this analysis, we identify low income households to be those that fall into the lowest two quintiles – or lowest 40 per cent – of household disposable incomes when appropriately scaled for family size and composition.

Building on the Centre's previous *Focus on Western Australia* report into housing affordability, this report uses a broad housing cost measure that incorporates other costs – specifically property and water rates and body corporate fees – in addition to rents or mortgage costs. For comparison, all dollar figures are uprated to December 2015 using an aggregate consumer price index (CPI).

We recognise that broad aggregates such as these, while indicative of general trends, tend to conceal severe and adverse situations of housing stress for certain groups. To get further underneath these broad figures, we disaggregate housing cost burden and housing stress indicators across a range of socio-economic characteristics.

## Capital city and regional housing costs compared

Sydney mortgage holders commit the greatest share of their disposable incomes towards housing costs – typically 29 per cent on most recent estimates for 2013-14.

The median share of income devoted to housing costs for mortgage holders in regional WA is now 23 per cent, down 4.3 percentage points in two years.

The typical housing cost burdens faced by mortgage holders in capital cities and territories (Table 1) have fallen consistently over the most recent two years according to household survey data from the SIH. Sydney mortgage holders commit the greatest share of their disposable incomes towards housing costs – typically 29 per cent on most recent estimates for 2013-14. This housing cost share has fallen by two percentage points since 2011-12, and is attributable more to lower housing costs (which have fallen by 6 per cent in real terms over two years) than to rising real incomes (up by 3 per cent in two years). Brisbane and Melbourne rank second and third respectively in terms of median housing cost burdens for mortgage holders (28 per cent). Perth ranks fourth on this measure with housing costs at 27 per cent of disposable income, down by 0.7 percentage points in two years and by around 3 percentage points since 2009-10.

Home owners living outside capital cities or territories typically commit a lower share of income towards housing costs, with substantially larger falls in cost shares over the most recent period than for their city counterparts. For example, the median share of income devoted to housing costs for mortgage holders in regional WA is now 23 per cent, down 4.3 percentage points in two years. This is likely to be driven by a change in the composition of housing tenure in WA's regional areas, with more of those facing high housing costs having sold and moved, or downsized, in the last two years. Certainly the share of renters in regional WA has risen from 26 per cent to 33 per cent between 2011-12 and 2013-14, while the proportion of owners with mortgages has fallen from 38 per cent to 32 per cent over the same period.

**Table 1** Housing cost burdens for mortgage holders by state and territory: 2003-04 to 2013-14

Housing cost burdens <i>Mortgage holders</i>	Median housing cost burden <i>Housing costs as a proportion of h/h disposable income</i>							Change 2011-12 to 2013-14	Change in median real housing costs: 2011-12 to 2013-14	Change in median disposable income: 2011- 12 to 2013-14
	2003- 2004	2005- 2006	2007- 2008	2009- 2010	2011- 2012	2013- 2014	ppt change			
City or region										
Capital city or Territory										
Sydney	32%	32%	32%	32%	31%	29%	1	-2.0 7	-6% 5	+3% 3
Melbourne	25%	27%	26%	26%	29%	28%	2	-1.3 6	-1% 4	-4% 6
Brisbane	26%	28%	28%	27%	28%	28%	3	-0.2 2	+4% 1	-2% 5
Perth	26%	26%	27%	30%	28%	27%	4	-0.7 4	-8% 6	+8% 1
ACT and NT	25%	25%	26%	27%	25%	25%	5	-0.2 2	-11% 7	+2% 4
Hobart	20%	22%	26%	22%	24%	25%	5	+1.0 1	+2% 2	-6% 7
Adelaide	25%	24%	30%	25%	26%	25%	7	-0.9 5	-0% 3	+7% 2
Balance of state										
Balance of QLD	25%	27%	27%	28%	28%	25%	1	-3.3 3	+9% 1	+4% 3
Balance of NSW	24%	27%	26%	27%	29%	24%	2	-4.9 6	-9% 5	+8% 2
Balance of VIC	22%	24%	24%	24%	26%	24%	3	-1.7 1	-4% 2	+0% 5
Balance of WA	22%	21%	22%	24%	27%	23%	4	-4.3 5	-22% 6	-1% 6
Balance of TAS	20%	21%	20%	23%	26%	23%	5	-3.4 4	-6% 4	+12% 1
Balance of SA	22%	27%	24%	22%	26%	23%	6	-3.0 2	-5% 3	+3% 4
<b>AUSTRALIA</b>	<b>26%</b>	<b>27%</b>	<b>27%</b>	<b>28%</b>	<b>26%</b>	<b>-1.5</b>		<b>-2%</b>	<b>+3%</b>	

**Notes:** Calculations are reported for households with a mortgage. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in median housing cost burden for each capital city and regional area. See Glossary for definitions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

**Table 2** Housing cost burdens for low-income mortgage holders by state and territory: 2003-04 to 2013-14

Housing cost burdens <i>Mortgage holders in the lowest two income quintiles</i>	Median housing cost burden <i>Housing costs as a proportion of h/h disposable income</i>							Change 2011-12 to 2013-14	Change in median real housing costs: 2011-12 to 2013-14	Change in median disposable income: 2011- 12 to 2013-14
	2003- 2004	2005- 2006	2007- 2008	2009- 2010	2011- 2012	2013- 2014	ppt change			
City or region										
Capital city or Territory										
Sydney	42%	52%	50%	40%	40%	49%	1	+8.9 1	+10% 3	+5% 5
Melbourne	32%	38%	35%	37%	41%	42%	2	+1.4 4	+15% 2	+10% 3
Brisbane	38%	27%	45%	34%	42%	42%	3	+0.0 5	+3% 6	+32% 2
Hobart	36%	36%	36%	32%	32%	34%	4	+2.3 3	+6% 4	+7% 4
Adelaide	35%	34%	32%	36%	37%	30%	5	-7.0 6	-21% 7	+1% 7
ACT and NT	30%	38%	31%	34%	27%	29%	6	+2.6 2	+5% 5	+2% 6
Perth	n/s	24%	n/s	31%	45%	28%	7	-16.6 7	+19% 1	+42% 1
Balance of state										
Balance of QLD	33%	31%	35%	35%	33%	38%	1	+4.7 1	+36% 1	+7% 3
Balance of WA	29%	39%	53%	31%	34%	34%	2	+0.4 2	-3% 3	-8% 6
Balance of VIC	n/s	27%	n/s	30%	31%	29%	3	-1.6 3	+16% 2	-3% 5
Balance of NSW	31%	26%	33%	35%	38%	28%	4	-10.2 5	-33% 6	-3% 4
Balance of TAS	22%	23%	30%	26%	33%	24%	5	-9.3 4	-31% 5	+7% 2
Balance of SA	24%	29%	21%	27%	34%	23%	6	-10.5 6	-29% 4	+19% 1
<b>AUSTRALIA</b>	<b>34%</b>	<b>34%</b>	<b>35%</b>	<b>34%</b>	<b>38%</b>	<b>36%</b>	<b>-1.6</b>	<b>+4%</b>	<b>+2%</b>	

**Notes:** Calculations are reported for households with a mortgage, and whose incomes fall in the bottom two quintiles (lowest 40 per cent) of household equivalised disposable income. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in median housing cost burden for each capital city and regional area. See Glossary for definitions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

**Regional WA ranks second highest of all regional areas of Australia in terms of the housing costs faced by low-income households with mortgages, with housing costs typically reaching 34 per cent of disposable income.**

Housing cost pressures for low-income households with mortgages (Table 2) are substantially more severe, with housing costs well above 30 per cent of disposable income for low-income households in many capital cities and territories. Housing costs for low-income homeowners in Sydney are especially severe, rising by nearly 9 percentage points to 49 per cent in two years. For Perth, the median housing cost burden for low-income home owners bucks this trend, falling by 7 percentage points to 30 per cent over the last two years. This reversal may again be driven by a greater proportion of low income families in Perth having sold or downsized in the last two years, possibly in the face of the changing economic conditions in the state.

Looking outside capital cities and territories, the typical housing cost shares for low-income homeowners have fallen in regional areas of Victoria (by 1.6 percentage points to 29 per cent of disposable income), New South Wales (by 10 percentage points to 28 per cent) and South Australia (by 9 percentage points to 24 per cent). Regional WA ranks second highest of all regional areas of Australia in terms of the housing costs faced by low-income households with mortgages, with housing costs typically reaching 34 per cent of disposable income. This is second only to regional Queensland, where median housing costs for low-income homeowners have jumped 4.7 percentage points to 38 per cent as a share of income in the last two years.

If one looks at across the entire rental sector, Perth ranks as the second most affordable city in Australia in terms of the typical housing cost shares paid by renters – at around 24 per cent of income (Table 3). Similarly, regional WA ranks first across all regional areas of Australia in terms of affordability, with median housing cost shares for renters relatively unchanged over the last two years at around 21 per cent of disposable income. Sydneysiders in rented accommodation face the greatest housing cost shares of all city locations, typically paying 29 per cent of their income in rent and other housing costs – an increase of one percentage point over the last two years. Renters in Brisbane have also seen their housing costs rise as a share of income, by one percentage point to 26 per cent, with a similar pattern apparent in regional Queensland.

However, rental property is far less affordable for those on lower incomes, as indicated in the Centre's previous housing affordability report. A typical low-income renter in Sydney commits at least 42 per cent of their income to cover housing costs – up 3.3 percentage points in two years (Table 4). Brisbane renters on low incomes typically spend two-fifths of their income on housing costs, while the share of income devoted to housing costs for those low-income renters living in Perth sits at just over a third (34 per cent). In contrast, low income renters in Melbourne now pay 35 per cent of their income in housing costs – a drop of 5.1 percentage points over two years. Housing cost burdens in most regional areas of Australia outside the capital cities and territories have fallen for low-income renters, often by more than 2 percentage points within the space of two years.

WA households in the bottom two income quintiles, many of whom rely either on award wages or government payments as their principle source of income, struggle to keep pace with rising rents on properties at the lower end of the market. In Perth, the median rent paid by those on low incomes has risen by some 12 per cent in real terms since 2011-12, with no commensurate rise in real incomes. These findings are consistent with the evidence from Anglicare's 2016 Rental Affordability Snapshot, which shows a significant shortage of new rental properties coming onto the market at affordable prices for key workers and low income households.

**WA households in the bottom two income quintiles, many of whom rely either on award wages or government payments as their principle source of income, struggle to keep pace with rising rents on properties at the lower end of the market.**

**Table 3** Housing cost burdens for renters by state and territory: 2003-04 to 2013-14

Housing cost burdens <i>Renters</i>	Median housing cost burden <i>Housing costs as a proportion of h/h disposable income</i>						Change 2011-12 to 2013-14	Change in median real housing costs: 2011-12 to 2013-14	Change in median disposable income: 2011- 12 to 2013-14
	2003- 2004	2005- 2006	2007- 2008	2009- 2010	2011- 2012	2013- 2014	ppt change	per cent change	per cent change
Capital city or Territory									
Sydney	26%	26%	26%	27%	28%	29% 1	+1.0 1	+3%	3
Brisbane	24%	24%	24%	24%	25%	26% 2	+1.0 1	+3%	4
Melbourne	25%	24%	22%	24%	25%	25% 3	-0.1 4	-2%	5
Hobart	21%	21%	20%	23%	27%	25% 4	-1.8 7	-5%	7
Adelaide	23%	24%	23%	22%	25%	24% 5	-0.4 5	+7%	1
Perth	22%	22%	21%	24%	24%	24% 6	+0.2 3	+4%	2
ACT and NT	24%	21%	22%	22%	25%	24% 7	-0.6 6	-2%	4
Balance of state									
Balance of QLD	23%	24%	23%	26%	24%	26% 1	+1.2 2	-5%	3
Balance of NSW	22%	24%	22%	24%	26%	25% 2	-0.8 4	-1%	2
Balance of VIC	23%	23%	20%	21%	22%	24% 3	+2.0 1	+2%	1
Balance of TAS	19%	21%	21%	22%	24%	23% 4	-1.4 6	-5%	1
Balance of SA	20%	20%	22%	22%	23%	22% 5	-1.1 5	-7%	5
Balance of WA	19%	20%	18%	20%	21%	21% 6	+0.3 3	-5%	2
<b>AUSTRALIA</b>	<b>24%</b>	<b>24%</b>	<b>23%</b>	<b>24%</b>	<b>25%</b>	<b>26%</b>	<b>+0.5</b>	<b>+2%</b>	<b>-3%</b>

**Notes:** Calculations are reported for households in rented accommodation. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in median housing cost burden in the last two years for each capital city and regional area.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

**Table 4** Housing cost burdens for low-income renters by state and territory: 2003-04 to 2013-14

Housing cost burdens <i>Renters in the lowest two income quintiles</i>	Median housing cost burden <i>Housing costs as a proportion of h/h disposable income</i>						Change 2011-12 to 2013-14	Change in median real housing costs: 2011-12 to 2013-14	Change in median disposable income: 2011- 12 to 2013-14
	2003- 2004	2005- 2006	2007- 2008	2009- 2010	2011- 2012	2013- 2014	ppt change	per cent change	per cent change
Capital city or Territory									
Sydney	33%	33%	34%	37%	39%	42% 1	+3.3 1	+19%	1
Brisbane	30%	30%	31%	34%	39%	40% 2	+0.9 2	+1%	5
Melbourne	32%	36%	31%	37%	40%	35% 3	-5.1 7	-5%	6
Hobart	23%	30%	23%	33%	39%	34% 4	-4.4 6	-5%	3
Perth	28%	28%	27%	31%	34%	34% 5	-0.4 3	+12%	3
Adelaide	26%	27%	28%	27%	33%	31% 6	-1.9 5	+15%	2
ACT and NT	26%	24%	26%	28%	31%	30% 7	-0.6 4	+5%	4
Balance of state									
Balance of QLD	34%	33%	36%	32%	38%	35% 1	-2.7 5	-1%	4
Balance of NSW	26%	29%	30%	30%	34%	31% 2	-2.4 3	-7%	6
Balance of TAS	23%	27%	26%	26%	31%	29% 3	-2.5 4	+0%	3
Balance of VIC	31%	28%	24%	26%	27%	29% 4	+1.7 1	+7%	1
Balance of SA	28%	25%	27%	25%	29%	28% 5	-0.2 2	-5%	5
Balance of WA	26%	26%	23%	25%	28%	25% 6	-2.8 6	+6%	2
<b>AUSTRALIA</b>	<b>30%</b>	<b>31%</b>	<b>30%</b>	<b>31%</b>	<b>36%</b>	<b>35%</b>	<b>-0.9</b>	<b>+4%</b>	<b>+4%</b>

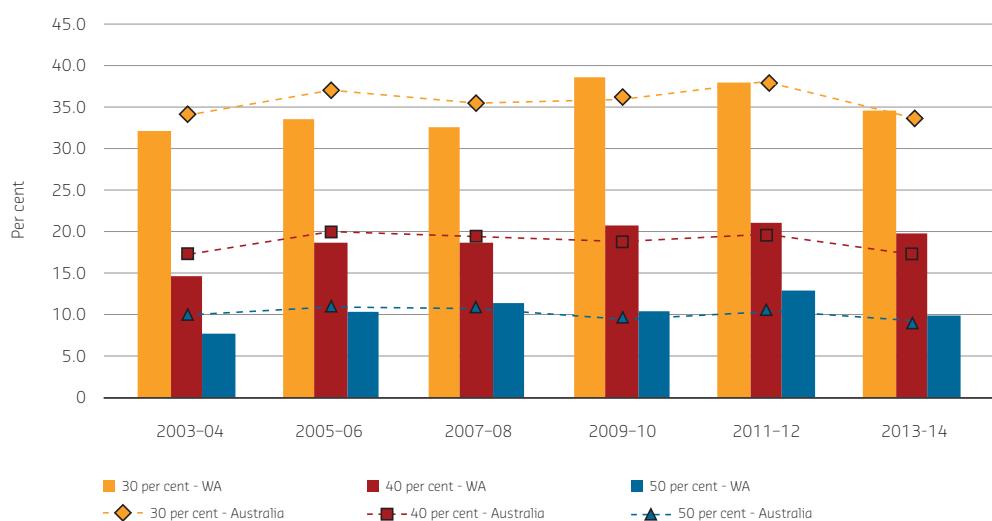
**Notes:** Calculations are reported for households in rental accommodation, and whose incomes fall in the bottom two quintiles (lowest 40 per cent) of household equivalised disposable income. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in housing cost burden in the last two years for each capital city and regional area.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

A typical low-income renter in Sydney commits at least 42 per cent of their income to cover housing costs – up 3.3 percentage points in two years.

A common benchmark to assess housing affordability is one where housing costs account for less than 30 per cent of household income. However, the 30 per cent threshold captures neither the depth of housing cost burdens, nor the fact that, for some, this level of cost commitment is both affordable and a voluntary choice. To provide further insight into how the housing cost commitments have evolved over time, Figure 1 compares the proportion of mortgage holders in WA (shown in bars) and Australia (shown as hashed lines) who pay more than 30, 40 and 50 per cent of their disposable incomes in housing costs. A similar comparison for renters is provided in Figure 2.

**Figure 1** Housing cost burdens for mortgage holders in WA and Australia: 2003-04 to 2013-14



Notes: Proportion of households with mortgages who spend more than 30, 40 and 50 per cent of income on housing costs.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

The share of West Australian homeowners with mortgages who pay at least 30 per cent of their incomes in housing costs has fallen from 38 per cent in 2011-12 to 35 per cent in 2013-14 (the orange bars in Figure 1). This follows a similar trend for Australia overall (shown by the orange hashed line in Figure 1). The proportion of WA households with housing costs in excess of 40 per cent of incomes has fallen slightly since 2011-12, by 1.5 percentage points to 20 per cent in 2013-14, but remains 2.5 percentage points higher than the equivalent share for Australia overall. The share of WA households paying more than 50 per cent has also decreased from nearly 13 per cent to 10 per cent, and is now on a par with the equivalent national figure.

Housing cost burdens rose substantially for renters both in WA and Australia between 2007-08 and 2011-12 (Figure 2), but state and national affordability patterns have diverged somewhat since then. The national share of households paying more than 30 per cent of income in rent and other housing costs has remained relatively stable

at 37 per cent since 2011-12, whereas for West Australian households the share has fallen by around 1.5 percentage points over the same two year period, to 31 per cent. However, the pattern is somewhat different for housing cost burdens at more severe depths. The share of WA renters paying in excess of 40 per cent of income in housing costs has risen from 2011-12 to over 18 per cent, compared with a national rate that has remained stable at 20 per cent. The gap between WA and Australia has closed for the most severe housing cost burden measure, with just under 10 per cent of WA renters now paying at least 50 per cent of their income in housing costs.

Just under 10 per cent of WA renters now paying at least 50 per cent of their income in housing costs.

**Figure 2** Housing cost burdens for renters in WA and Australia: 2003-04 to 2013-14



Notes: Proportion of households in rental accommodation who spend more than 30, 40 and 50 per cent of income on housing costs.  
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

The take-home from these findings is one of a divergent trend in housing cost burdens between the owner-occupied and rental sectors of the housing markets. Cost burdens have generally fallen for households with mortgages, both in WA and nationally. This remains the case whether one uses a standard measure of affordability in which homeowners commit more than 30 per cent of their incomes towards housing costs, or against more severe affordability benchmarks with cost shares in excess of 40 per cent and 50 per cent of income. For renters on the other hand, the patterns are somewhat different between WA and the rest of Australia. Although the share of West Australian renters paying in excess of 30 per cent of their income towards housing costs has fallen since 2011-12, the proportion of WA renters paying in excess of 40 per cent of their income in housing costs has risen to over 18 per cent since 2011-12 (against a stable national rate), with one in ten paying in excess of 50 per cent. The commensurate fall in the national share of renters with a 50 per cent housing cost burden has seen the gap between WA and Australia close entirely on this most severe housing cost measure.

The proportion of WA renters paying in excess of 40 per cent of their income in housing costs has risen to over 18 per cent since 2011-12 (against a stable national rate), with one in ten paying in excess of 50 per cent.



# Housing

affordability in the west:  
the current picture

## Housing affordability in the west: the current picture

In this section of the report we extend the analysis of housing cost shares for WA households by examining how typical housing cost burdens vary for different renter and homeowner groups. Specifically, we disaggregate housing cost burden measures according to a range of socio-economic factors – including family type, age, gender and income quintile – to identify those groups who may face particular pressure from high housing costs, or for whom housing affordability issues have intensified over time.

The first series of findings looks at the median housing cost burdens faced by mortgage holders and renters in different social and economic situations, together with an analysis of the share of households in each group who commit more than 30 per cent of their income towards housing costs.

Nevertheless, we recognise the limitations inherent in measuring housing affordability on the basis of this single 30 per cent benchmark. The standard measure fails to recognise that some households who pay less than 30 per cent of their income in housing costs may nevertheless face housing cost pressures, and there are certainly households who can comfortably pay more than 30 per cent of their income in housing costs, and indeed choose to do so. To resolve this limitation, the latter part of this section includes an analysis of housing cost burdens and housing stress at different levels of severity, calculated by comparing patterns of affordability for housing costs at different proportions of household income.

### Housing costs: who faces the greatest cost shares?

The typical share of income devoted to housing costs for single parent families has risen by 5.1 percentage points to 34 per cent since 2011-12.

Housing costs faced by mortgage holders in Western Australia vary considerably across a number of socio-economic characteristics (Table 5). Unsurprisingly, lone person and single parent households commit a greater share of household income to meet housing costs than do any other household group – the median housing cost share is around 34 per cent for single parents and 32 per cent for single persons.

However, the trends in housing cost shares for these two groups are quite different. The typical share of income devoted to housing costs for single parent families has risen by 5.1 percentage points to 34 per cent since 2011-12, yet for lone person households the housing cost share has fallen by 8.7 percentage points over the same period. Nearly six in ten single parent households (57 per cent) face housing cost burdens in excess of 30 per cent of income, an increase of 11.7 percentage points since 2011-12.

One half of all younger households (headed by someone age 34 and under) face housing cost burdens in excess of 30 per cent of income, although this proportion has fallen by 8 percentage points since 2011-12. Mortgage holders in the first quintile of equivalised household disposable income face particularly severe housing cost pressures, with typical housing cost shares reaching 65 per cent of household income. There is now a considerable gap between the housing cost burdens faced by homeowners in the bottom income quintile (seven in ten of whom housing cost shares in excess of 30 per cent of income) and those in higher income quintiles.

**Table 5** Housing cost burdens for mortgage holders in Western Australia by household type: 2003-04 to 2013-14

Housing cost burdens Mortgage holders	Median housing cost burden Housing costs as a proportion of h/h disposable income							Change 2011-12 to 2013-14	Proportion of households with housing costs more than 30 per cent of h/h disposable income		
	2003-2004	2005-2006	2007-2008	2009-2010	2011-2012	2013-2014	ppt change		2011-2012	2013-2014	ppt change
City or region											
Family composition											
Couple only	21%	24%	21%	24%	23%	24%	+1.5	32%	36%	+4.9	
Couple with children	20%	20%	21%	24%	23%	21%	-2.1	32%	30%	-2.5	
One parent with children	24%	27%	30%	21%	29%	34%	+5.1	45%	57%	+11.7	
Lone person	32%	34%	34%	35%	41%	32%	-8.7	70%	50%	-20.2	
Group households	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	
Other one/multi households	19%	21%	12%	22%	13%	18%	+5.0	16%	20%	+4.0	
Age of head of household											
<24	22%	n/s	n/s	34%	n/s	n/s	n/s	n/s	n/s	n/s	
25-34	29%	27%	31%	32%	33%	30%	-3.5	57%	49%	-8.0	
35-44	24%	21%	24%	26%	27%	25%	-1.6	43%	37%	-6.0	
45-54	17%	20%	17%	21%	19%	19%	-0.7	28%	29%	+1.2	
55-64	17%	17%	18%	18%	15%	18%	+2.7	29%	28%	-0.2	
65+	n/s	n/s	n/s	13%	12%	n/s	n/s	19%	n/s	n/s	
Gender of head of household											
Male	22%	21%	22%	25%	25%	22%	-2.3	38%	34%	-4.3	
Female	25%	26%	23%	26%	25%	24%	-1.9	38%	37%	-0.3	
Home owner status											
Settled homeowner (> 3 years)	20%	19%	20%	22%	22%	21%	-0.7	33%	32%	-1.0	
Changeover buyer (3 years or less)	29%	32%	32%	33%	33%	31%	-2.7	57%	52%	-5.3	
First home buyer (3 years or less)	26%	28%	30%	29%	27%	26%	-1.1	45%	38%	-7.4	
Household income quintile											
First quintile (poorest)	44%	51%	52%	54%	43%	65%	+21.5	64%	71%	+6.2	
Second quintile	29%	34%	30%	30%	45%	25%	-20.1	64%	41%	-23.5	
Third quintile	29%	24%	29%	31%	31%	30%	-1.1	52%	49%	-2.5	
Fourth quintile	22%	23%	20%	24%	25%	26%	+1.3	36%	36%	-0.5	
Fifth quintile (richest)	17%	17%	16%	17%	18%	16%	-1.7	13%	15%	+1.8	
<b>ALL WESTERN AUSTRALIA</b>	<b>22%</b>	<b>23%</b>	<b>22%</b>	<b>25%</b>	<b>25%</b>	<b>23%</b>	<b>-2.0</b>	<b>38%</b>	<b>35%</b>	<b>-3.3</b>	

**Notes:** Calculations are reported for households paying a mortgage. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in median housing cost burden in the last two years for each household type. n/s denotes cells where there exists insufficient information for accurate calculations (15 or fewer observations).

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

Looking at the breakdown of housing affordability for WA households in rented accommodation (Table 6), we find that those households in the bottom two income quintiles devote the greatest shares of income towards housing costs – at 32 per cent and 31 per cent respectively. Consistent with Figure 2, the proportion of households in the bottom quintile with housing cost shares above the standard affordability benchmark of 30 per cent of income has fallen by 6.5 percentage points since 2011-12. However, the pattern is somewhat different when greater depths of housing cost burden and housing stress are considered – something that we return to later in this report.

**Table 6** Housing cost burdens for renters in Western Australia by household type: 2003-04 to 2013-14

Housing cost burdens <i>Renters</i>	Median housing cost burden <i>Housing costs as a proportion of h/h disposable income</i>							Change 2011-12 to 2013-14	Proportion of households with housing costs more than 30 per cent of h/h disposable income		
	2003- 2004	2005- 2006	2007- 2008	2009- 2010	2011- 2012	2013- 2014	ppt change		2011- 2012	2013- 2014	ppt change
City or region											
<i>Family composition</i>											
Couple only	17%	20%	15%	22%	22%	21%	-1.5	21%	21%	+0.3	
Couple with children	16%	17%	18%	20%	22%	24%	+1.7	32%	28%	-3.6	
One parent with children	26%	24%	21%	28%	25%	29%	+3.8	42%	46%	+3.6	
Lone person	25%	24%	24%	27%	27%	25%	-1.1	44%	39%	-5.2	
Group households	17%	15%	16%	19%	24%	22%	-1.4	23%	31%	+8.2	
Other one/multi households	18%	22%	15%	18%	20%	18%	-2.1	22%	19%	-3.4	
<i>Age of head of household</i>											
<24	18%	22%	18%	26%	24%	22%	-1.9	32%	23%	-9.4	
25-34	20%	19%	19%	23%	23%	22%	-0.6	33%	26%	-7.0	
35-44	23%	21%	19%	22%	23%	25%	+1.7	29%	36%	+6.7	
45-54	20%	19%	21%	20%	24%	25%	+1.5	35%	41%	+5.7	
55-64	22%	22%	22%	24%	26%	23%	-2.6	42%	26%	-15.8	
65+	23%	26%	22%	22%	24%	24%	+0.1	29%	32%	+2.5	
<i>Gender of head of household</i>											
Male	18%	20%	18%	22%	23%	22%	-0.6	28%	26%	-2.0	
Female	24%	23%	22%	25%	25%	26%	+0.9	41%	41%	+0.2	
<i>Household income quintile</i>											
First quintile (poorest)	31%	31%	30%	30%	38%	32%	-6.5	57%	53%	-4.8	
Second quintile	27%	26%	25%	29%	31%	31%	+0.4	56%	53%	-2.2	
Third quintile	19%	19%	18%	23%	23%	24%	+0.7	16%	20%	+4.3	
Fourth quintile	16%	13%	16%	18%	19%	19%	+0.1	13%	9%	-3.7	
Fifth quintile (richest)	12%	12%	11%	14%	14%	14%	+0.3	12%	2%	-9.9	
<b>ALL WESTERN AUSTRALIA</b>	<b>21%</b>	<b>21%</b>	<b>19%</b>	<b>23%</b>	<b>23%</b>	<b>24%</b>	<b>+0.1</b>	<b>33%</b>	<b>31%</b>	<b>-1.3</b>	

**Notes:** Calculations are reported for households in rental accommodation. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2011-12 and 2013-14 is expressed as the percentage point difference in median housing cost burden in the last two years for each household type.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

Single parents in rented housing again face cost burdens in excess of any other household group – the median housing cost share is around 29 per cent for single parents, up 3.8 percentage points since 2011-12, with nearly half now paying in excess of 30 per cent of their income in housing costs.

Housing cost burdens have declined for some older cohorts in rental accommodation – especially among Baby Boomer households. However, housing cost shares appear to be rising for midlife families, with 41 per cent of those renter households headed by someone aged 45 to 54 committing more than 30 per cent of their income towards housing costs – up 5.7 percentage points since 2011-12.

## Housing stress in WA

Our analysis of housing costs has thus far examined how the share of income paid in housing costs varies by household type, but without explicit consideration of whether high housing cost shares may be affordable. Some households – especially those on higher incomes – may choose to commit a greater income share towards housing costs, a decision informed by a desire to accumulate housing wealth or climb the property ladder.

To identify more carefully those who are in genuine housing ‘stress’, this section refines the measurement of housing cost burdens by further differentiating those households who have relatively low incomes, yet high housing costs. A number of housing ‘stress’ measures are examined:

- 30/40 ratio – those households in the bottom two quintiles of the income distribution paying more than 30 per cent in housing costs;
- 40/40 ratio – those households in the bottom two quintiles of the income distribution paying more than 40 per cent in housing costs; and
- 50/40 ratio – those households in the bottom two quintiles of the income distribution paying more than 50 per cent in housing costs.

### How have housing stress measures in WA changed over time?

The proportion of WA homeowners in different degrees of housing stress have fallen since 2011-12, at a greater rate than for Australia overall (Figure 3). The proportion of WA households with mortgages who are in the bottom two income quintiles and who pay more than 30 per cent in housing costs has decreased by nearly 5 percentage points since 2011-12, from 13 per cent to around 8 per cent. This is equivalent to a rate of ‘standard’ housing stress some 2 percentage points lower than the national rate. Similarly, the proportion of WA mortgage holders in greater (40/40 and 50/40) degrees of housing stress has fallen over the same period. Currently only around 5 per cent of homeowners in WA are on low incomes and pay more than 50 per cent in housing costs.

**Figure 3** Housing ‘stress’ measures for mortgage holders in WA and Australia: 2003-04 to 2013-14

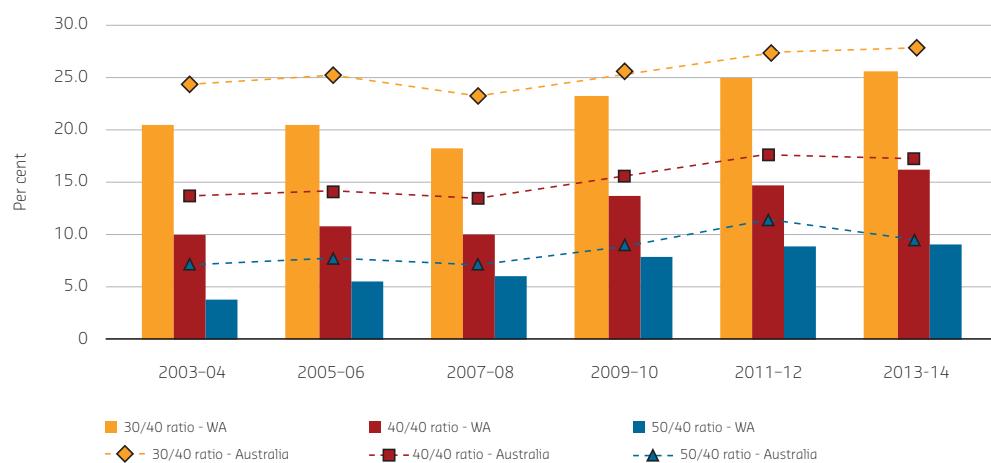


**Notes:** Proportion of households with mortgages who spend more than 30, 40 and 50 per cent of income on housing costs and with incomes in lowest 40 per cent of income distribution. Quintiles are calculated using household equivalised disposable incomes.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors’ calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

The proportion of renters in WA and Australia facing standard (30/40) levels of housing stress have remained stable since 2011-12, at 25 per cent and 27 per cent respectively (Figure 4). However, trends in housing stress for WA renters are somewhat different from the national profile at more severe depths. In WA, the share of low-income renters who pay in excess of 40 per cent of income towards housing costs has risen from 14 per cent in 2011-12 to around 17 per cent. This compares with a national rate that has remained stable at just over 17 per cent. For the first time in a decade, the rate of severe (50/40) housing stress for renters in Western Australia has risen to the national rate, with 9 per cent of WA renters both on low incomes and paying at least 50 per cent of their income in housing costs.

**Figure 4** Housing 'stress' measures for renters in WA and Australia: 2003-04 to 2013-14



**Notes:** Proportion of households in rented accommodation who spend more than 30, 40 and 50 per cent of income on housing costs and with incomes in lowest 40 per cent of income distribution. Quintiles calculated on household equivalised disposable incomes.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

One third of all single parent homeowners were paying more than 30 per cent each week towards housing costs while surviving on low incomes.

### Housing stress in WA: Which households are affected most?

Table 7 and Table 8 shows housing stress that have been broken down by a range of socio-economic factors, to highlight the groups in WA that are most likely to be in housing stress.

Among homeowners, single parents and lone person households are far more likely to be in housing stress than any other group (Table 7). In 2012-13, one third of all single parent homeowners were paying more than 30 per cent each week towards housing costs while surviving on low incomes, compared with a rate of 5 per cent of couples with children. Around one in four single parents with mortgages in WA face significant (40/40) housing stress, while 18 per cent pay more than 50 per cent of their income towards housing costs.

Lone person homeowners are also far more likely to suffer from the pressure of low incomes and high housing costs – some 27 per cent of single people are in 30/40 housing stress compared with 6 per cent of couple-only households.

**Table 7** Housing 'stress' measures for mortgage holders in Western Australia by household characteristics: 2013-14 and change from 2011-12

Housing affordability measures WA mortgage holders, 2013-14	Proportion of h/h with more than x per cent of income committed to housing costs				Proportion of h/h with more than x per cent of income on housing costs and h/h income in lowest 40 per cent				Number of households				
By household characteristics	>30%	>40%	>50%	30/40	40/40	50/40							
<b>Family composition</b>													
Couple only													
Couple only	36%	+4.9	18%	+2.8	10%	-0.0	6%	-4.9	5%	-4.3	4%	-3.3	94,600
Couple with children	30%	-2.5	18%	+3.0	8%	-0.3	5%	-0.6	4%	-0.8	3%	-0.6	177,800
One parent with children	57%	+11.7	40%	+11.9	27%	+2.8	33%	-0.7	25%	+0.7	18%	-2.4	11,300
Lone person	50%	-20.2	32%	-20.1	19%	-13.3	27%	-5.1	20%	-7.2	14%	-3.8	45,500
Group households	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s
Other one/multi households	20%	+4.0	11%	+4.7	0%	-1.8	1%	-9.2	0%	-5.9	0%	-1.8	24,500
<b>Age of head of household</b>													
<24													
<24	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s	n/s
25-34	49%	-8.0	25%	-8.4	10%	-9.8	4%	-11.1	4%	-10.1	3%	-7.0	75,500
35-44	37%	-6.0	22%	-8.8	11%	-2.3	8%	-4.5	6%	-4.1	4%	-3.5	101,800
45-54	29%	+1.2	15%	+0.8	6%	-2.5	10%	+0.0	8%	-0.9	6%	+0.5	98,700
55-64	28%	-0.2	22%	+2.3	15%	+0.9	14%	-0.1	12%	-1.2	8%	-1.9	64,400
65+	12%	-6.5	6%	-1.7	5%	+3.8	6%	-7.6	6%	-0.4	5%	+3.8	13,800
<b>Gender of head of household</b>													
Male													
Male	34%	-4.3	19%	-0.7	9%	-2.6	6%	-4.0	5%	-3.1	3%	-2.3	262,000
Female	37%	-0.3	21%	-1.8	13%	-3.0	16%	-1.9	12%	-3.7	10%	-1.8	93,100
<b>Home owner status</b>													
Settled homeowner (> 3 years)													
Settled homeowner (> 3 years)	32%	-1.0	19%	+0.9	10%	-0.0	10%	-0.7	8%	-0.9	6%	-0.2	262,400
Changeover buyer (3 years or less)													
Changeover buyer (3 years or less)	52%	-5.3	27%	-7.3	8%	-15.6	4%	-17.3	4%	-14.6	4%	-9.6	28,500
First home buyer (3 years or less)													
First home buyer (3 years or less)	38%	-7.4	20%	-3.8	8%	-6.9	4%	-9.0	4%	-8.2	1%	-7.1	64,300
<b>Household income quintile</b>													
First quintile (poorest)													
First quintile (poorest)	71%	+6.2	67%	+10.9	64%	+15.3	71%	+6.2	67%	+10.9	64%	+15.3	21,400
Second quintile													
Second quintile	41%	-23.5	26%	-26.6	11%	-23.6	41%	-23.5	26%	-26.6	11%	-23.6	39,800
Third quintile													
Third quintile	49%	-2.5	26%	-3.5	13%	-5.6	-	-	-	-	-	-	79,400
Fourth quintile													
Fourth quintile	36%	-0.5	16%	+4.3	4%	-0.2	-	-	-	-	-	-	99,300
Fifth quintile (richest)													
Fifth quintile (richest)	15%	+1.8	8%	+5.6	2%	+2.1	-	-	-	-	-	-	115,300
<b>ALL WESTERN AUSTRALIA</b>													
ALL WESTERN AUSTRALIA	32%	-1.0	19%	+0.9	10%	-0.0	10%	-0.7	8%	-0.9	6%	-0.2	262,400

**Notes:** Calculations are reported for households paying a mortgage. Two housing affordability measures are presented: (i) the proportion of households spending at least 30 per cent, 40 per cent and 50 percent of weekly household disposable income on housing costs, and (ii) the proportion of households in the spending at least 30 per cent, 40 per cent and 50 percent of weekly household disposable income on housing costs, and whose incomes fall in the bottom two quintiles (lowest 40 per cent) of disposable equivalised income.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

More than 43 per cent of single parents in rented accommodation commit at least 30 per cent of their income towards housing costs whilst living on a low income – an increase of 4.3 percentage points since 2011-12 – with one in four paying more than 40 per cent (Table 8). Conversely, the share of single parents in more severe (50/50) housing stress has fallen by over 5 percentage points since 2011-12, from 13 per cent to 8 per cent.

More than 43 per cent of single parents in rented accommodation commit at least 30 per cent of their income towards housing costs whilst living on a low income.

One in five older aged renters are in severe housing stress.

Lone person renters are also more likely to be in some form of housing stress, with a third paying at least 30 per cent of their income in housing costs, and 23 per cent paying more than 40 per cent. Around 14 per cent of lone person renters face severe (50/40) housing stress.

A particular concern is the prevalence of housing stress among older age cohorts. Among households headed by someone aged 65 or over in rental accommodation, one third face 'standard' 30/40 housing stress. One in five older aged renters are in severe (50/40) housing stress, facing the combined pressure of low incomes and having to pay at least 50 per cent of that income on housing costs.

**Table 8** Housing 'stress' measures for renters in Western Australia by household characteristics: 2013-14 and change from 2011-12

Housing affordability measures WA renters, 2013-14	Proportion of h/h with more than x per cent of income committed to housing costs						Proportion of h/h with more than x per cent of income on housing costs and h/h income in lowest 40 per cent				Number of households
By household characteristics	>30%	>40%	>50%	30/40	40/40	50/40					
Family composition											
Couple only	21%	+0.3	9%	+1.2	5%	-0.4	18%	+3.0	9%	+1.0	5%
Couple with children	28%	-3.6	20%	+5.2	13%	+3.5	20%	+2.3	15%	+4.5	12%
One parent with children	46%	+3.6	27%	+2.6	8%	-5.4	43%	+4.3	26%	+1.8	8%
Lone person	39%	-5.2	24%	+4.0	14%	+3.8	33%	-3.3	23%	+4.2	14%
Group households	31%	+8.2	13%	-3.0	4%	-2.1	17%	-3.9	13%	-3.0	4%
Other one/multi households	19%	-3.4	4%	-16.0	0%	-18.4	14%	-8.0	4%	-16.0	0%
Age of head of household											
<24	23%	-9.4	5%	-12.2	0%	-12.1	11%	-17.1	5%	-12.2	0%
25-34	26%	-7.0	13%	+0.9	7%	+1.0	22%	-3.6	12%	+0.1	7%
35-44	36%	+6.7	20%	+5.6	7%	-0.3	25%	+7.9	15%	+2.1	6%
45-54	41%	+5.7	28%	+5.8	18%	+3.3	35%	+10.6	28%	+11.2	18%
55-64	26%	-15.8	14%	-15.1	5%	-16.5	24%	-14.5	13%	-13.0	5%
65+	32%	+2.5	26%	+14.5	20%	+14.8	32%	+4.6	26%	+14.5	20%
Gender of head of household											
Male	26%	-2.0	15%	+3.6	9%	+2.2	20%	+1.7	13%	+3.6	8%
Female	41%	+0.2	23%	-0.9	11%	-4.1	35%	-1.9	22%	-1.3	11%
Household income quintile											
First quintile (poorest)	53%	-4.8	42%	-6.3	33%	-2.8	53%	-4.8	42%	-6.3	33%
Second quintile	53%	-2.2	28%	+8.2	8%	+1.9	53%	-2.2	28%	+8.2	8%
Third quintile	20%	+4.3	4%	+3.0	2%	+2.0	-	-	-	-	-
Fourth quintile	9%	-3.7	4%	+1.2	0%	-2.3	-	-	-	-	-
Fifth quintile (richest)	2%	-9.9	1%	-4.6	0%	-3.0	-	-	-	-	-
ALL WESTERN AUSTRALIA	31%	-1.3	18%	+1.9	10%	-0.1	25%	+0.4	16%	+1.8	9%
											+0.4
											262,000

**Notes:** Calculations are reported for households in rental accommodation. Two housing affordability measures are presented: (i) the proportion of households spending at least 30 per cent, 40 per cent and 50 percent of weekly household disposable income on housing costs, and (ii) the proportion of households in the spending at least 30 per cent, 40 per cent and 50 percent of weekly household disposable income on housing costs, and whose incomes fall in the bottom two quintiles (lowest 40 per cent) of disposable equivalised income.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2003-04 to 2013-14.

## The spatial distribution of house prices in WA

We begin by describing a broad picture of the housing market in Western Australia followed by an analysis of how things have changed since our first Housing Affordability report in 2014, which analysed data from the fourth quarter of 2013. The period under consideration is now the fourth quarter of 2015, representing a two year update. The data, supplied by REIWA, are arranged by twenty five sub-regional areas within Perth and twelve WA regional urban centres which are defined as operating as distinct housing market areas (REIWA 2015).

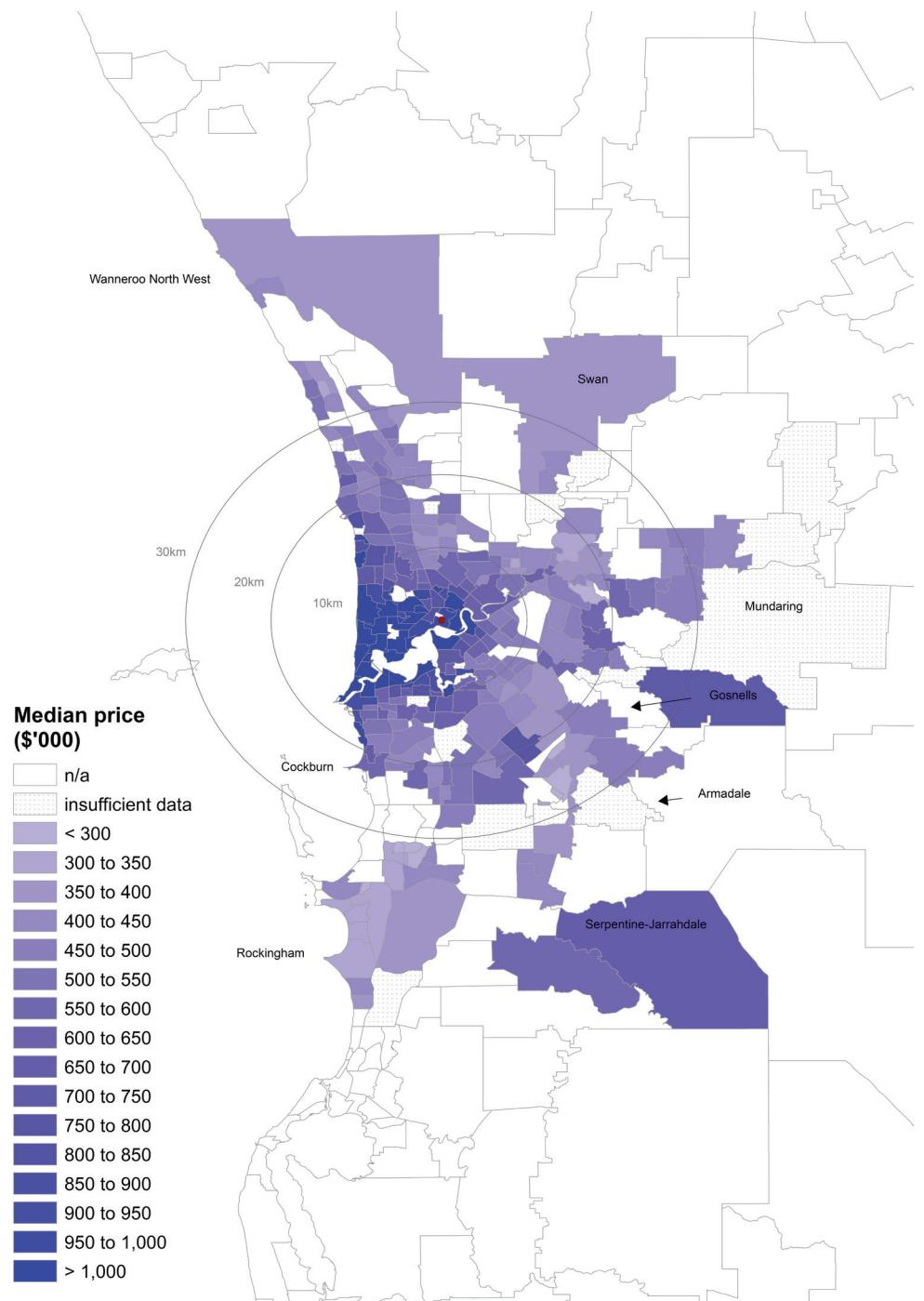
Using REIWA's data for the last quarter of 2015, with 2,602 total sale transactions, the median value of property transactions for suburbs within each sub-regional area are mapped in Figure 5. The median transaction price is indicated by shades of blue, with darker shades indicating progressively higher property sales prices.

The findings emphasise the diversity of prices within the Perth metropolitan area. The median price of a three-bedroom established house in the Perth metropolitan area was \$485,000 at the end of 2015. The lowest median price, leaving out suburbs with less than three transactions, was Parmelia, in Kwinana, at \$272,500, while the highest was \$1.89 million in North Fremantle. It is generally the case that established houses located in the inner city, along the river, and adjacent to the coastline attract higher prices (the darkest shades in Figure 5). It is also generally the case that houses within a 10 kilometre radius from the city centre (as represented by the General Post Office in Forrest Place) are more costly than those outside this ring. These observations are consistent with the picture presented in our initial housing affordability report. The two notable exceptions are Serpentine (\$570,000) and Pickering Brook on the eastern outer ring (\$710,000) whose perhaps unexpected high prices are due to the only 1 transaction in each case over this period.

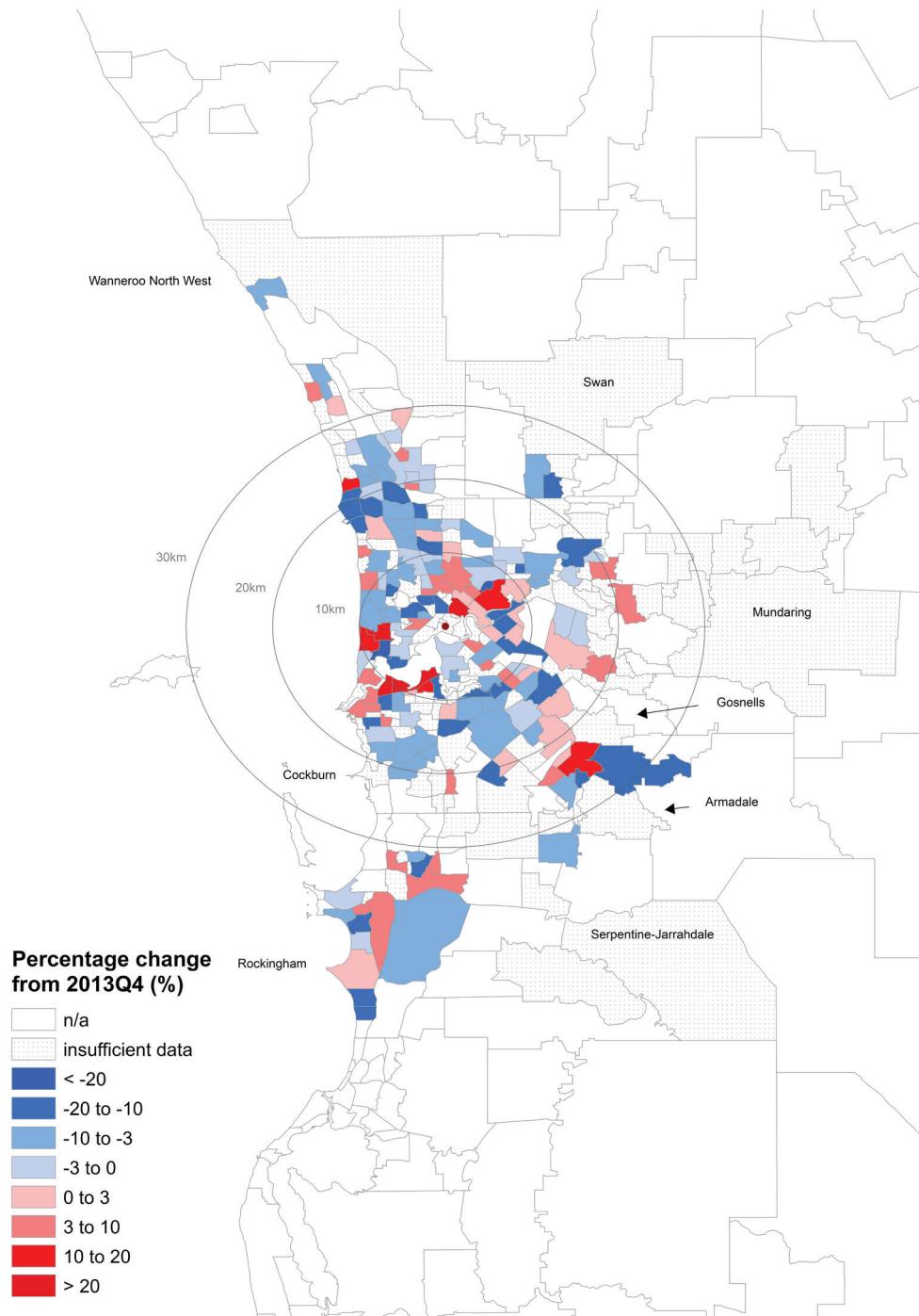
It is interesting to compare the current prices with those in our previous study, which used data from the last quarter of 2013. Figure 6 maps the growth rates (hot spots) of house prices over this two year period, with larger percentage increases shaded in progressively darker red and larger percentage decreases shaded in progressively darker blue. The suburb with the largest decline of 48.2 per cent was Mindarie (Wanneroo North West), where prices fell from \$995,000 to \$515,000. The suburb with the greatest percentage increase, again abstracting from suburbs with less than 3 transactions, was Bicton, which saw its 2013 median price increase from \$720,000 to a 2015 price of \$1.26 million, representing a 75 per cent increase.

The findings emphasise the diversity of prices within the Perth metropolitan area. The median price of a three-bedroom established house in the Perth metropolitan area was \$485,000 at the end of 2015.

**Figure 5 Median price of all established houses, by Perth metropolitan suburb: 2015Q4**



Note: House prices are 2015Q4 median prices for all established 3-bedroom houses for each REIWA regional sub-market.  
 Source: BANKWEST CURTIN ECONOMICS CENTRE | REIWA.

**Figure 6** Median established house price growth – 2015Q4 relative to 2013Q4

**Note:** House prices are 2013Q4 and 2015Q4 median prices for all established 3-bedroom houses for each REIWA regional sub-market. Suburbs with less than 5 transactions are removed.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA.

Following the decline in iron ore prices over this period, Karratha has seen its median 3 bedroom house price fall from \$645,000 to \$300,000, and Port Hedland from \$705,000 to \$465,000.

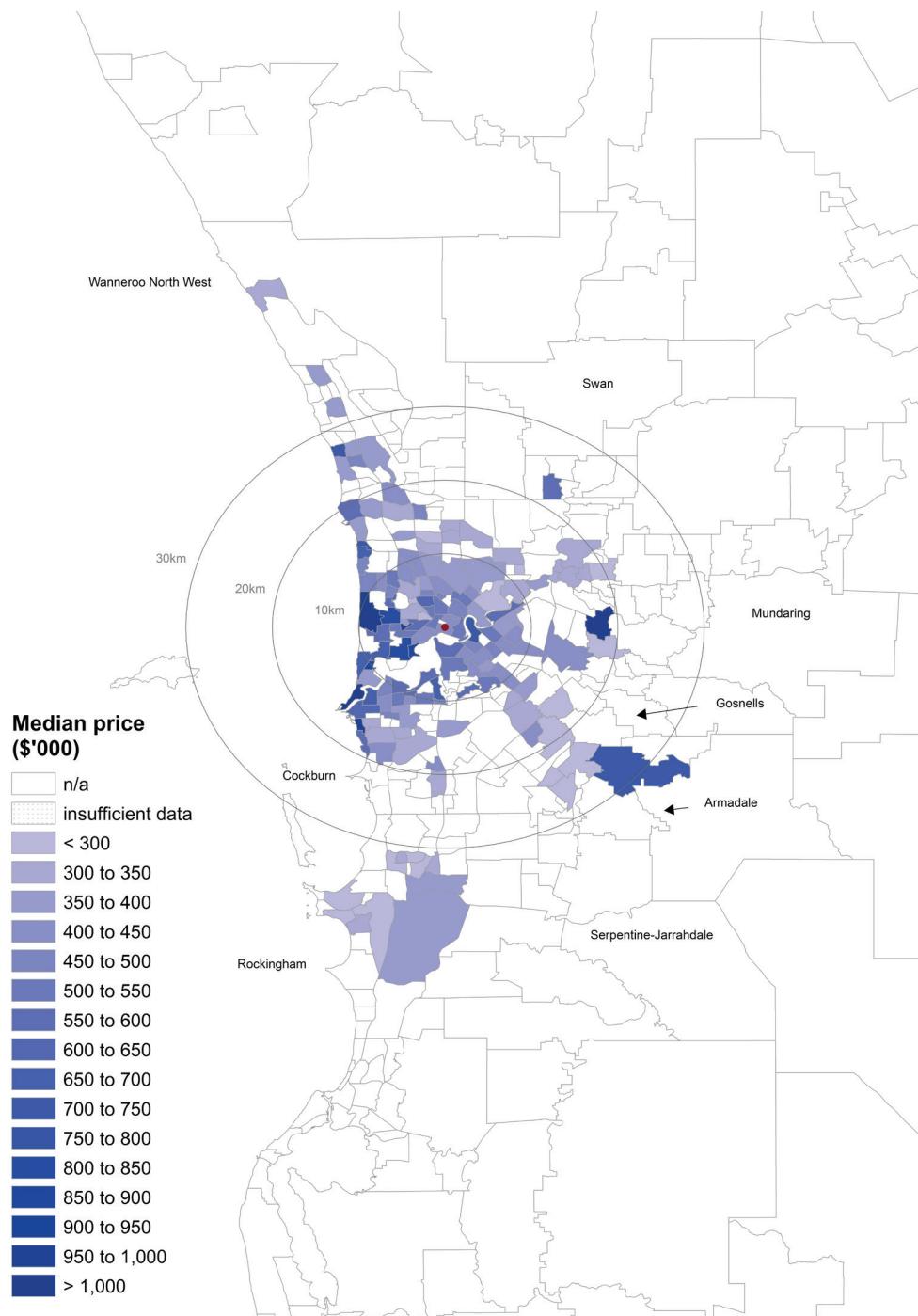
Figure 7 shows the median price of all multi-residential units in the last quarter of 2015, which included a total of 1,292 sales transactions. The median price for a multi-residential unit in the Perth metropolitan area was \$430,000. The lowest median price, ignoring suburbs with less than three transactions, was Orelia, in Kwinana, at \$185,000, while the highest median price was, again, North Fremantle at \$1.44 million.

The December quarter 2015 multi-residential unit sales data has fewer transactions as compared with established houses. Moreover, multiple suburbs recorded no sales in the base 2013 period. Therefore, it is more difficult to obtain a clear picture of the spatial spread of multi-residential unit price growth. Nevertheless, the map in Figure 8 and its accompanying analysis identify several suburbs which experienced large price growth - of 45 per cent or more. These included North Fremantle (\$687,500 to \$1.44 million), Inglewood (\$364,750 to \$545,000), and Rivervale (\$352,500 to \$522,500). On the other hand, Sorrento (\$1.60 million to \$365,000; note only three transactions) and West Leederville (\$535,000 to \$265,000) witnessed prices falling by 45 per cent or more.

REIWA collects sales data for major regional urban centres. The median price of established houses in these centres for the December quarter 2015 are mapped (Figure 9) to supplement our analysis of the Perth metropolitan area with an understanding of the spatial distribution of prices across the state. To give some idea of the financial circumstances of residents in these areas, we superimpose on the map in Figure 9 the spatial distribution of median gross household income at the suburban level.

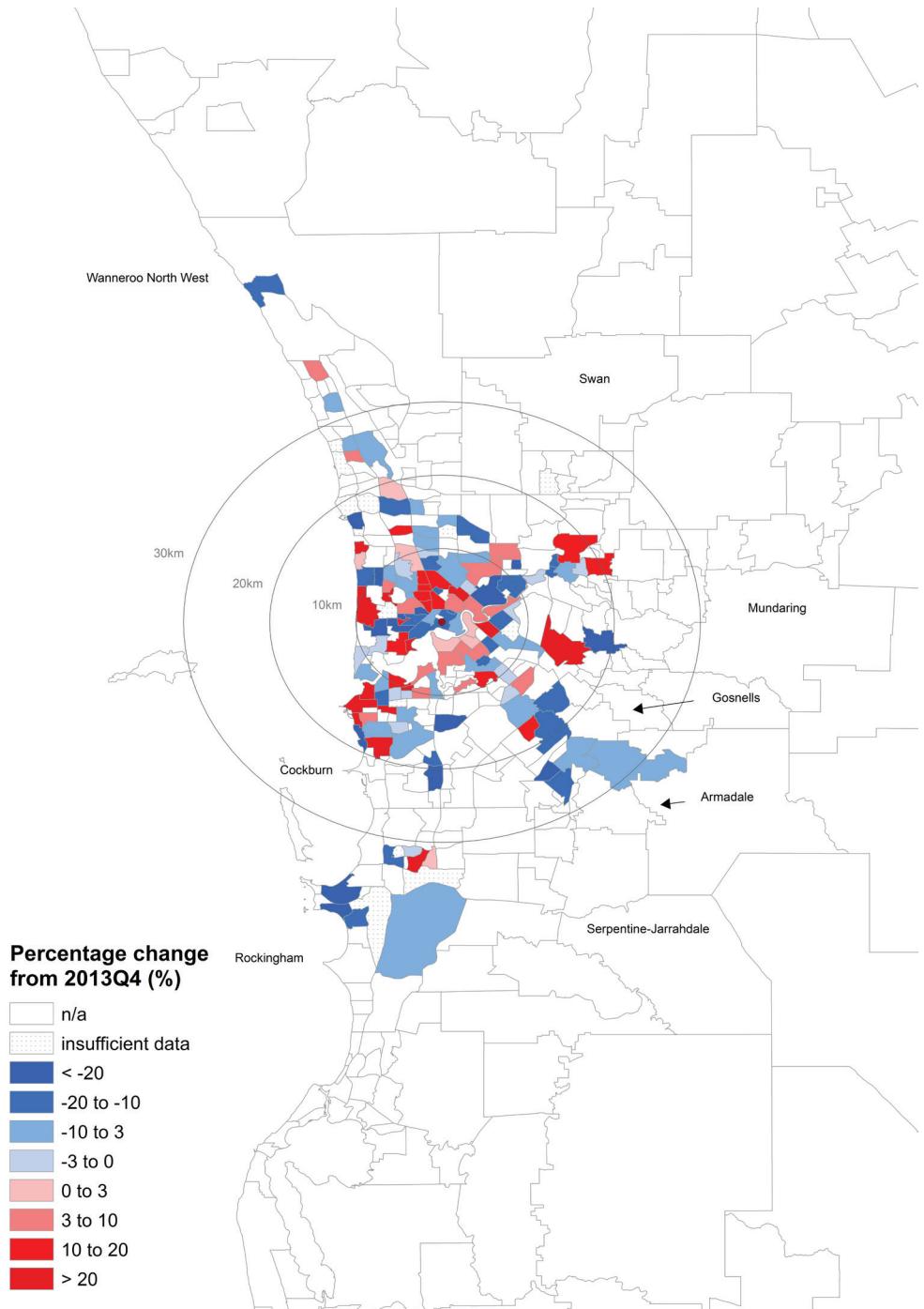
As can be noted by darker shades of blue, the higher priced regional urban centres are concentrated in Port Hedland and tourism locations such as Broome and Busselton. This finding is a contrast from our previous report, for 2013. Following the decline in iron ore prices over this period, Karratha has seen its median 3 bedroom house price fall from \$645,000 to \$300,000, and Port Hedland from \$705,000 to \$465,000.

Regional centres with higher house prices are generally associated with higher levels of household income, although this is by no means universally the case.

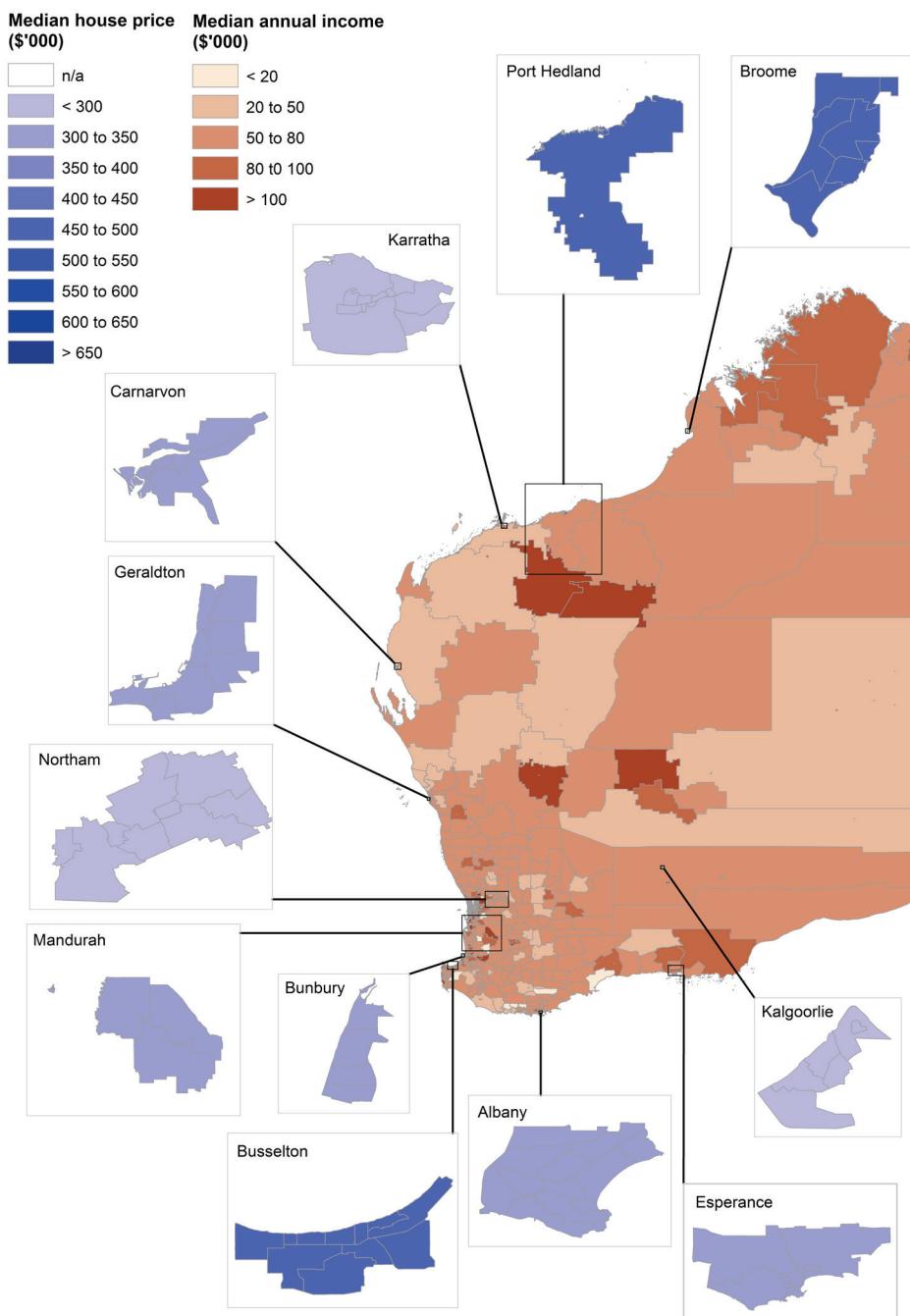
**Figure 7** Median price of all multi-residential units, by Perth metropolitan suburb: 2015Q4

Notes: Unit prices are 2015Q4 median prices for all multi-residential units for each REIWA regional sub-market.  
 Source: BANKWEST CURTIN ECONOMICS CENTRE | REIWA.

**Figure 8 Median multi-residential unit price growth - 2015Q4 relative to 2013Q4**



Notes: Unit prices are 2013Q4 and 2015Q4 median prices for all multi-residential units for each REIWA regional sub-market.  
 Source: BANKWEST CURTIN ECONOMICS CENTRE | REIWA.

**Figure 9** Median price of established houses: by WA regional centres, 2015Q4 prices

**Notes:** House prices are 2015Q4 median prices for all established 3-bedroom houses for each REIWA regional sub-market. Income is median total household annual gross income by sub-regional market, imputed from Census 2011 and uprated to 2015 \$.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA.

## Who can afford what and where?

### Which properties can WA households afford, and where?

In this section we look at the degree to which housing affordability varies locally, by examining mortgage and rental cost variations across the twenty five sub-regional areas within Perth and twelve WA regional urban centres defined by REIWA to operate as a distinct housing market area (REIWA 2015).

Following the previous Housing Affordability report we reintroduce the commonly reported indicator of housing affordability – the ‘price-to-income’ ratio – to compare the typical sales price of properties in each sub-regional market across Perth and WA with the incomes of households who live in those areas. Recall that the price-to-income measure is the sales price of a dwelling divided by a measure of household income, the latter being a major determinant of the amount a prospective buyer is able to commit to the purchase.

We continue to examine price-income ratios using the lower-quartile house/unit price and the lower-quartile level of income, which is somewhat of a departure from the norm where the average or median is mostly used, leaving out an analysis and subsequent understanding of the lower income demographics in our state.

A note on the spatial distribution of income is warranted at this point. In our first report which analysed the 2013 period, income data at the suburban level (matching the sub-regions) were only for the Census year of 2011. In order to calculate the price-income ratios using 2013 house prices we uprated the income data to 2013. For the present analysis, in the absence of the new round of Census data (due next year), we continue the methodology of uprating the 2011 income data, this time to 2015. The note of caution here is that income is uprated by the same factor across the board and does not account for regional variation, in particular those regions heavy in the mining and associated sectors that witnessed reduced income from the softening labour market.

### Established housing costs

Table 9 shows the ‘median multiples’ or price-income ratios for established price sales across Perth and in the regional centres. As is the case with our previous report it is presumed that a household with a median level of income might target properties at the median price level.

The top three most expensive sub-markets are Western Suburbs (\$1.40 million), Vincent/Stirling South East (\$900,000) and Perth City (\$890,000).

Western Suburbs has the highest price-to-income ratio of 11.9, indicating that it is the least affordable. This is despite households in the collective suburbs earning the highest annual income (\$117,600). The sub-markets with the next two highest price-income ratios are Fremantle and Vincent/Stirling South East, where in both cases a median price house cost around 8.8 times the annual income in these sub-markets. Table 9 also shows a comparison of the ratios and rankings with our last report. The top three sub-markets are unchanged in terms of standing compared with the 2013

analysis. However, reflecting a softer market, the price-income ratios are all lower than was the case in the previous report.

On the other end of the spectrum, the sub-markets with the lowest five price-income ratios remain the same as before, with a slight shuffling in position: Wanneroo North East, Wanneroo North West, Armadale, Serpentine-Jarrahdale and Kwinana. Their ratios range around 5.0, representing a 0.5 point decrease from our last report.

The last two columns in Table 9 show the movement up or down the ranking and the number of places gained/lost as compared with our last analysis. By and large there has not been a significant change in positions. The biggest mover is Stirling West, which fell by 3 places from last time, mainly due to a fall in the median price from \$845,000 to \$786,625.

**Table 9 Median price-income ratios for established houses, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	Median household gross annual income by sub-region, 2015 \$	Median sales price of established house by sub-region, 2015 \$	Median price-to-income ratio by sub-region			
	median h/h income	median sales price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Western Suburbs	117,600 1	1,397,500 1	13.0 1	11.9 1	-1.1	
Fremantle	82,300 19	727,500 7	9.9 2	8.8 2	-1.1	
Vincent/Stirling SE	101,900 5	900,000 2	9.0 3	8.8 3	-0.2	
South Perth/Victoria Park	91,800 11	780,000 6	8.5 5	8.5 4	-0.0	+1
Melville	96,900 7	810,000 4	8.4 6	8.4 5	-0.1	+1
Perth City	107,100 2	890,000 3	8.3 7	8.3 6	+0.0	+1
Stirling West	99,700 6	786,625 5	8.9 4	7.9 7	-1.0	-3
Bassendean/Bayswater	76,000 22	570,000 9	7.9 10	7.5 8	-0.4	+2
Stirling East	70,400 25	500,000 16	7.9 9	7.1 9	-0.8	
Belmont	75,100 23	525,000 14	7.9 8	7.0 10	-0.9	-2
Canning	78,400 20	538,000 12	7.5 11	6.9 11	-0.6	
Joondalup South	103,800 4	616,000 8	6.5 12	5.9 12	-0.5	
Wanneroo South	83,500 16	490,000 17	6.0 15	5.9 13	-0.1	+2
Cockburn	90,400 12	530,000 13	6.4 13	5.9 14	-0.6	-1
Mundaring	96,000 9	560,000 11	6.0 14	5.8 15	-0.2	-1
Kalamunda	89,100 13	511,500 15	6.0 16	5.7 16	-0.2	
Gosnells	83,600 15	455,000 19	5.8 17	5.4 17	-0.4	
Joondalup North	106,500 3	567,000 10	5.8 18	5.3 18	-0.5	
Armadale	76,900 21	402,000 24	5.5 21	5.2 19	-0.3	+2
Swan	83,400 17	435,000 21	5.8 19	5.2 20	-0.5	-1
Wanneroo North East	96,900 7	487,500 18	5.4 22	5.0 21	-0.4	+1
Rockingham	83,300 18	415,000 23	5.5 20	5.0 22	-0.5	-2
Kwinana	72,100 24	357,000 25	5.4 23	5.0 23	-0.5	
Wanneroo North West	87,900 14	435,000 21	5.3 24	4.9 24	-0.4	
Serpentine-Jarrahdale	95,200 10	440,000 20	4.9 25	4.6 25	-0.3	
Perth Planning Regions	87,500	535,000	6.6	6.1	-0.5	
Mandurah/Murray	47,000 13	385,000 4	9.0 1	8.2 1	-0.8	
Busselton Urban Area	58,400 9	470,000 3	7.8 2	8.1 2	+0.2	
Albany Urban Area	54,000 12	370,000 6	7.2 3	6.8 3	-0.4	
Geraldton/Greenough	55,100 11	360,000 8	7.1 5	6.5 4	-0.6	+1
Broome Urban Area	88,100 4	535,000 1	7.2 4	6.1 5	-1.1	-1
Carnarvon Urban Area	56,700 10	315,000 10	5.9 8	5.6 6	-0.3	+2
Bunbury Greater	67,900 6	372,000 5	5.7 9	5.5 7	-0.3	+2
Esperance Urban Area	66,600 7	340,000 9	6.2 6	5.1 8	-1.1	-2
Balance of Regional WA	72,300 5	290,000 12	4.4 12	4.0 9	-0.4	+3
Northam	60,300 8	240,000 13	4.6 10	4.0 10	-0.7	
Port Hedland	157,700 2	500,000 2	6.0 7	3.2 11	-2.8	-4
Kalgoorlie/Boulder	115,200 3	314,500 11	3.2 13	2.7 12	-0.5	+1
Karratha Urban Area	165,100 1	360,960 7	4.5 11	2.2 13	-2.3	-2
<b>Regional WA</b>	<b>72,400</b>	<b>365,000</b>	<b>5.5</b>	<b>5.0</b>	<b>-0.5</b>	

**Notes:** Sales price is the 2015Q4 median price for all types of established housing for each REIWA sub-regional housing market area. Income is median household gross annual income by sub-regional market, imputed from Census 2011 and updated to 2015\$.  
**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

Turning now to low income households we calculate the price-income ratios using the lower quartile of income. An assumption that we continue to uphold from our last analysis is that households in this category target an established house at the lower quartile price level (Table 10).

The price-income ratio rankings are very similar to that of the median multiples. Western Suburbs, Vincent/Stirling South East and Fremantle remain the least affordable markets for low income earners while Kwinana and Serpentine-Jarrahdale are the most affordable sub-markets.

Whilst the rankings are similar between the median and lower income analyses, the burden of owning a home is significantly higher for households on lower quartile incomes. Take for example the sub market of Joondalup South, selected as it falls in the middle of the price-income range for both median and low income analyses. The median price-income ratio is 5.9. On the other hand the same area is markedly less affordable for lower income households, with a lower quartile price-income ratio of 9.7.

Turning now to regional WA, Mandurah/Murray, Busselton and Albany have the highest price-income ratios at both the median and lower quartile levels. Reflecting the downturn in the iron ore sector, at least with respect to lower prices, the Karratha urban area has overtaken the Goldfield's city of Kalgoorlie at the bottom of the tables.

### **Multi-residential unit sales**

This section considers the affordability of multi-residential dwellings in the Perth metropolitan area and in regional centres. Table 11 shows the price-income ratios, at the median level, for unit sales in 2015Q4 compared to the analysis of the 2013Q4 data in our previous report. The sub-region with the highest median price-to-income ratio was Fremantle, which is unchanged since 2013, indicating that it is the least affordable housing sub-region in which to purchase multi-residential units in the Perth metropolitan area. The second least affordable sub-region for these dwelling types was Belmont, which moved up three positions since 2013Q4. The median unit price in Belmont for 2015Q4 was \$432,500 compared to \$403,250 in 2013Q4.

At the other end of the price-to-income spectrum are the sub-regions of Armadale and Rockingham, where a median priced unit can be attained for less than \$300,000. Over the last two years, the price -to-income ratios in these suburbs have fallen, indicating that units have become more affordable when compared with the 2013Q4 data.

The price-income ratios in WA's regional centres should be interpreted with some caution since many are derived from relatively few transactions over a single quarter. Whilst there were 1,800 transactions in regional WA for established houses in 2015Q4, there were only 172 transactions for units over the same period. Busselton, Mandurah and Port Hedland are among the least affordable regional centres for multi-residential units during 2015Q4 where, notably both Busselton and Port Hedland have become more unaffordable since the previous report. Less surprising was the fall in price-to-income ratio in Karratha following the downturn in the mining industry.

**Table 10 Lower-quartile price-income ratios for established houses, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	LQ household gross annual income by sub-region, 2015 \$	LQ sales price of established house by sub-region, 2015 \$			LQ price-to-income ratio by sub-region		
	LQ h/h income	LQ sales price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking	
Western Suburbs	53,400 3	1,060,000 1	22.2 1	19.9 1	-2.4		
Vincent/Stirling SE	47,400 8	760,000 2	16.3 3	16.0 2	-0.3	+1	
Fremantle	35,300 25	564,500 7	19.4 2	16.0 3	-3.4	-1	
Melville	45,600 13	660,000 4	15.1 5	14.5 4	-0.7	+1	
South Perth/Victoria Park	46,100 12	630,000 5	14.6 8	13.7 5	-0.9	+3	
Perth City	56,600 2	760,000 2	15.3 4	13.4 6	-1.9	-2	
Belmont	35,500 24	472,000 11	14.9 7	13.3 7	-1.6		
Stirling West	46,600 11	619,500 6	15.0 6	13.3 8	-1.7	-2	
Bassendean/Bayswater	38,900 22	490,000 9	13.5 9	12.6 9	-1.0		
Stirling East	36,200 23	420,000 18	13.0 10	11.6 10	-1.4		
Canning	39,600 20	445,000 14	12.5 11	11.2 11	-1.3		
Cockburn	45,400 15	460,000 12	11.3 12	10.1 12	-1.1		
Joondalup South	53,300 4	516,000 8	10.9 13	9.7 13	-1.2		
Kalamunda	46,700 10	435,000 15	10.1 15	9.3 14	-0.7	+1	
Mundaring	49,400 7	460,000 12	10.3 14	9.3 15	-0.9	-1	
Wanneroo South	45,600 13	422,000 17	9.8 16	9.2 16	-0.5		
Swan	45,000 17	395,000 19	9.3 19	8.8 17	-0.6	+2	
Rockingham	41,300 18	359,000 23	9.4 17	8.7 18	-0.8	-1	
Joondalup North	57,100 1	490,000 9	9.4 18	8.6 19	-0.9	-1	
Gosnells	45,200 16	386,500 20	9.1 20	8.6 20	-0.5		
Wanneroo North East	53,300 4	435,000 15	8.7 22	8.2 21	-0.5	+1	
Wanneroo North West	47,400 8	380,000 22	8.8 21	8.0 22	-0.8	-1	
Armadale	41,200 19	322,500 24	8.3 25	7.8 23	-0.5	+2	
Serpentine-Jarrahdale	51,100 6	385,000 21	8.4 24	7.5 24	-0.9		
Kwinana	39,200 21	285,000 25	8.4 23	7.3 25	-1.2	-2	
Perth Planning Regions	44,600	430,000	10.4	9.6	-0.7		
Mandurah/Murray	25,200 13	325,000 4	13.6 1	12.9 1	-0.7		
Busselton Urban Area	32,200 9	410,000 1	12.3 2	12.7 2	+0.4		
Albany Urban Area	28,800 11	290,000 7	11.3 4	10.1 3	-1.3	+1	
Geraldton/Greenough	28,000 12	267,250 9	11.6 3	9.6 4	-2.0	-1	
Bunbury Greater	34,000 7	310,000 5	9.8 6	9.1 5	-0.7	+1	
Carnarvon Urban Area	33,100 8	287,500 8	8.7 8	8.7 6	-0.0	+2	
Broome Urban Area	47,800 4	401,000 2	11.0 5	8.4 7	-2.6	-2	
Esperance Urban Area	34,400 6	258,500 10	9.0 7	7.5 8	-1.5	-1	
Balance of Regional WA	37,000 5	170,000 12	5.4 12	4.6 9	-0.8	+3	
Northam	31,900 10	140,000 13	7.3 10	4.4 10	-2.9		
Port Hedland	91,400 2	372,500 3	8.4 9	4.1 11	-4.3	-2	
Kalgoorlie/Boulder	64,300 3	243,000 11	4.7 13	3.8 12	-0.9	+1	
Karratha Urban Area	113,300 1	300,000 6	5.5 11	2.6 13	-2.9	-2	
Regional WA	36,600	270,000	8.4	7.4	-1.0		

**Notes:** Sales price is the 2015Q4 lower quartile price for all types of established housing for each REIWA sub-regional housing market area. Income is median household gross annual income by sub-regional market, imputed from Census 2011 and updated to 2015\$.  
**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

**Table 11 Median price-income ratios for multi-residential units, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	Median household gross annual income by sub-region, 2015 \$	Median sales price of multi- residential unit by sub-region, 2015 \$	Median price-to-income ratio by sub-region			
	median h/h income	median sales price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Fremantle	82,300 19	695,000 1	6.9 1	8.4 1	+1.5	
Belmont	75,100 23	432,500 9	5.7 5	5.8 2	+0.1	+3
South Perth/Victoria Park	91,800 11	525,000 3	6.1 2	5.7 3	-0.4	-1
Canning	78,400 20	415,000 11	5.9 4	5.3 4	-0.6	
Stirling East	70,400 25	360,000 15	5.9 3	5.1 5	-0.8	-2
Kalamunda	89,100 13	445,000 8	5.0 12	5.0 6	+0.0	+6
Stirling West	99,700 6	488,750 4	5.7 6	4.9 7	-0.8	-1
Western Suburbs	117,600 1	575,000 2	5.1 10	4.9 8	-0.2	+2
Bassendean/Bayswater	76,000 22	365,000 14	5.1 9	4.8 9	-0.3	
Melville	96,900 7	463,750 7	5.4 7	4.8 10	-0.7	-3
Vincent/Stirling SE	101,900 5	477,500 6	5.0 11	4.7 11	-0.3	
Perth City	107,100 2	480,000 5	5.4 8	4.5 12	-0.9	-4
Kwinana	72,100 24	317,500 20	2.9 23	4.4 13	+1.6	+10
Wanneroo North West	87,900 14	369,500 13	4.6 13	4.2 14	-0.4	-1
Gosnells	83,600 15	350,500 17	4.4 15	4.2 15	-0.2	
Joondalup South	103,800 4	419,000 10	4.0 21	4.0 16	+0.1	+5
Swan	83,400 17	336,500 18	4.5 14	4.0 17	-0.4	-3
Cockburn	90,400 12	360,000 15	4.2 18	4.0 18	-0.2	
Wanneroo South	83,500 16	330,000 19	4.0 20	4.0 19	-0.1	+1
Joondalup North	106,500 3	380,000 12	3.9 22	3.6 20	-0.3	+2
Rockingham	83,300 18	293,312 21	4.3 16	3.5 21	-0.8	-5
Armadale	76,900 21	270,000 22	4.1 19	3.5 22	-0.5	-3
Wanneroo North East (a)	96,900 7		4.2 17			
Mundaring (a)	96,000 9					
Serpentine-Jarrahdale (a)	95,200 10					
Perth Planning Regions	87,500	430,000	5.4	4.9	-0.5	
Busselton Urban Area	58,400 9	418,500 2	6.1 2	7.2 1	+1.0	+1
Mandurah/Murray	47,000 13	320,000 4	7.5 1	6.8 2	-0.6	-1
Port Hedland	157,700 2	910,000 1	4.1 9	5.8 3	+1.7	+6
Bunbury Greater	67,900 6	335,000 3	4.9 4	4.9 4	-0.0	
Geraldton/Greenough	55,100 11	255,000 8	5.6 3	4.6 5	-1.0	-2
Esperance Urban Area	66,600 7	288,000 7	4.5 7	4.3 6	-0.2	+1
Balance of Regional WA	72,300 5	292,000 6	4.1 8	4.0 7	-0.1	+1
Albany Urban Area	54,000 12	195,000 10	4.7 5	3.6 8	-1.1	-3
Broome Urban Area	88,100 4	312,500 5	4.7 6	3.5 9	-1.1	-3
Northam	60,300 8	170,000 11		2.8 10		
Carnarvon Urban Area	56,700 10	132,500 12		2.3 11		
Kalgoorlie/Boulder	115,200 3	216,500 9	2.0 11	1.9 12	-0.1	-1
Karratha Urban Area	165,100 1	85,250 13	3.2 10	0.5 13	-2.6	-3
<b>Regional WA</b>	<b>72,400</b>	<b>299,500</b>	<b>4.6</b>	<b>4.1</b>	<b>-0.5</b>	

**Notes:** Sales price is the 2015Q4 median price for all types of multi-residential units for each REIWA sub-regional housing market area. Income is median household gross annual income by sub-regional market, imputed from Census 2011 and updated to 2015\$. (a) No/insufficient data on housing transactions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

**Table 12 Lower quartile price-income ratios for multi-residential units, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	LQ household gross annual income by sub-region, 2015 \$	LQ sales price of multi- residential unit by sub-region, 2015 \$		LQ price-to-income ratio by sub-region		
	LQ h/h income	LQ sales price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Fremantle	35,300 25	481,500 1	12.0 1	13.7 1	+1.7	
Belmont	35,500 24	350,000 12	9.4 6	9.9 2	+0.5	+4
Stirling East	36,200 23	335,000 13	10.1 4	9.2 3	-0.9	+1
Canning	39,600 20	366,250 11	10.5 2	9.2 4	-1.3	-2
Melville	45,600 14	417,000 3	10.2 3	9.1 5	-1.1	-2
South Perth/Victoria Park	46,100 12	415,000 4	9.4 7	9.0 6	-0.4	+1
Stirling West	46,600 11	415,000 4	9.9 5	8.9 7	-1.0	-2
Vincent/Stirling SE	47,400 8	393,300 6	8.6 9	8.3 8	-0.3	+1
Bassendean/Bayswater	38,900 22	322,500 15	8.3 10	8.3 9	-0.0	+1
Kalamunda	46,700 10	381,500 9	8.2 11	8.2 10	-0.1	+1
Western Suburbs	53,400 3	420,000 2	6.6 22	7.9 11	+1.2	+11
Cockburn	45,400 15	327,500 14	7.4 15	7.2 12	-0.2	+3
Joondalup South	53,300 5	382,500 8	6.7 21	7.2 13	+0.5	+8
Perth City	56,600 2	389,000 7	8.8 8	6.9 14	-1.9	-6
Wanneroo South	45,600 13	313,250 17	6.9 19	6.9 15	-0.1	+4
Swan	45,000 17	305,000 18	7.5 14	6.8 16	-0.7	-2
Wanneroo North West	47,400 9	320,000 16	8.0 12	6.8 17	-1.2	-5
Gosnells	45,200 16	305,000 18	7.8 13	6.7 18	-1.1	-5
Joondalup North	57,100 1	368,000 10	6.7 20	6.4 19	-0.3	+1
Rockingham	41,300 18	250,000 20	6.9 17	6.1 20	-0.9	-3
Armadale	41,200 19	237,500 21	6.9 18	5.8 21	-1.2	-3
Kwinana	39,200 21	215,000 22	4.9 23	5.5 22	+0.6	+1
Wanneroo North East (a)	53,300 4		7.3 16			
Mundaring (a)	49,400 7					
Serpentine-Jarrahdale (a)	51,100 6					
Perth Planning Regions	44,600	345,000	8.4	7.7	-0.7	
Mandurah/Murray	25,200 13	265,500 4	10.4 1	10.5 1	+0.1	
Port Hedland	91,400 2	910,000 1	5.9 9	10.0 2	+4.0	+7
Busselton Urban Area	32,200 9	295,000 2	9.3 3	9.1 3	-0.1	
Esperance Urban Area	34,400 6	279,000 3	7.3 7	8.1 4	+0.8	+3
Bunbury Greater	34,000 7	263,500 5	8.4 4	7.7 5	-0.7	-1
Geraldton/Greenough	28,000 12	200,000 7	9.6 2	7.1 6	-2.4	-4
Balance of Regional WA	37,000 5	255,000 6	6.0 8	6.9 7	+0.9	+1
Albany Urban Area	28,800 11	180,000 8	7.6 5	6.2 8	-1.4	-3
Northam	31,900 10	170,000 10		5.3 9		
Broome Urban Area	47,800 4	178,500 9	7.3 6	3.7 10	-3.6	-4
Carnarvon Urban Area	33,100 8	95,000 12		2.9 11		
Kalgoorlie/Boulder	64,300 3	156,500 11	3.1 11	2.4 12	-0.6	-1
Karratha Urban Area	113,300 1	72,875 13	4.1 10	0.6 13	-3.4	-3
Regional WA	36,600	247,500	6.9	6.8	-0.1	

**Notes:** Sales price is the 2015Q4 lower quartile price for all types of multi-residential units for each REIWA sub-regional housing market area. Income is lower quartile (P25) household gross annual income by sub-regional market, imputed from Census 2011 and uprated to 2015\$. (a) No/insufficient data on housing transactions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

## Affordable rentals – a social issue in WA

The private rental sector is an important component of the housing market. It has the capacity to meet the demands of those seeking short-term or transitional accommodation, provide an alternative longer-term accommodation option to suit lifestyle choices, or as a rational insurance against adverse financial conditions, business cycle movements or fixed-term employment. For many though, it is not the housing tenure of choice, but rather a residual housing option.

This section uses REIWA's rental price data from December 2015 to construct median and lower-quartile rent-to-income ratios for the metropolitan sub-regional housing markets and regional centres for the established housing sector (REIWA 2015).

### Established house rental

Over the course of the fourth quarter of 2015 there were 7,098 house rental transactions in Perth metropolitan region.

Table 13 shows the rent-to-income ratios for median rental properties across Perth and regional WA for the fourth quarter of 2015, compared to median household income indexed to the same period. Our results indicate a positive correlation between house sale and rental prices as expected, with Fremantle and Western Suburbs among the most expensive rental sub-markets, as they are for those seeking to buy. These two markets also rank as the two least affordable in terms of rental-income ratios. The northern suburbs of Joondalup North and Wanneroo North West and the south east region of Serpentine-Jarrahdale are the most affordable when it comes to the rental of established houses. This is generally true for both median and low income demographics.

All sub-regional housing markets in the Perth metropolitan area recorded a reduction in rent-to-income ratio for established houses between 2013Q4 to 2015Q4. This indicates that the rental market improved in terms of affordability over these two years. Although the actual change in rent-to-income ratios were generally small in magnitude it nevertheless reflected the adjustments which have occurred in the private rental sector over the last two years.

All sub-regional housing markets in the Perth metropolitan area recorded a reduction in rent-to-income ratio for established houses between 2013Q4 to 2015Q4. This indicates that the rental market improved in terms of affordability over these two years. Although the actual change in rent-to-income ratios were generally small in magnitude it nevertheless reflected the adjustments which have occurred in the private rental sector over the last two years.

Overall during 2015Q4, the rent-to-income ratio for established houses in the metropolitan areas was more affordable than those outside the capital.

The rent-to-income ratio for established housing in regional housing markets associated with the resources sector in 2015Q4 have fallen compared to those in 2013Q4, particularly in Karratha and Port Hedland. Over the same time period, Broome also became slightly more affordable for renters leasing an established house.

**Table 13 Median rent-income ratios for established houses, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	Median household gross weekly income by sub-region, 2015 \$	Median rental price of established house by sub-region, 2015 \$	Median rent-to-income ratio by sub-region			
	median h/h income	median sales price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Fremantle	1,582 19	545 3	0.39 1	0.34 1	-0.04	
Western Suburbs	2,262 1	710 1	0.37 2	0.31 2	-0.06	
Stirling West	1,918 6	550 2	0.34 4	0.29 3	-0.05	+1
Stirling East	1,354 25	385 19	0.35 3	0.28 4	-0.07	-1
Bassendean/Bayswater	1,461 22	415 14	0.33 6	0.28 5	-0.05	+1
Belmont	1,444 23	408 16	0.34 5	0.28 6	-0.06	-1
Wanneroo South	1,606 16	435 11	0.30 12	0.27 7	-0.03	+5
Canning	1,508 20	403 17	0.32 8	0.27 8	-0.05	
Vincent/Stirling SE	1,960 5	518 4	0.32 7	0.26 9	-0.06	-2
Melville	1,864 7	490 6	0.31 9	0.26 10	-0.05	-1
Kwinana	1,386 24	360 25	0.30 11	0.26 11	-0.04	
South Perth/Victoria Park	1,766 11	450 10	0.30 13	0.25 12	-0.04	+1
Mundaring	1,847 9	463 8	0.28 18	0.25 13	-0.03	+5
Armadale	1,480 21	370 24	0.28 19	0.25 14	-0.03	+5
Cockburn	1,739 12	425 12	0.29 14	0.24 15	-0.05	-1
Perth City	2,059 2	500 5	0.31 10	0.24 16	-0.06	-6
Swan	1,603 17	385 19	0.29 15	0.24 17	-0.05	-2
Gosnells	1,608 15	385 19	0.29 16	0.24 18	-0.05	-2
Kalamunda	1,713 13	410 15	0.28 17	0.24 19	-0.04	-2
Joondalup South	1,996 4	470 7	0.27 21	0.24 20	-0.04	+1
Rockingham	1,601 18	375 22	0.28 20	0.23 21	-0.04	-1
Wanneroo North East	1,863 8	418 13	0.27 23	0.22 22	-0.04	+1
Joondalup North	2,048 3	453 9	0.26 25	0.22 23	-0.04	+2
Wanneroo North West	1,691 14	373 23	0.27 22	0.22 24	-0.05	-2
Serpentine-Jarrahdale	1,830 10	395 18	0.26 24	0.22 25	-0.04	-1
Perth Planning Regions	1,683	415	0.29	0.25	-0.05	
Carnarvon Urban Area	1,090 10	550 3	0.50 1			
Mandurah/Murray	904 13	360 7	0.44 2	0.40 2	-0.05	
Busselton Urban Area	1,122 9	405 5	0.37 5	0.36 3	-0.01	+2
Albany Urban Area	1,039 12	355 9	0.32 7	0.34 4	+0.02	+3
Broome Urban Area	1,693 4	560 2	0.44 3	0.33 5	-0.11	-2
Geraldton/Greenough	1,059 11	325 12	0.38 4	0.31 6	-0.07	-2
Northam	1,160 8	323 13	0.32 8	0.28 7	-0.04	+1
Bunbury Greater	1,306 6	358 8	0.30 9	0.27 8	-0.03	+1
Esperance Urban Area	1,281 7	340 11	0.25 11	0.27 9	+0.01	+2
Balance of Regional WA	1,390 5	355 9	0.28 10	0.26 10	-0.03	
Karratha Urban Area	3,175 1	750 1	0.37 6	0.24 11	-0.13	-5
Port Hedland	3,032 2	550 3	0.56 1	0.18 12	-0.38	-11
Kalgoorlie/Boulder	2,215 3	370 6	0.19 12	0.17 13	-0.02	-1
Regional WA	1,391	400	0.30	0.29	-0.02	

**Notes:** Rental value is the 2015Q4 median rent for all types of established housing for each REIWA sub-regional housing market area. Income is median household gross weekly income by sub-regional market, imputed from Census 2011 and uprated to 2015\$.  
**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

**Table 14 Lower quartile rent-income ratios for established houses, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	LQ household gross weekly income by sub-region, 2015 \$	LQ rental price of established house by sub-region, 2015 \$			LQ rent-to-income ratio by sub-region	
	Sub-region	LQ h/h income	LQ rental price	ratio (2013)	ratio (2015)	difference (2015-2013)
Fremantle	678 25	415 3	0.75 1	0.61 1	-0.13	
Belmont	682 24	350 15	0.62 2	0.51 2	-0.11	
Western Suburbs	1,026 3	500 1	0.62 3	0.49 3	-0.13	
Stirling West	896 11	430 2	0.56 7	0.48 4	-0.09	+3
Stirling East	697 23	330 21	0.61 4	0.47 5	-0.13	-1
Bassendean/Bayswater	749 22	350 15	0.58 5	0.47 6	-0.12	-1
Canning	762 20	350 15	0.56 9	0.46 7	-0.10	+2
Melville	878 14	400 4	0.56 8	0.46 8	-0.11	
Vincent/Stirling SE	912 8	400 4	0.58 6	0.44 9	-0.14	-3
Rockingham	794 18	340 19	0.50 13	0.43 10	-0.07	+3
Kalamunda	898 10	375 9	0.49 14	0.42 11	-0.08	+3
Cockburn	873 15	360 13	0.53 10	0.41 12	-0.12	-2
South Perth/Victoria Park	887 12	365 11	0.51 12	0.41 13	-0.10	-1
Kwinana	755 21	305 24	0.48 17	0.40 14	-0.08	+3
Wanneroo South	878 13	350 15	0.49 15	0.40 15	-0.09	
Swan	865 17	340 19	0.49 16	0.39 16	-0.09	
Joondalup South	1,025 5	400 4	0.46 21	0.39 17	-0.07	+4
Mundaring	949 7	370 10	0.47 18	0.39 18	-0.08	
Gosnells	869 16	330 21	0.47 19	0.38 19	-0.09	
Armadale	793 19	300 25	0.47 20	0.38 20	-0.09	
Serpentine-Jarrahdale	982 6	360 13	0.45 23	0.37 21	-0.08	+2
Perth City	1,089 2	395 7	0.51 11	0.36 22	-0.15	-11
Wanneroo North West	911 9	330 21	0.46 22	0.36 23	-0.10	-1
Wanneroo North East	1,025 4	365 11	0.45 24	0.36 24	-0.09	
Joondalup North	1,099 1	380 8	0.42 25	0.35 25	-0.08	
Perth Planning Regions	858	350	0.50	0.41	-0.10	
Mandurah/Murray	484 13	300 6	0.74 2	0.62 1	-0.12	+1
Busselton Urban Area	620 9	370 3	0.58 5	0.60 2	+0.02	+3
Albany Urban Area	555 11	310 5	0.54 7	0.56 3	+0.02	+4
Broome Urban Area	920 4	470 2	0.75 1	0.51 4	-0.23	-3
Geraldton/Greenough	538 12	260 10	0.63 4	0.48 5	-0.14	-1
Bunbury Greater	654 7	300 6	0.53 8	0.46 6	-0.07	+2
Northam	613 10	260 10	0.55 6	0.42 7	-0.13	-1
Esperance Urban Area	662 6	280 8	0.41 11	0.42 8	+0.01	+3
Balance of Regional WA	712 5	260 10	0.41 10	0.37 9	-0.05	+1
Karratha Urban Area	2,179 1	500 1	0.44 9	0.23 10	-0.21	-1
Kalgoorlie/Boulder	1,236 3	270 9	0.29 12	0.22 11	-0.07	+1
Port Hedland	1,758 2	350 4	0.66 3	0.20 12	-0.46	-9
Carnarvon Urban Area (a)	637 8					
<b>Regional WA</b>	<b>704</b>	<b>300</b>	<b>0.49</b>	<b>0.43</b>	<b>-0.07</b>	

**Notes:** Rental value is the 2015Q4 lower quartile rent for all types of established housing for each REIWA sub-regional housing market area. Income is lower quartile (P25) household gross weekly income by sub-regional market, imputed from Census 2011 and updated to 2015\$. (a) No/insufficient data on housing transactions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

## **Multi-residential unit rental**

By far the most active market for renting units is Perth City, with 1,044 transactions over the fourth quarter of 2015. As was the case in December 2013, where Perth City also had the most active market with 1,171 transactions, this is not surprising given that a high stock of units is located in residential areas around the CBD.

The sub-market of Fremantle was found to be the least affordable to median households in the area seeking to rent units at the median price level. This is followed by Belmont and Stirling East. These three locations were also the top three least affordable housing sub-markets in December 2013. Overall, the magnitudes of the rent-to-income ratios from 2013 to 2015 have decreased slightly, suggesting that these sub-markets are now more affordable. Indeed, the rent-to-income ratios have decreased in 2015 as compared with 2013.

The most affordable sub-markets in terms of multi-residential unit rentals are Mundaring and Serpentine-Jarrahdale. The results for lower quartile income earners targeting rental units priced at the lower-quartile are in line with the median analysis.

As was the case in the study using 2013 data, units in the Western Suburbs are among the most affordable in Perth. The median rental price in December 2015 was \$405/week. By way of comparison the median unit rental price in Perth City was \$463/week. Along with a weekly income for Western Suburb households of \$2,144/ week, the highest in the Perth metropolitan area, the rent-to-income ratio is 0.20. This finding reflects the quality of some of the multi-residential unit stock in the Western Suburbs. Most of the units in this sub-region comprise of older stock which therefore attract a lower rental price.

The least affordable regional centres include Mandurah and Busselton while Kalgoorlie, Karratha and Port Hedland are now among the most affordable.

**Table 15 Median rent-income ratios for multi-residential units, by WA housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	Median household gross weekly income by sub-region, 2015 \$	Median rental price of multi- residential unit by sub-region, 2015 \$	Median rent-to-income ratio by sub-region			
	median h/h income	median rental price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Fremantle	1,582 19	440 2	0.31 3	0.28 1	-0.03	+2
Belmont	1,444 23	390 7	0.31 2	0.27 2	-0.04	
Stirling East	1,354 25	350 17	0.32 1	0.26 3	-0.06	-2
Canning	1,508 20	360 15	0.30 5	0.24 4	-0.06	+1
Wanneroo South	1,606 16	380 10	0.28 6	0.24 5	-0.05	+1
Bassendean/Bayswater	1,461 22	333 20	0.28 7	0.23 6	-0.05	+1
Perth City	2,059 2	463 1	0.30 4	0.22 7	-0.08	-3
Stirling West	1,918 6	425 4	0.27 8	0.22 8	-0.05	
Joondalup South	1,996 4	435 3	0.26 10	0.22 9	-0.05	+1
Cockburn	1,739 12	378 12	0.27 9	0.22 10	-0.05	-1
Kalamunda	1,713 13	370 14	0.25 15	0.22 11	-0.03	+4
South Perth/Victoria Park	1,766 11	375 13	0.26 14	0.21 12	-0.04	+2
Wanneroo North East	1,863 8	393 6	0.26 13	0.21 13	-0.05	
Wanneroo North West	1,691 14	355 16	0.24 19	0.21 14	-0.03	+5
Swan	1,603 17	335 18	0.26 12	0.21 15	-0.05	-3
Gosnells	1,608 15	335 18	0.25 16	0.21 16	-0.04	
Melville	1,864 7	385 8	0.25 17	0.21 17	-0.04	
Armadale	1,480 21	305 23	0.26 11	0.21 18	-0.06	-7
Rockingham	1,601 18	323 21	0.23 20	0.20 19	-0.03	+1
Vincent/Stirling SE	1,960 5	385 8	0.24 18	0.20 20	-0.05	-2
Kwinana	1,386 24	270 24	0.21 22	0.19 21	-0.02	+1
Joondalup North	2,048 3	380 10	0.22 21	0.19 22	-0.03	-1
Western Suburbs	2,262 1	405 5	0.20 23	0.18 23	-0.02	
Mundaring	1,847 9	320 22	0.17 24			
Serpentine-Jarrahdale	1,830 10	200 25	0.11 25			
Perth Planning Regions	1,683	376	0.28	0.22	-0.06	
Mandurah/Murray	904 13	325 6	0.41 2	0.36 1	-0.05	+1
Busselton Urban Area	1,122 9	360 4	0.34 3	0.32 2	-0.02	+1
Albany Urban Area	1,039 12	305 7	0.26 7	0.29 3	+0.03	+4
Bunbury Greater	1,306 6	330 5	0.28 6	0.25 4	-0.03	+2
Northam	1,160 8	280 10	0.22 9	0.24 5	+0.02	+4
Broome Urban Area	1,693 4	398 2	0.31 5	0.23 6	-0.07	-1
Geraldton/Greenough	1,059 11	231 12	0.24 8	0.22 7	-0.03	+1
Balance of Regional WA	1,390 5	295 9	0.41 1	0.21 8	-0.20	-7
Esperance Urban Area	1,281 7	245 11	0.16 12	0.19 9	+0.03	+3
Karratha Urban Area	3,175 1	513 1	0.22 10	0.16 10	-0.05	
Kalgoorlie/Boulder	2,215 3	300 8	0.17 11	0.14 11	-0.03	
Port Hedland	3,032 2	375 3	0.31 4	0.12 12	-0.19	-8
Carnarvon Urban Area (a)	1,090 10				-1	
<b>Regional WA</b>	<b>1,391</b>	<b>335</b>	<b>0.28</b>	<b>0.24</b>	<b>-0.04</b>	

**Notes:** Rental value is the 2015Q4 median rent for all types of multi-residential units for each REIWA sub-regional housing market area. Income is median household gross weekly income by sub-regional market, imputed from Census 2011 and updated to 2015\$. (a) No/insufficient data on housing transactions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.

**Table 16 Lower quartile rent-income ratios for multi-residential units, by housing sub-region: 2015Q4**

Sub-regional housing market area Perth planning region	LQ household gross weekly income by sub-region, 2015 \$	LQ rental price of multi-residential unit by sub-region, 2015 \$	LQ rent-to-income ratio by sub-region			
Sub-region	median h/h income	median rental price	ratio (2013)	ratio (2015)	difference (2015-2013)	change in ranking
Belmont	682 24	318 12	0.56 3	0.47 1	-0.09	+2
Fremantle	678 25	300 14	0.58 1	0.44 2	-0.14	-1
Stirling East	697 23	300 14	0.56 2	0.43 3	-0.13	-1
Canning	762 20	320 9	0.53 4	0.42 4	-0.11	
Wanneroo South	878 13	340 4	0.42 18	0.39 5	-0.03	+13
Stirling West	896 11	340 4	0.48 6	0.38 6	-0.10	
Cockburn	873 15	330 6	0.48 5	0.38 7	-0.11	-2
Kalamunda	898 10	330 6	0.43 15	0.37 8	-0.07	+7
Melville	878 14	320 9	0.47 8	0.36 9	-0.10	-1
Bassendean/Bayswater	749 22	273 22	0.47 7	0.36 10	-0.11	-3
Armadale	793 19	280 21	0.45 10	0.35 11	-0.10	-1
Wanneroo North East	1,025 4	360 2	0.44 12	0.35 12	-0.09	
Wanneroo North West	911 9	320 9	0.41 19	0.35 13	-0.05	+6
Swan	865 17	300 14	0.44 13	0.35 14	-0.09	-1
Rockingham	794 18	273 22	0.40 20	0.34 15	-0.06	+5
Perth City	1,089 2	370 1	0.47 9	0.34 16	-0.13	-7
South Perth/Victoria Park	887 12	300 14	0.44 14	0.34 17	-0.10	-3
Joondalup South	1,025 5	345 3	0.45 11	0.34 18	-0.11	-7
Vincent/Stirling SE	912 8	300 14	0.43 16	0.33 19	-0.10	-3
Gosnells	869 16	285 20	0.42 17	0.33 20	-0.10	-3
Mundaring	949 7	310 13	0.33 21			
Kwinana	755 21	240 24	0.38 21	0.32 22	-0.06	-1
Joondalup North	1,099 1	325 8	0.36 23	0.30 23	-0.06	
Western Suburbs	1,026 3	300 14	0.36 22	0.29 24	-0.07	-2
Serpentine-Jarrahdale	982 6	200 25	0.20 25			
Perth Planning Regions	858	300	0.46	0.35	-0.11	
Busselton Urban Area	620 9	340 2	0.54 2	0.55 1	+0.01	+1
Mandurah/Murray	484 13	250 7	0.65 1	0.52 2	-0.14	-1
Albany Urban Area	555 11	245 8	0.39 9	0.44 3	+0.05	+6
Bunbury Greater	654 7	287 4	0.48 3	0.44 4	-0.05	-1
Northam	613 10	260 6	0.40 7	0.42 5	+0.03	+2
Broome Urban Area	920 4	320 3	0.39 8	0.35 6	-0.05	+2
Esperance Urban Area	662 6	225 9	0.29 10	0.34 7	+0.05	+3
Geraldton/Greenough	538 12	180 12	0.43 6	0.33 8	-0.10	-2
Balance of Regional WA	712 5	220 11	0.43 5	0.31 9	-0.13	-4
Kalgoorlie/Boulder	1,236 3	225 9	0.27 11	0.18 10	-0.09	+1
Karratha Urban Area	2,179 1	350 1	0.27 12	0.16 11	-0.11	+1
Port Hedland	1,758 2	275 5	0.48 4	0.16 12	-0.32	-8
Carnarvon Urban Area (a)	637 8					-1
<b>Regional WA</b>	<b>704</b>	<b>255</b>	<b>0.45</b>	<b>0.36</b>	<b>-0.09</b>	

**Notes:** Rental value is the 2015Q4 lower quartile rent for all types of multi-residential units for each REIWA sub-regional housing market area. Income is lower quartile (P25) household gross weekly income by sub-regional market, imputed from Census 2011 and updated to 2015\$. (a) No/insufficient data on housing transactions.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2011.





# Social

## housing in WA

## Social housing in WA

While over two-thirds of Australian households enjoy owner occupation status in 2013-14 and a quarter are able to secure housing in the private rental sector, a significant minority of Australian households face difficulty in acquiring and maintaining appropriate housing in private markets. Hence, the state and territory governments, along with the not-for-profit sector, administer and deliver subsidised rental housing services to low-income or special needs households who would otherwise not be able to secure suitable accommodation without assistance.

These subsidised rental housing services are collectively known as social housing and are delivered in various forms. Public housing is the major form of social housing, followed by community housing. Public housing dwellings are owned and managed by state and territory housing authorities and tightly targeted at low-income or special needs households, while community housing is managed by community organisations with government assistance and aimed at low-to-moderate income households. Other forms of social housing include state owned and managed Indigenous housing and Indigenous community housing.

In 2013-14, around 5 per cent of Australian households were in social housing, with 3.6 per cent living in public housing dwellings. While the number of public housing households has declined slightly from 341,478 to 321,627 between 2006 and 2015, the number of community housing dwellings has more than doubled from 30,103 to 72,105 over the same decade. However, public housing clearly remains the dominant form of social housing; currently there are around five times as many public housing dwellings as there are social dwellings in Australia (SCRGSP, 2016).

Public housing is characterised by two key features. Firstly, tenants typically pay rents that are set as a fixed percentage of their assessable income and capped at market rents. While this percentage is around 25 per cent across Australia, some jurisdictional differences exist in relation to the definition of assessable income and the percentage of each income source that is assessable as rent. Hence, state and territory governments ensure that rental payments increase and decrease in line with income and in doing so, provide some protection against housing unaffordability. Secondly, the supply of public housing is limited by the availability of public housing stock and is therefore rationed. To cope with excess demand, state and territory housing authorities operate wait lists (Wood et al., 2007; Dockery et al., 2008).

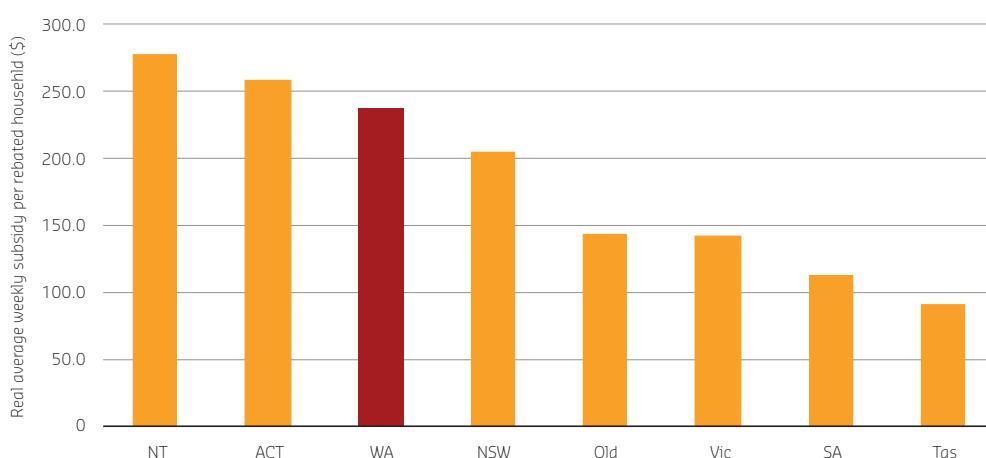
The remainder of this section presents up-to-date trends in the social housing sector, in particular public housing. It analyses the degree to which social housing alleviates housing cost pressures for low-income West Australian households and assesses the public housing shortage in Western Australia compared with other states and territories. Overall, the investigations reported in this section offer an assessment of the extent to which the social housing sector is positioned to deliver housing affordability outcomes for financially vulnerable West Australians.

## To what extent does social housing alleviate the housing cost burden of WA households in need?

Because public housing rents are set as a fixed percentage of assessable income, the public housing sector essentially delivers an in-kind rental subsidy which reflects the difference between the market rent of the dwelling a public housing household is occupying and the subsidised rent the household is paying. Figure 10 reports the real average weekly rental subsidy per rebated household in public housing, reported in 2014-2015 dollars. The table highlights significant state and territory differences in the real value of subsidy received by public housing households, which reflect state and territory differences in market rents. In less buoyant housing markets such as Tasmania and South Australia, the real average weekly rental subsidy is relatively low at \$92 and \$114 in 2015 in Tasmania and South Australia respectively. State and territory governments administering public housing in more expensive housing markets, such as Western Australia, New South Wales and the territories, have to deliver higher rental subsidies to public housing households in excess of \$200 per week.

In relatively expensive housing markets, such as Western Australia, New South Wales and the territories, housing authorities deliver public housing subsidies in excess of \$200 per week per rebated household.

**Figure 10** Real average weekly subsidy per rebated household in 2015, by state and territory, \$ per week



**Notes:** Data for individual states and territories are subject to variations in accuracy. State and territory differences also exist in regard to incomplete or missing information and coding errors. For more details on data quality, refer to SCRGSP (2016).

**Source:** AIHW National Housing Assistance Data Repository as reported in table 17A.40 of the Productivity Commission Report on Government Services (SCRGSP, 2016).

As shown in Figure 11, public housing rental subsidies ensure that almost all low-income tenants pay rents below 30 per cent of their income. However, while most low-income public housing households pay less than 25 per cent of their income in rent, for significant proportions in Western Australia and New South Wales bear housing cost burdens that range from 26 to 30 per cent. In Western Australia, the proportion of low-income households paying between 26 and 30 per cent of their income in rent is 47 per cent and in New South Wales this proportion is almost 60 per cent.

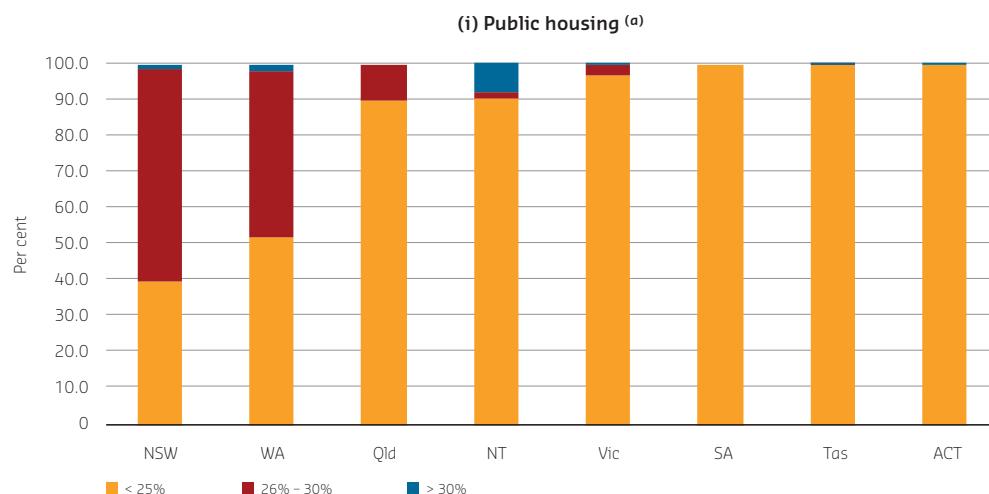
Almost all low-income public housing tenants pay rents below 30 per cent of their income.

However, 47 per cent of low-income tenants in Western Australia bear housing cost burdens of 26 – 30 per cent

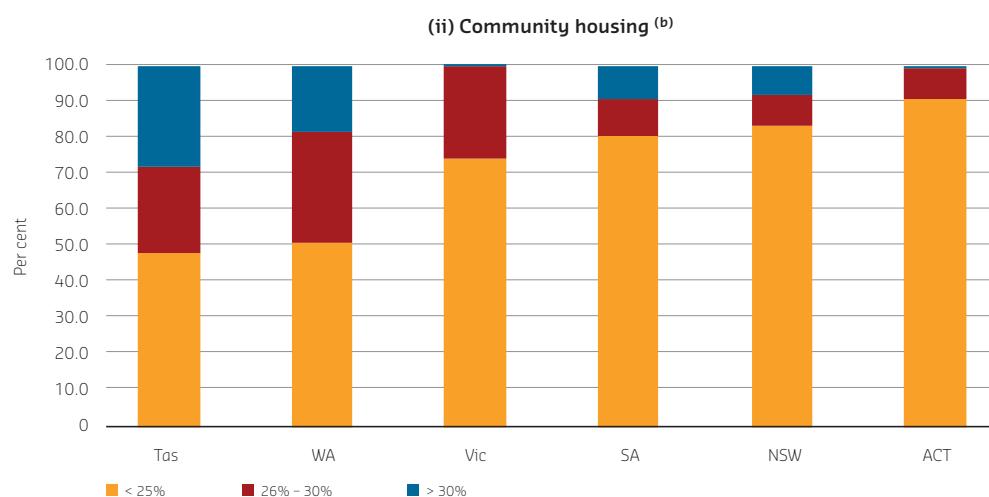
18 per cent of West Australian low-income community housing tenants are in housing stress according to the 30/40 rule.

As expected, low-income households in community housing bear a higher housing cost burden as the public housing rental formula does not apply in the community housing sector. The proportion of low-income community housing tenants who are in housing stress according to the traditional '30/40' rule is highest in Tasmania at 28 per cent, followed by Western Australia at 18 per cent. In these two states, only around half of low-income community housing tenants pay rents below 25 per cent of their income. In comparison, in other states and territories more than three-quarters of low-income community housing tenants enjoy a rent-to-income ratio capped at 25 per cent of their income.

**Figure 11** Proportion of household gross income spent on rent by low-income households in public and community housing, 2015 (a)



18 per cent of West Australian low-income community housing tenants are in housing stress according to the 30/40 rule.



**Notes:** (a) A low income household is defined as a household whose equivalised gross income falls in the bottom 40 per cent of the income distribution. (b) Data for Queensland and the Northern Territory are not available.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | AIHW National Housing Assistance Data Repository as reported in table 17A.45 and table 17A.47 of the Productivity Commission Report on Government Services (SCRGSP, 2016).

In 2015, the ratio of public housing applicants to dwellings was the highest in Western Australia among all states and territories at 70 per cent.

## Unmet need in the public housing sector

Because public housing is rationed and demand exceeds supply in every state and territory, housing authorities operate wait lists on which eligible applicants queue while awaiting public dwellings to become available. The number of wait list applicants at any point in time represents excess demand that is not met by the existing public housing stock. The ratio of wait list applicants to the existing public housing stock provides a standardised measure that is comparable across states and territories. As Figure 12 shows, the ratio of applicants to dwellings was the highest in Western Australia among all states and territories at almost 70 per cent in both 2011 and 2015 despite a mild decline in intervening years. New South Wales, Tasmania and the territories reported a rise in the ratio of applicants to dwellings over the five years, indicating a possible worsening of the shortage of public housing dwellings relative to demand over the years. On the other hand, Victoria, South Australia and Queensland in particular have reported a decline in the number of applicants relative to dwellings.

**Figure 12** Public housing applicants as a proportion of public housing dwellings, by state and territory, per cent, 2011-2015



**Notes:** Data for individual states and territories are subject to variations in accuracy over time. State and territory differences also exist in regard to incomplete or missing information and coding errors. For more details on data quality, refer to SCRGSP (2016).

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | AIHW National Housing Assistance Data Repository as reported in table 17A.5 of the Productivity Commission Report on Government Services (SCRGSP, 2016).

Do the trends in the public housing applicant-to-dwelling ratio reflect changes in the number of applicants or changes in the number of dwellings over time? Table 17 shows that a very mild decline in the number of public housing dwellings has been taking place in every state and territory since 2015 with the exception of Tasmania, where the number of public housing dwellings has dipped by 10 per cent. Hence, the growing public housing shortage observed in states like New South Wales and the territories can be fully attributed to a rise in the number of applicants. In Tasmania, although the number of applicants on the wait list has dropped over time, the decline

in demand of 3.5 per cent has been much milder than the decline in supply of 10 per cent. In states like Queensland, Victoria and South Australia, the fall in demand has outpaced the fall in supply resulting in an overall drop in the applicant-to-dwelling ratio in these states. In Western Australia, the levels of observed demand and supply have remained more or less stagnant over time, resulting in a consistently high applicant-to-dwelling ratio of 70 per cent.

**Table 17 Number of public housing applicants and dwellings, by state and territory, per cent, 2011-2015**

	NSW	Vic	Qld	SA	WA	Tas	ACT	NT	Aus
Number of applicants on the public housing wait list ('000)									
2011	46.2	38.3	30.3	21.5	23.4	3.0	1.6	2.2	166.5
2012	53.0	36.9	24.2	20.5	22.9	2.7	1.8	2.4	164.3
2013	57.6	35.8	17.8	19.6	21.2	1.9	2.2	2.8	159.0
2014	57.8	34.6	15.0	19.5	20.0	2.2	2.3	3.1	154.6
2015	57.3	34.5	12.6	19.1	22.7	2.6	2.3	3.0	154.0
Annual rate of change 2011-2015	5.5%	-2.6%	-19.8%	-2.9%	-0.8%	-3.5%	10.4%	7.3%	-1.9%
Number of public housing dwellings ('000)									
2011	111.5	64.9	52.0	41.6	33.8	11.3	11.1	5.1	331.4
2012	112.3	64.8	51.8	40.9	33.9	11.2	11.0	5.1	330.9
2013	111.2	64.6	51.7	40.0	33.7	11.1	11.0	5.1	328.3
2014	110.8	64.5	51.4	39.4	33.5	8.4	10.8	5.0	323.8
2015	110.2	64.4	51.2	39.4	33.4	7.2	10.8	4.9	321.6
Annual rate of change 2011-2015	-0.3%	-0.2%	-0.4%	-1.4%	-0.4%	-10.6%	-0.5%	-0.7%	-0.7%

**Notes:** Data for individual states and territories are subject to variations in accuracy over time. State and territory differences also exist in regard to incomplete or missing information and coding errors. For more details on data quality, refer to SCRGSP (2016).

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | AIHW National Housing Assistance Data Repository as reported in table 17A.5 of the Productivity Commission Report on Government Services (SCRGSP, 2016).

In the Western Australian public housing sector, the number of wait list applicants and dwelling stock have both remained more or less constant over time.

It is important to note that the applicant-to-dwelling ratios reported thus far reflect only observed demand. Some low-income or special needs households may be discouraged from applying for public housing due to the length of wait times. These households are not reflected in wait list applicant numbers. Hence, the applicant-to-dwelling ratios are likely to under-represent the extent of unmet demand in the public housing sector.



# Homelessness in WA

# Homelessness in WA

In recent years, homelessness has become a growing concern in Australia as reflected in government focus on this issue. In 2008, the Federal government released a White paper on homelessness that focused on early intervention and prevention, the expansion and services, and delivery of specialist care for the long-term homeless. This was followed closely by the 2009 National Affordable Housing Agreement and its accompanying National Partnerships Agreements including the National Partnership Agreement on Homelessness.

The growing importance of homelessness as a policy issue is also reflected in more concerted efforts to count and track the homeless in recent years. The ABS has now developed formal definitions of homelessness that can be applied to the Censuses at different geographical levels. The ABS categorises homeless people into six groups comprising those who are in severely overcrowded accommodation, in supported accommodation for the homeless, in temporary accommodation with other households including family and friends, in boarding houses, rough sleepers or in other temporary lodgings (ABS, 2012). In Western Australia, government and community services agencies recently partnered with Ruah Community Services as the lead agency to survey 307 homeless individuals and 8 homeless families during Perth Registry Week in early 2016. The homeless surveyed included individuals who were sleeping rough, attending youth and adult drop-in centres, in crisis and transitional accommodation, in hospital or at soup van locations (Ruah Community Services, 2016).

The analysis in this section begins with a broad state-wide comparison of the prevalence of homelessness to gauge the extent of the issue of homelessness in Western Australia relative to other states. Next, we drill down into SA3 regions within Western Australia to shed light on the geography of homelessness within the state, in particular which regions exhibit high and low levels of homelessness<sup>1</sup>. Finally, we highlight the various complexities with homelessness including precarious health concerns and the distinctive meaning of homelessness to Indigenous persons.

## Homelessness rates and shares: WA and the rest of Australia compared

In 2011, there were 48.9 homeless persons per 10,000 persons in the population nationally, amounting to over 105,000 homeless persons in total. 39 per cent were individuals in severely overcrowded accommodation, one-fifth were in supported accommodation for the homeless, 17 per cent were in temporary accommodation with other households, another 17 per cent were in boarding houses, 6 per cent were rough sleepers and 1 per cent were in other temporary lodgings.

Following Wood et al.'s 2014 study on the spatial distribution of homelessness, we employ two key measures of homelessness in this section – the homelessness rate per 10,000 persons in each SA3 region and the region's share of national homelessness.

A comparison across states and territories in Table 18 reveals that residents of the Northern Territory have an exceptionally high exposure to homelessness. In 2001, the Northern Territory had 904 homeless persons per 10,000 population, almost 18

<sup>1</sup> We would like to thank Gavin Wood, Deb Batterham, Melek Cigdem and Shelley Mallett for providing the homelessness estimates reported in this section. The estimates were generated from the 2001 and 2011 Census under funding from the Australian Housing and Urban Research Institute (AHURI).

times the national rate. Although the homelessness rate in the Northern Territory had declined to 731 homeless persons per 10,000 population by 2011, this was still 15 times the national rate. The Australian Capital Territory, Queensland and Western Australia followed far behind in second to fourth positions in terms of vulnerability to homelessness at 40 to 50 homeless persons per 10,000 in the state in 2011. In South Australia and Tasmania, two states with less expensive housing markets, the homelessness rate was quite low at less than 40 homeless persons per 10,000 population.

Between 2001 and 2011, some states and territories have become more vulnerable to homelessness while others have become less vulnerable. In Western Australia, Queensland, South Australia and Northern Territory, homelessness rates fell between 2001 and 2011. On the other hand, New South Wales, Victoria, Tasmania and the Australian Capital Territory have all experienced rising rates of homelessness.

In 2011, the Northern Territory was the most vulnerable to homelessness, followed by Australian Capital Territory, Queensland and Western Australia.

**Table 18** Rate of homelessness per 10,000 population and count of homelessness, by state and territory, 2001 and 2011

State or territory	2001		2011	
	Rate per 10,000 persons	Count	Rate per 10,000 persons	Count
NSW	36.4	23,041	40.8	28,190
Vic	38.9	18,154	42.6	22,789
Qld	54.8	19,316	45.8	19,838
SA	39.8	5,844	37.5	5,985
WA	53.6	9,799	42.8	9,592
Tas	27.5	1,264	31.9	1,579
ACT	30.4	16,948	50.0	15,479
NT	904.4	943	730.7	1,785
Aus	50.8	95,314	48.9	105,237

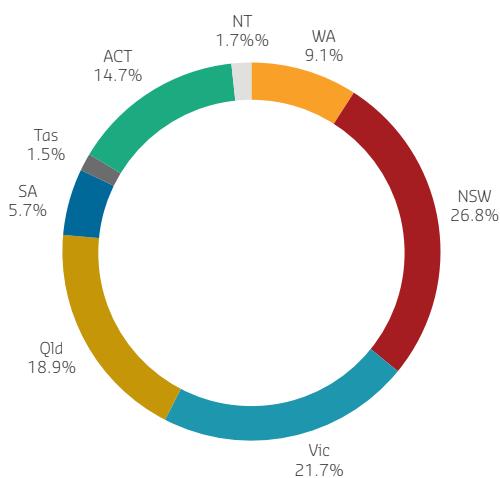
Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) as reported in Wood et al. (2014).

In 2011, New South Wales had the highest share of national homelessness, accounting for one-quarter of the nation's homeless persons (see Figure 13). This is followed by Victoria and Queensland, each of which made up around one-fifth of the share of national homelessness. Western Australia accounted for around 10 per cent of the nation's homeless count in 2011. Despite the Northern Territory's heightened exposure to homelessness as measured by its homelessness rate per 10,000 population in the territory, it contributed less than 2 per cent of Australia's homeless in 2011. While not shown in the figure, the shares of national homelessness made up by each state and territory remained very similar between 2001 and 2011.

Western Australia accounted for around 10 per cent of the nation's homeless count in both 2001 and 2011, after New South Wales, Victoria and Queensland.

Those living in the West Australian Outback are significantly more exposed to homelessness than those living in the metropolitan regions.

**Figure 13 Share of national homelessness for each state and territory, 2011, per cent**



Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

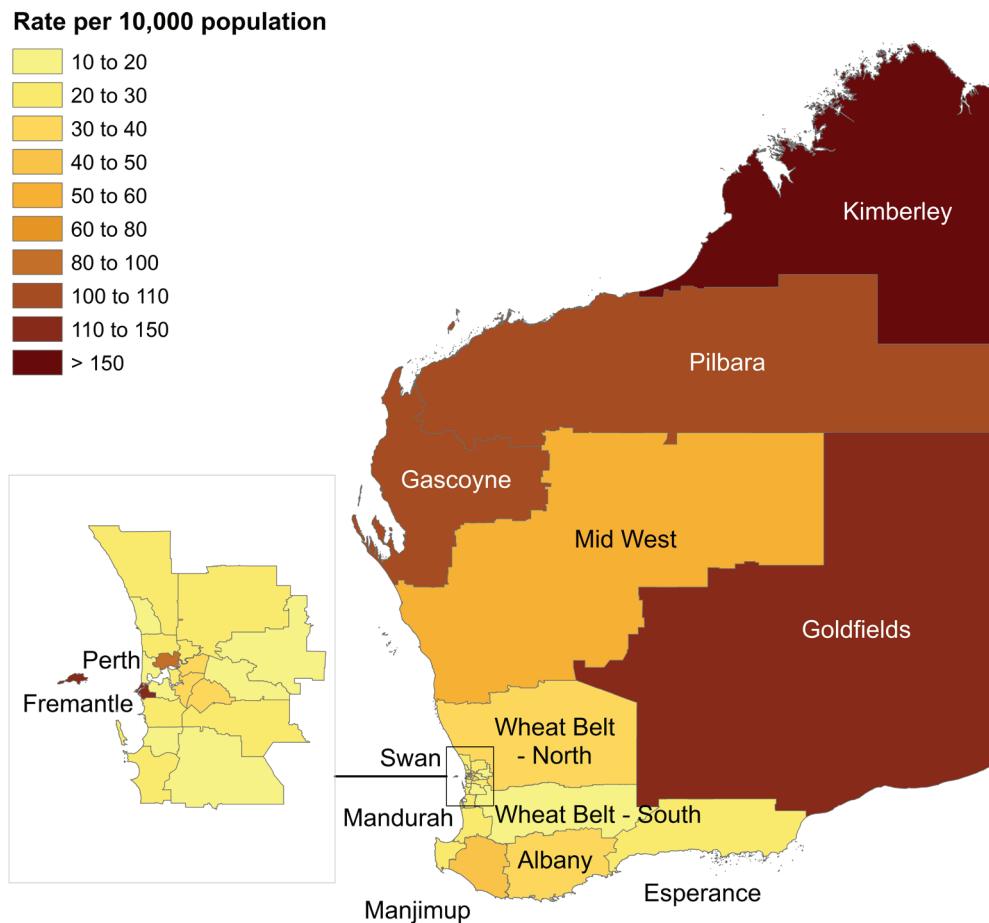
## The geography of homelessness in Western Australia

Within Western Australia, there exists significant intra-state variations across regions. Figure 14 graphically illustrates SA3 regions in Western Australia according to the rate of homelessness per 10,000 population in 2011 and Table 19 ranks the top 10 SA3 regions in the state with the highest rates of homelessness. It is clear that those living in the West Australian Outback have significantly higher exposure to homelessness than those living in the metropolitan regions.

The Kimberley region stands out as the location with the highest rate of homelessness within the state. At 385.8 homeless persons per 10,000 population, the Kimberley was almost three times as vulnerable to homelessness as the second ranked Goldfields region in 2011. The Fremantle ranked third in terms of vulnerability to homelessness, but it was the only metropolitan region in the top five SA3 regions experiencing high homelessness rates in 2011. The Gascoyne and Pilbara regions rounded up the top five with 103 homeless persons per 10,000 population each.

Homelessness is highly spatially concentrated within Western Australia. As shown in Figure 15 and Table 19, the Western Australian Outback is the dominant contributor to homelessness in Western Australia, with the Kimberley region making up 20 per cent of the share of homelessness in the state. This is followed by inner Perth accounting for 9.6 per cent of the state's homeless, Pilbara (8.6 per cent), Goldfields (6.6 per cent) and Stirling (4.4 per cent). In 2011, these five regions with the highest share of homelessness accounted for almost half of the state's homeless. Hence, 1 out of 2 homeless West Australians in 2011 could be found in just five regions within the state.

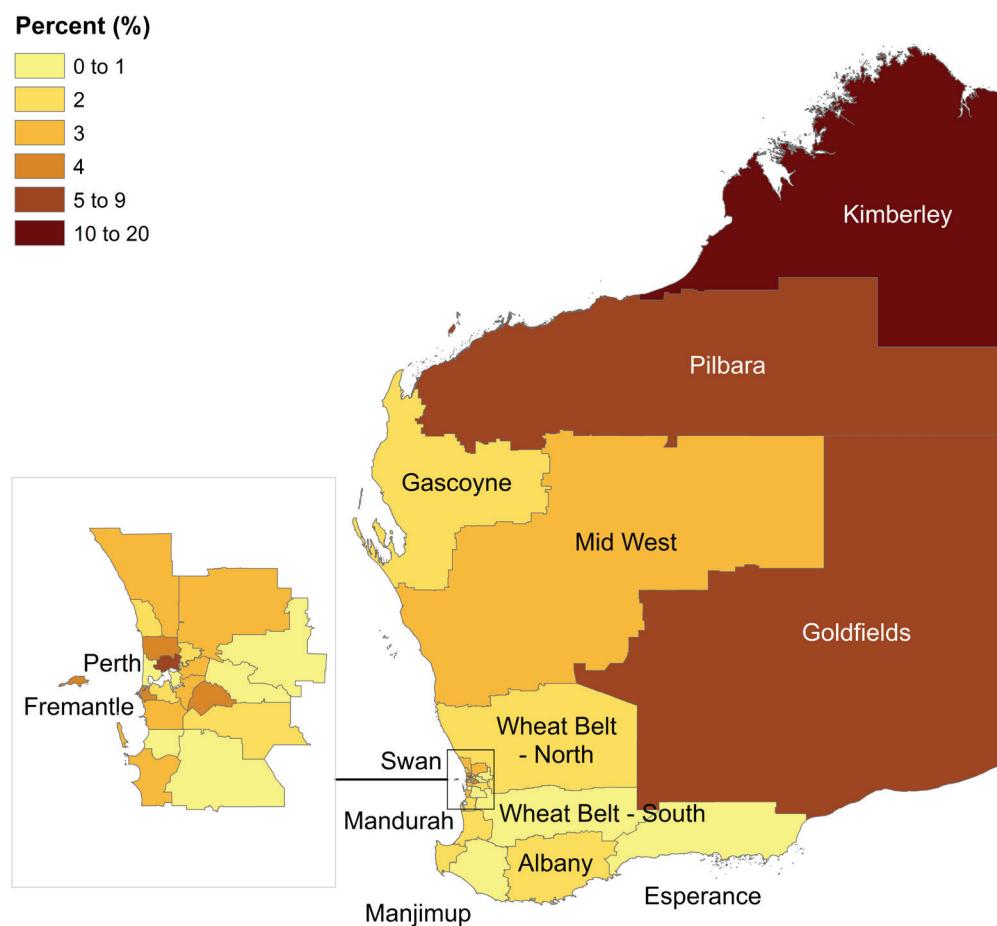
The Kimberley region has the highest rate of homelessness within Western Australia at 385.8 homeless persons per 10,000 population.

**Figure 14** Rate of homelessness per 10,000 population, SA3 regions in Western Australia: 2011

Homelessness is highly spatially concentrated in Western Australia, with the Kimberley, Perth city, Pilbara, Goldfields and Stirling accounting for almost half the state's homeless persons.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

**Figure 15 Share of the state's homelessness, SA3 regions in Western Australia, 2011, per cent**



Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

**Table 19** Top 10 SA3 regions in Western Australia with the highest rates and shares of homelessness, 2011

Rank	SA3 region	Rate of homelessness per 10,000 persons		Share of homelessness in WA	
		Homeless persons per 10,000 population	Rank	SA3 region	Per cent
1	Kimberley	385.8	1	Kimberley	19.6%
2	Goldfields	137.5	2	Perth City	9.4%
3	Fremantle	112.8	3	Pilbara	8.6%
4	Gascoyne	103.9	4	Goldfields	6.6%
5	Pilbara	103.3	5	Stirling	4.4%
6	Perth City	93.4	6	Gosnells	4.4%
7	Mid West	57.4	7	Fremantle	4.1%
8	Manjimup	44.9	8	Mid West	3.4%
9	Gosnells	39.9	9	Wanneroo	3.2%
10	Belmont - Victoria Park	38.2	10	Swan	3.0%

Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

Homelessness is highly spatially concentrated in Western Australia, with the Kimberley, Perth City, Pilbara, Goldfields and Stirling accounting for almost half the state's homeless persons.

While the Outback has the highest rate of homelessness, its vulnerability to homelessness has declined over time. Figure 16 shows areas in which the rates of homelessness in Australia have been declining (blue) and areas in which they have been increasing (red). Pockets of the Perth metropolitan area and the southern coast (Albany) have become more exposed to homelessness. However, it is clear that in most regions, a decline in homelessness took place between 2001 and 2011.

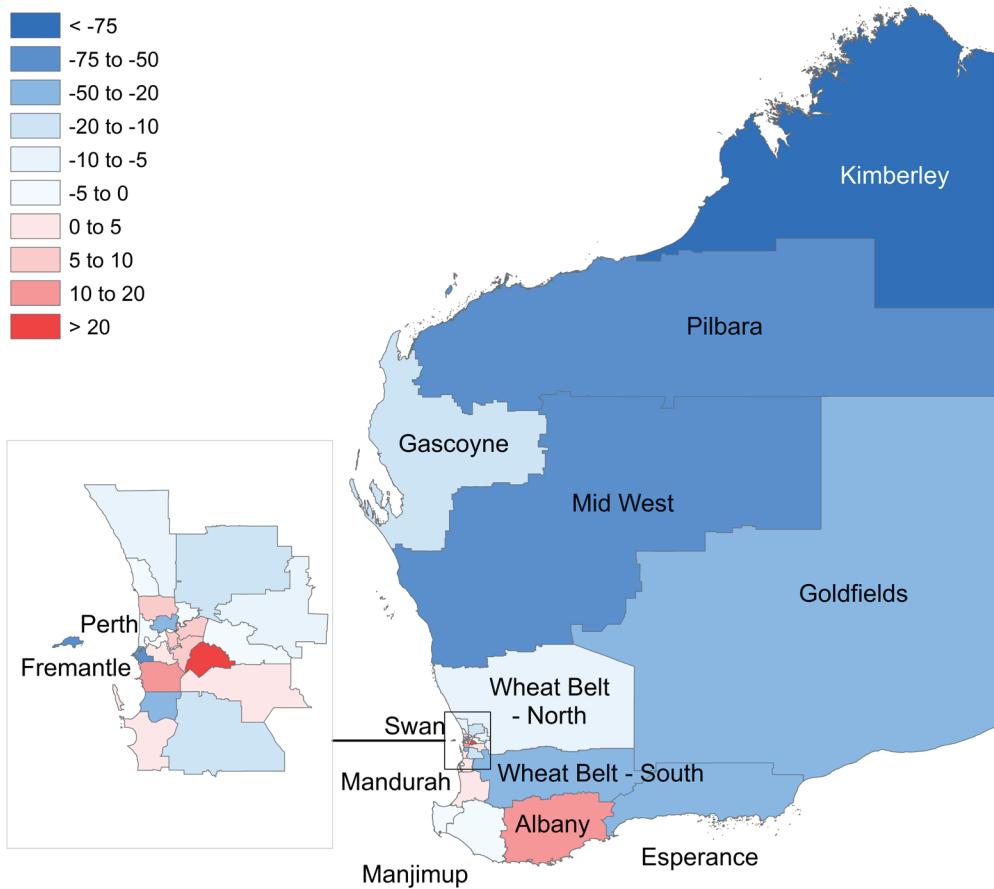
While the Outback accounts for the largest share of homelessness in Western Australia, its share has been declining over time as well. Figure 17 tracks the change in the share of homelessness in Western Australia between 2001 and 2011. In 2001, the Outback – comprising Pilbara, Mid West, Kimberley, Goldfields, Esperance and Gascoyne – accounted for over 50 per cent of the state's homelessness. By 2011, its share had declined to 40 per cent. On the other hand, the share of homelessness accounted for by metropolitan Perth regions has been growing over time.

The share of the state's homelessness accounted for by the Outback has declined between 2001 and 2011 while the share of homelessness accounted for by metropolitan areas increased over this period.

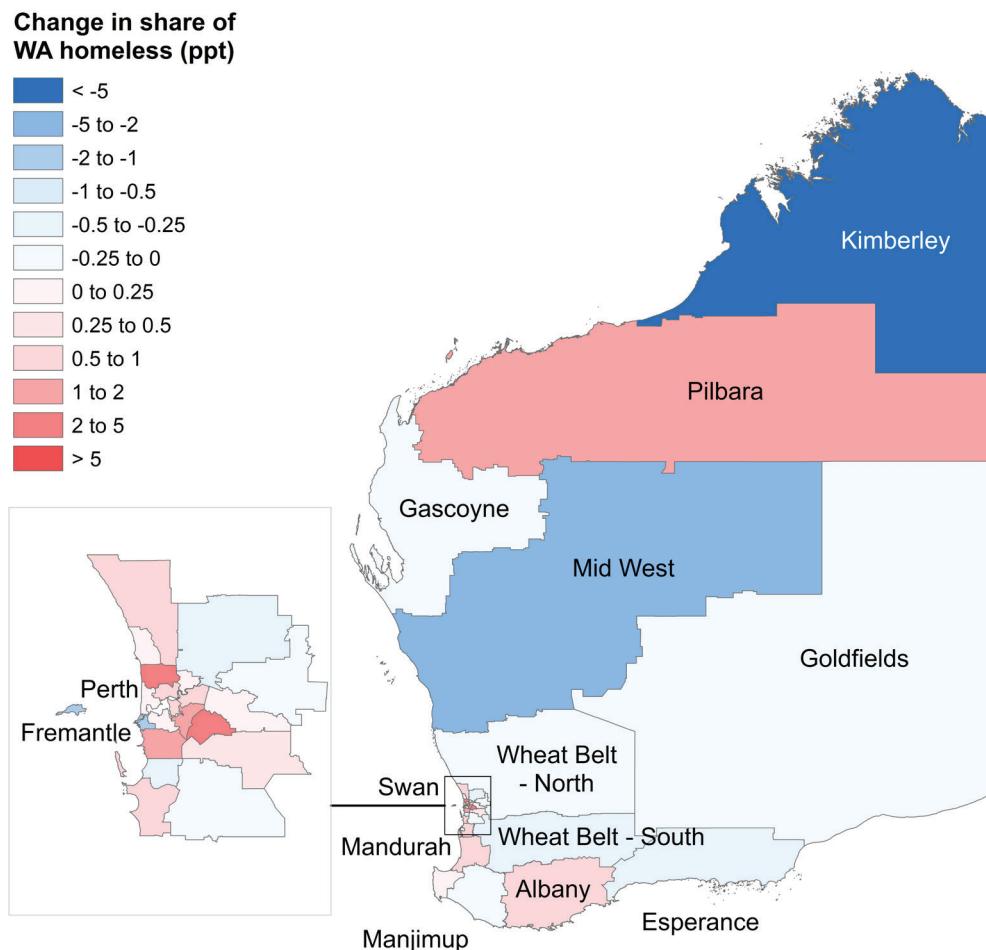
**Figure 16** Change in the rate of homelessness in Western Australia per 10,000 population, SA3 regions: 2001 and 2011

**Difference in  
rate per 10,000 population**

- < -75
- 75 to -50
- 50 to -20
- 20 to -10
- 10 to -5
- 5 to 0
- 0 to 5
- 5 to 10
- 10 to 20
- > 20



Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

**Figure 17** Change in the share of homelessness in Western Australia, SA3 regions: 2001 and 2011

The share of the state's homelessness accounted for by the Outback has declined between 2001 and 2011 while the share of homelessness accounted for by metropolitan areas increased over this period.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Estimates from ABS (2012) by Wood et al. (2014).

Thus far, our investigations into homelessness have drawn on ABS concepts and measures to analyse interstate and intrastate variations in homelessness. However, it is important to point out that homelessness is a multifaceted phenomenon driven by range of drivers. Hence, to be effective, policies and programs that aim to tackle homelessness will need to take into account its associated complexities, of which two are highlighted in the remainder of this section.

Indigenous homelessness is associated with a sense of loss of control, or legitimacy in, the public space in which an Indigenous person resides.

## Indigenous versus mainstream homelessness

While the ABS concepts and measures serve as a useful mainstream approach to defining homelessness in Western Australia and nationally, it is important to note that a mainstream approach does not readily apply to Indigenous Australians. Memmott et al. (2003) point out that Indigenous homelessness is not necessarily defined as a lack of accommodation but more so an Indigenous person's loss of his or her sense of control over, or legitimacy in, the public space where s/he resides. Hence, the study proposes that Indigenous homelessness may be classified into three broad categories.

The first group proposed by Memmott et al. (2003) refers to Indigenous public place dwellers who may wish to return home but are forced to remain in an urban area out of the need to access a service for oneself or a loved one, or a lack of resources or capacity to arrange the travel home.

The second group comprises Indigenous individuals who are at risk of homelessness. They include persons living in low-quality housing that may be unhealthy or unsafe, experiencing crowded housing that is generating considerable stress, and dysfunctionally mobile persons who are frequently moving due to personal or social problems such as violence, alcohol abuse, or safety concerns.

Thirdly, the Indigenous concept of 'home' is closely linked with the concept of place (rather than a building) associated with country and culture. Hence, Indigenous persons can experience spiritual homelessness due to separation from their traditional land or kinship networks.

## Homelessness and precarious health

A second complexity is that homelessness is not an isolated phenomenon. It is driven, and coexists with a range of confounding factors relating to the area a person is living in, as well as his or her personal and social predicaments.

Wood et al.'s (2015) study on the structural drivers of homelessness has found that the demographic profile of an area is closely linked to its homelessness rate. Areas with higher proportions of men, sole parents and Indigenous persons, as well as greater income inequality, have higher homelessness rates.

However, surprisingly, the study pointed out that the relationships between housing markets, labour markets and homelessness in an area are not straightforward.

The study found that areas with more affordable housing relative to demand and low unemployment rates are associated with higher rates of homelessness. This finding is counterintuitive. However, Wood et al. (2015) puts forward various possible explanations. The first is the need to make a distinction between those who are at risk of homelessness versus those who actually become homeless. The study points out that in areas with high unemployment rates, rents are typically lower. Hence, while there is a larger pool of people in these areas who are at risk of homelessness, only a small number may actually become homeless. On the other hand, in areas with low unemployment rates, rents are typically higher. Hence, while areas like these tend to have a smaller population at risk of homelessness, a higher number are more likely to actually become homeless.

Finally, homelessness is driven and prolonged by a range of health and psychosocial concerns that affect a person's mental and physical wellbeing. The 2016 Perth Registry Week survey found that 71.3 per cent of the homeless respondents had at least one serious health issue in addition to having been homeless for six months or more. Many had complex health needs and had presented at the accident and emergency department of hospitals in the last six months. These health conditions are likely to be exacerbated by their homeless state, and range from mental to physical. The survey also uncovered the vulnerability of homeless persons to violence, threats, attacks and trauma. In addition, many homeless people are also mired in legal matters that require frequent interactions with the justice system. Hence, the multiplicity of issues that homeless people face significantly increases their risk of death if accommodation is not found for them (Ruah Community Services, 2016).

The multiplicity of issues that homeless people face significantly increases their risk of death if accommodation is not found for them.



# Location, location, location...

# Location, location, location...

Location is one of the most important factors which households consider when purchasing or renting a dwelling. In this section we update a set of spatial analyses from our 2014 report. In particular, using REIWA (2015) data from the fourth quarter of 2015 we seek to examine the following. First, for a household who can only afford to use up to 30 per cent of their annual income to service a mortgage on an established house what would be the annual income required to purchase a house in the suburbs across Perth. Our second analysis can be thought of as inverting the first: What proportion of household income would one need to apportion in order to pay for house in the suburbs across Perth. The section ends with some examples of the capacity of key workers in essential occupations (for example, in health, education and the police service) to rent in different suburbs of Perth.

## Capacity to buy, a spatial picture

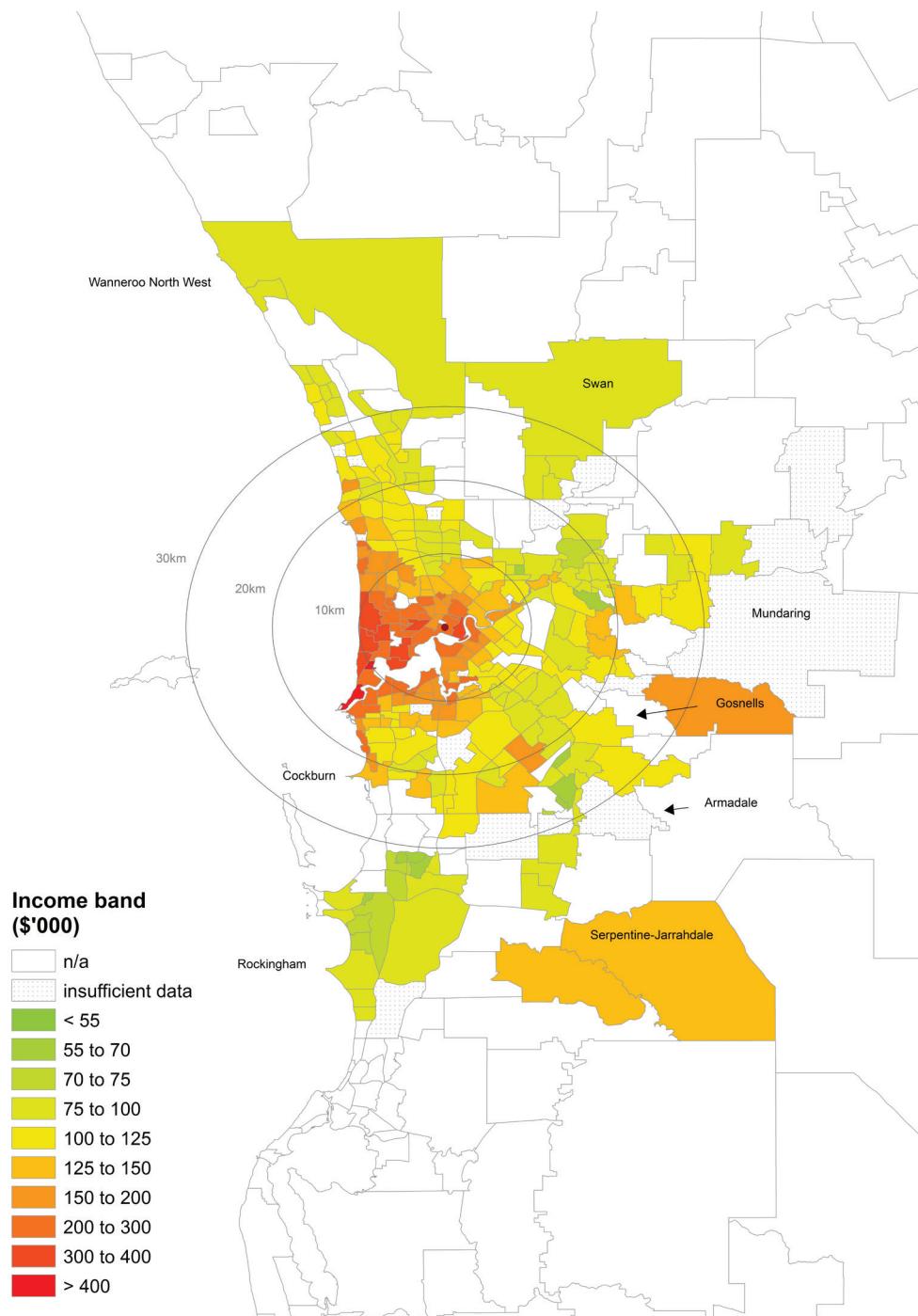
We begin by updating the analysis from the last report and examine the capacity of Western Australian's to service a mortgage using 30 per cent of their income to pay for their housing costs. As before we ask the question: What income would a household need to be earning to be able to afford a three bedroom house priced at the median level in locations across the Perth metropolitan area?

Figure 18 illustrates the gross income required to afford a median three bedroom house. Gradients in shades of green to red are used to show the income band required to maintain mortgage repayments for a purchase of a three-bedroom house. As expected, properties within the 10km ring of Perth CBD and along the coast attract higher purchase prices, implying that a higher level of income is needed to service a mortgage on these properties.

When compared to the findings from the previous report, several suburbs have become relatively more affordable.

For example, in 2013 an annual income of \$329,880 was required to service a mortgage on a property in Coolbina. The most recent analysis "using data from" 2015 found that the income required has decreased by \$112,924 to a gross income of \$216,956 per annum. A similar outcome of purchase of a three-bedroom home in Coolbinia occurred in Peppermint Grove where an annual income of \$767,113 was required in 2013. However, by 2015, it had decreased by over \$150,000/year to \$615,032. Other examples of suburbs which have become more affordable include Mindarie and Leederville where an annual income of \$115,179 (reduction of \$107,351) and \$165,947 (reduction of \$100,194), respectively, were required to service repayments in 2015.

Properties did not become more affordable in a uniform pattern and in some cases, suburbs became less affordable. For example, in the suburbs of North Fremantle, Burswood and Bicton the annual income required to purchase a three bedroom house has increased by more than \$100,000 a year since 2013.

**Figure 18** Gross household income required to afford median house: by Perth metropolitan suburb, 2015 prices

**Notes:** Affordability is based on the income required to service a standard mortgage to purchase the median house in each sub-region, committing 30 per cent of income to cover repayments, using standard assumptions regarding deposit, interest rate and mortgage term.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Author's calculations from ABS Census 2011 and REWA (2015).

To understand affordability at a more localised level, Figure 19 and Figure 20 look at the capacity of two segments of the population – median and lower income households – to enter the home ownership market.

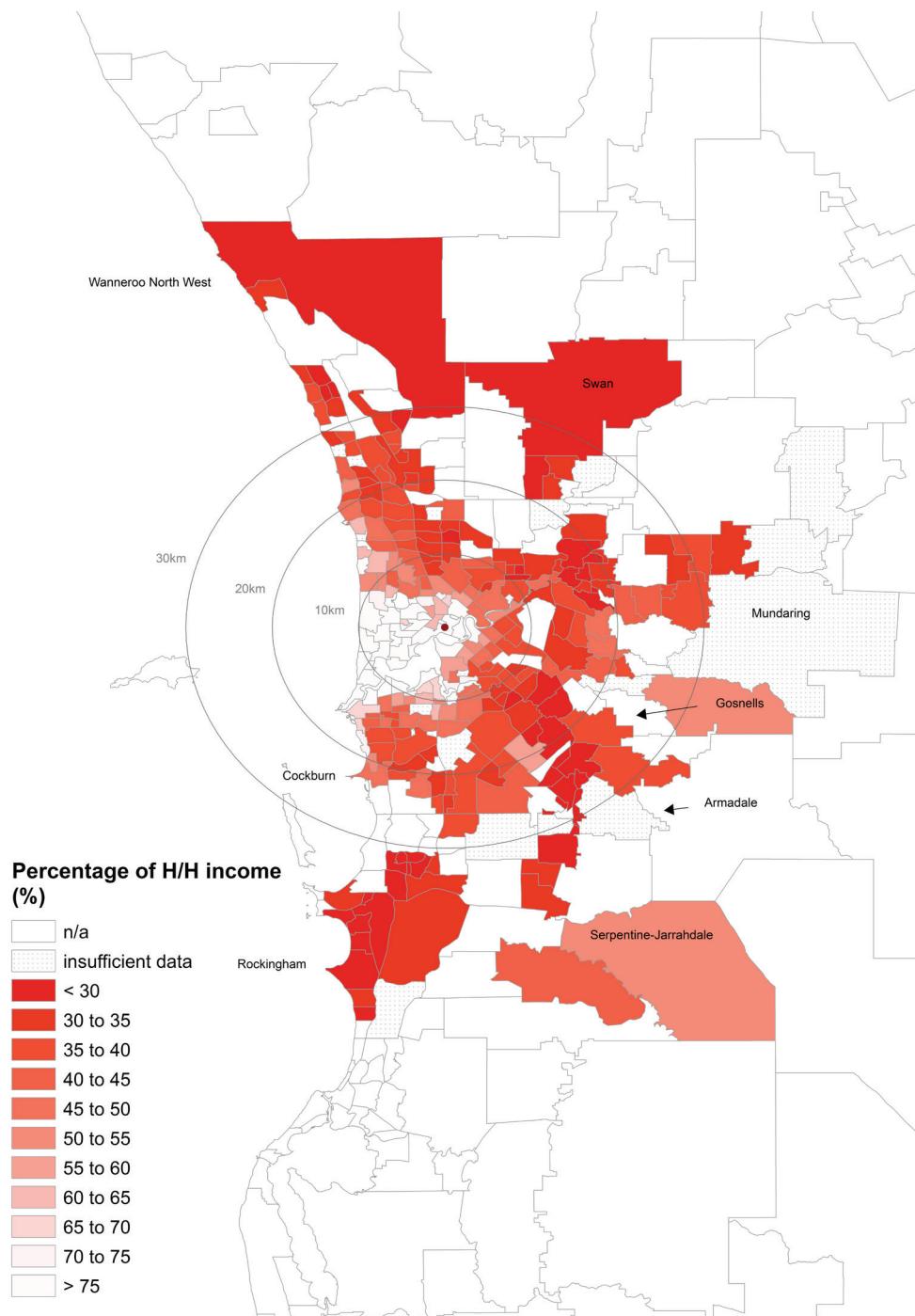
We first consider a household with a median level of income looking to buy a three-bedroom established house in the Perth metropolitan region within the median price range. Figure 19 shows the capacity for median income households to purchase a three-bedroom house by indicating the proportion of income that needs to be devoted to service the mortgage repayments of the house. The same assumptions remained from the previous housing affordability report where households were required to provide a 10 per cent down payment, the mortgage was over a 25 year term and the rate of interest was 5.5 per cent. Darker shades indicate a lower housing cost burdens on the household, for example less than 30 per cent of annual income required to service the repayments. On the other hand, progressively lighter shades of red indicate a much higher percentage of income committed to servicing the mortgage and therefore a higher cost burden.

Figure 19 illustrates that, with the exception of the inner city and coastal suburbs, many suburbs are affordable to households on a median income. Within the Perth metropolitan area there are 43 suburbs that are affordable for median income households contributing up to 30 per cent of their annual income to their housing costs. These suburbs include Helena Valley, Parmelia and Orelia. Indeed, there are several suburbs within the 10km ring that are affordable with less than 40 per cent of income devoted to repayments. If a household's budget can be stretched to contribute up to 40 per cent of income to serving a house, then suburbs such as Morley, Wilson and Bassendean are within reach. The picture accords with our expectations.

We now consider the capacity for a lower income band household to purchase a dwelling within the Perth metropolitan region. As was the case in our previous report, we believe it is more realistic for lower income earners to look to own a house at the lower quartile price range.

Figure 20 highlights the restricted choice of affordable housing in metropolitan Perth, with only one suburb, Hillman, in the Rockingham area, at the lower quartile price being affordable to a low income earner using 30 per cent of their salary to service the mortgage. As was the case in the previous report, many sub-markets within the Perth metropolitan region were unaffordable for lower income households.

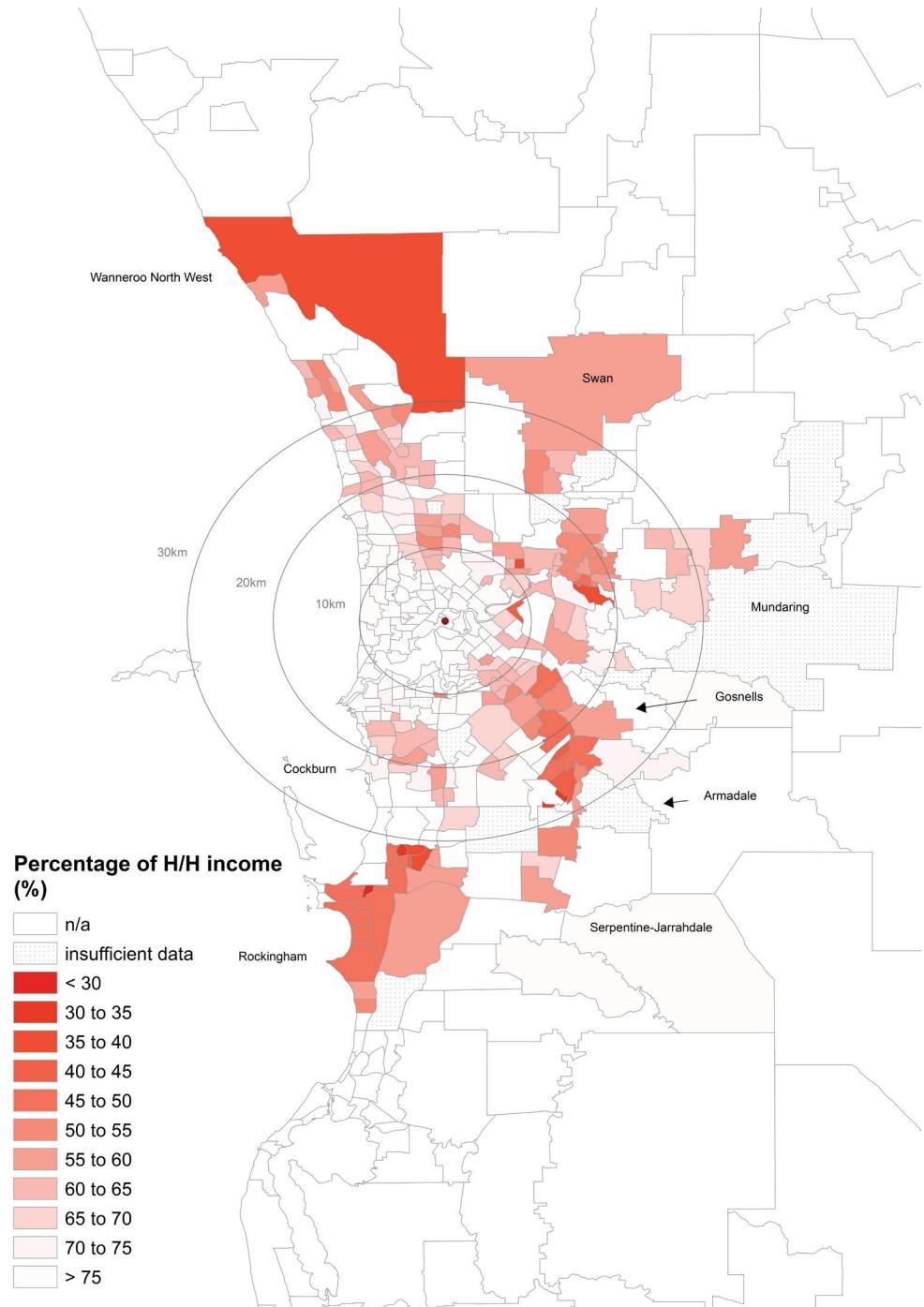
The analysis shows that the changes to the housing market between December 2013 and December 2015 have benefited some, but not all home purchasers. For households on median incomes, there has been an increase in the number of suburbs in which they can purchase an affordable dwelling. By contrast, the change has not benefited those on lower incomes and they to continue to have a limited number of suburbs in which they can affordably purchase a house.

**Figure 19 Capacity to pay for median house by median income households: by WA suburb**

**Notes:** Prices are for 2015Q4. Capacity to pay is calculated as the proportion of median income in each sub-region required to service a standard mortgage to buy the median house in that sub-region, using standard assumptions regarding deposit, interest rate and term.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Author's calculations from ABS Census 2011 and REWA (2015).

**Figure 20 Capacity to pay for lower quartile house by LQ income households: by WA suburb**



**Notes:** Prices are for 2015Q4. Capacity to pay is calculated as the proportion of lower quartile income in each sub-region required to service a standard mortgage to buy the lower quartile house in that sub-region, using standard assumptions regarding deposit, interest rate and term.

**Source:** KWEST CURTIN ECONOMICS CENTRE | Author's calculations from ABS Census 2011 and REIWA (2015).

## Access to affordable rentals – spatial trade-offs for key workers

Key workers are those employed in occupations which provide essential services to all Australian's including teachers, nurses, police and ambulance officers and those in fire and emergency services. In this section we consider the affordability of housing for key public sector workers in 2015 and compare the outcomes to the findings from our 2014 report, which looked at 2013 data. The latest salary scales for key workers were obtained from state government departments and are used with REIWA's December quarter 2015 rental price data for a range of dwelling types. In doing so, we are able to identify sub-regional housing markets that are affordable to key workers in the Perth metropolitan region.

For most key workers, a shift towards more favourable rental conditions over the last two years has increased the number of submarkets within which key workers can rent an affordable dwelling (Table 20). For example, using the income and December quarter rental price data from 2013, a firefighter with an income of \$89,500 a year could only afford to rent a three-bedroom unit in suburbs within the sub-markets of Wanneroo North West, Kalamunda, Swan, Armadale, Gosnells, and Rockingham (Cassells et al., 2014). Two years later, a firefighter on the same classification wishing to rent the same dwelling can consider 13 more housing sub-markets, including locations closer to the CBD such as South Perth, Victoria Park and Stirling and still be able to enter into an affordable lease.

Similarly, there was an increase in the number of housing sub-markets available to a registered nurse or midwife on Level 1.6 wishing to rent a one or two-bedroom house in the Perth metropolitan area. In 2013, this key worker had a choice of only 13 affordable sub-markets (Cassells et al., 2014) while in 2015, the number had increased to 22 sub-markets. Moreover, there are no sub-markets within the Perth Metropolitan area which, considering income and lower quartile rental price, are unaffordable. Also, an ambulance officer looking to rent a 1-2 bedroom house at the median price range also has all the options available to him/her, including those in Perth City. It is a comparable picture for the other key workers where, as shown in Table 20, compared to two years ago, there are many more available sub-markets in the affordable column and far fewer in the partially/selectively affordable and unaffordable columns. Those suburbs which are largely unaffordable to Perth key workers have not changed substantially since the 2014 report, including Perth City and Western Suburbs (Cassells et al., 2014).

While most key workers have seen an increase in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage.

Table 20 shows that an individual on the adult award wage of \$34,200 a year cannot afford to rent a one-bedroom unit in the Perth metropolitan area, despite targeting the lower quartile of the market. This finding is consistent with the outcomes in the previous report and demonstrates that although changes to the rental market have benefited many, it has not changed the availability of affordable housing options for all.

While most key workers have seen an increase in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage.

**Table 20 Affordable rental sub-regions for key workers in Western Australia**

Key worker at selected experience level	Gross annual income	Target rental property	Sub-markets where suburbs are affordable	Comparison with 2013 (number of sub-markets)
Adult award wage holder	\$34,200	1 bedroom unit, Lower quartile price	None	0 in 2015, 0 in 2013, Difference of 0
Police officer, 3rd year of service	\$73,000	2 bedroom unit, Median price	Bassendean/Bayswater, Belmont, Canning, Fremantle, Melville, South Perth/Victoria Park, Stirling East, Stirling West, Joondalup North, Wanneroo North West, Mundaring, Swan, Armadale, Gosnells, Cockburn, Kwinana, Rockingham	17 in 2015, 8 in 2013, Increase of 9
Registered nurse/midwife, Level 1.6	\$77,600	1-2 bedroom house, Lower quartile price	Bassendean/Bayswater, Belmont, Canning, Fremantle, Melville, Perth City, South Perth/Victoria Park, Stirling East, Stirling West, Vincent/Stirling SE, Western Suburbs, Joondalup North, Joondalup South, Wanneroo North East, Wanneroo North West, Kalamunda, Swan, Armadale, Gosnells, Cockburn, Kwinana, Rockingham	22 in 2015, 13 in 2013, Increase of 9
Firefighter, 1st class	\$89,500	3 bedroom unit, Median price	Bassendean/Bayswater, Belmont, Canning, Melville, South Perth/Victoria Park, Stirling East, Stirling West, Vincent/Stirling SE, Joondalup North, Joondalup South, Wanneroo North West, Wanneroo South, Kalamunda, Swan, Armadale, Gosnells, Cockburn, Kwinana, Rockingham	19 in 2015, 6 in 2013, Increase of 13
Ambulance officer, St John Ambulance Paramedic – AP1	\$94,800	1-2 bedroom house, Median price	Bassendean/Bayswater, Belmont, Canning, Fremantle, Melville, Perth City, South Perth/Victoria Park, Stirling East, Stirling West, Vincent/Stirling SE, Western Suburbs, Joondalup North, Joondalup South, Wanneroo North East, Wanneroo North West, Kalamunda, Swan, Armadale, Gosnells, Cockburn, Kwinana, Rockingham	22 in 2015, 18 in 2013, Increase of 4
Teacher, Senior	\$101,900	3 bedroom house, Upper quartile price	Bassendean/Bayswater, Belmont, Canning, Stirling East, Joondalup North, Joondalup South, Wanneroo North East, Wanneroo North West, Wanneroo South, Kalamunda, Mundaring, Swan, Armadale, Gosnells, Serpentine-Jarrahdale, Cockburn, Kwinana, Rockingham	18 in 2015, 18 in 2013, Difference of 0

**Notes:** Based on rental transactions in the Perth Planning Region for the fourth quarter 2015 period. Volumes less than 3 transactions are not used. Assume 30 per cent of weekly income is the maximum available for rental commitment.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from REWA (2015).

Sub-markets where suburbs are partially/selectively affordable	Comparison with 2013 (number of sub-markets)	Sub-markets where suburbs are unaffordable	Comparison with 2013 (number of sub-markets)
None	0 in 2015, 0 in 2013, Difference of 0	Bassendean/Bayswater, Belmont, Canning, Fremantle, Melville, Perth City, South Perth/Victoria Park, Stirling East, Stirling West, Vincent/Stirling SE, Western Suburbs, Joondalup North, Joondalup South, Wanneroo North West, Cockburn	15 in 2015, 17 in 2013, Decrease of 2
Vincent/Stirling SE, Western Suburbs	2 in 2015, 9 in 2013, Decrease of 7	Perth City, Joondalup South	2 in 2015, 3 in 2013, Decrease of 1
None	0 in 2015, 7 in 2013, Decrease of 7	None	0 in 2015, 1 in 2013, Decrease of 1
Fremantle, Western Suburbs	2 in 2015, 10 in 2013, Decrease of 8	Perth City	1 in 2015, 6 in 2013, Decrease of 5
None	0 in 2015, 2 in 2013, Decrease of 2	None	0 in 2015, 1 in 2013, Decrease of 1
Fremantle, Melville, Perth City, South Perth/Victoria Park, Stirling West, Vincent/Stirling SE	6 in 2015, 4 in 2013, Increase of 2	Western Suburbs	1 in 2015, 3 in 2013, Decrease of 2



# The BCEC

Housing Affordability Survey 2015:  
key findings from WA

# The BCEC Housing Affordability Survey 2015: Key findings from WA

## The 2013 and 2015 BCEC Housing Affordability Surveys

In 2013, the Bankwest Curtin Economics Centre (BCEC) commissioned its first housing affordability survey which was designed to shed light on the wider effects of high housing costs in WA and to learn from the personal housing stories of Western Australian families. 1,458 individuals responded to the survey in 2013, providing a rich bank of data on WA-specific experiences of housing affordability in that year.

The 2015 BCEC Housing Affordability Survey provides a timely follow-up survey on the housing costs of Western Australian families given recent changes in house prices and trends. Like its predecessor, the 2015 survey was administered online and open to anyone living in WA. Hence, it is able to shed light on whether and how housing affordability experiences have changed in WA since 2013, using the 2013 survey (see Cassells et al 2014) as the base for identify changes over time. Importantly, the scope of the 2015 survey has been expanded to include Queensland and New South Wales (NSW) in 2015, permitting comparisons of the affordability position of West Australians relative to two other states.

The 2015 survey sought to collect a representative sample by location (metropolitan and rest of state), age and income. To do this the survey was circulated through panel data companies. The survey was also promoted through a variety of additional sources<sup>2</sup>, primarily in Western Australia to maximise responses for the general analysis, and was made available to the public from early November 2015 to mid-December 2015. Overall, 4,357 responses were received, including 1,829 in WA.

## Demographic profile of WA respondents

Overall, the demographic profile of the Survey sample was broadly representative of the state's population profile. A majority of Western Australian respondents lived in the metropolitan region and the age profile of the survey respondents also reflected the state's age profile, although there was a slight under-representation in the group aged 65 and over.

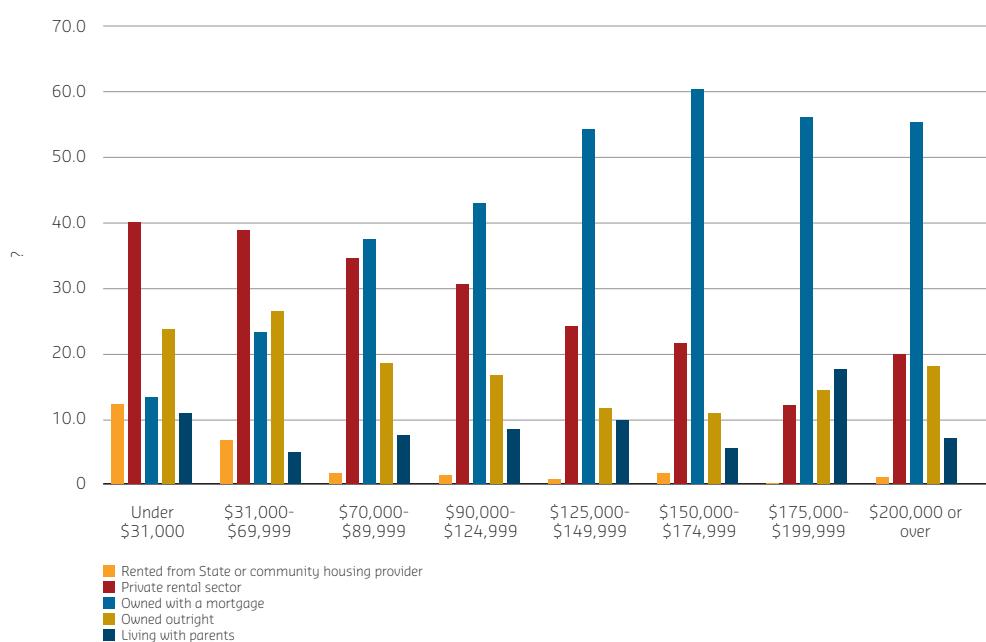
A third of all WA respondents were renting in the private rental sector, a further third owned their properties with a mortgage and 19 per cent owned their homes outright. Less than ten per cent of respondents were living at home with their parents or renting from a state or community housing provider. The survey does have an over-representation of private renters in comparison to owner purchasers, to be expected given the comparative affordability issues of the two groups.

The survey asked for respondents to indicate their income bands. 15 per cent of all WA respondents had an annual income below \$31,000, a quarter had incomes between \$31,000 and \$70,000 per year and a third had incomes between \$70,000 and \$124,999. As shown in Figure 21, the incidence of private renting is higher in low to moderate income brackets, while home ownership with a mortgage is the dominant tenure in those income categories above \$125,000 a year. Significant proportions of those on low incomes are outright owners. This is indicative of the financial position of retired households who have stopped working but have also paid off their mortgage debt.

<sup>2</sup> We would like to thank the following organisations for helping to promote/distribute the survey: Real Estate Institute of WA, Real Estate Institute of Queensland, Foundation housing, WA Housing Authority, Shelter WA, the Department of Regional Development, UWA student guild, Post graduate Association at the University of Sydney, the Wheatbelt Development Commission, WACOSS.

Variations in housing tenure status also existed across different household types. Over half of couples with children occupied homes with a mortgage (53 per cent) while single parents with children were most likely to be residing in the private rental sector (57 per cent). Retired households were most likely to own their properties outright (66 per cent), although 15 per cent were still servicing a mortgage on their property and a further 10 per cent were in the private rental sector. This reflects a change to the traditional housing pathway where households would have paid off their mortgage loans and become outright owners by the time they enter retirement. As confirmed in a previous BCEC report on household savings and debt, nationally there has been evidence of growing mortgage indebtedness among home owners in their 50s since the 1990s (Cassells et al., 2015).

**Figure 21** Distribution of housing tenure by household income band, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

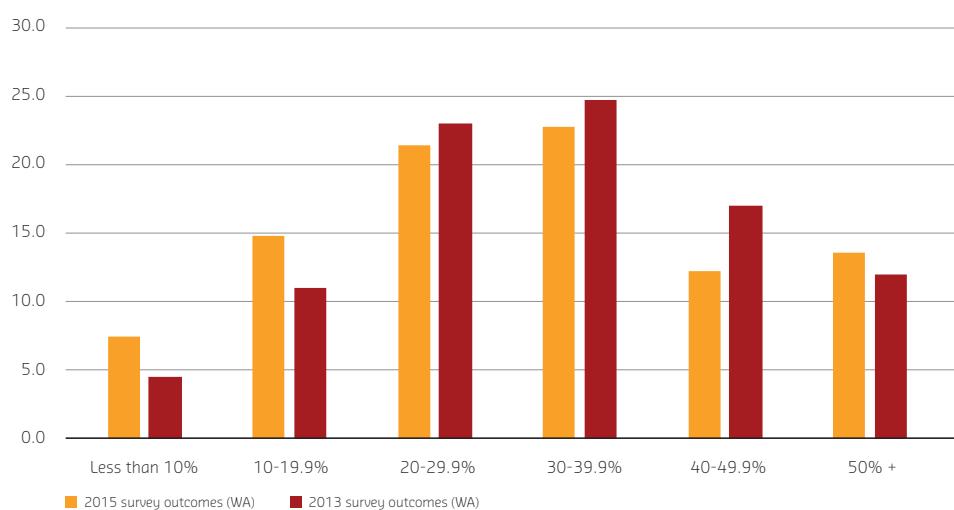
Almost half of all respondents from WA spent more than 30 per cent of their income on housing costs with a quarter spending more than 40 per cent.

83 per cent of households with incomes between \$31,000 and \$70,000 per year paid over 30 per cent of their income in housing costs and 29 per cent paid over 50 per cent.

## Housing costs and self-assessed financial situation

The survey asked respondents to estimate the proportion of their gross income spent on mortgage or rental costs. Figure 22 shows that almost half of all respondents from WA spent more than 30 per cent of their income on housing costs with a quarter spending more than 40 per cent. The housing cost burden of those on low to moderate incomes is even more severe. 83 per cent of households with incomes between \$31,000 and \$70,000 per year paid over 30 per cent of their income in housing costs and 29 per cent paid over 50 per cent. However, a comparison of the 2013 and 2015 surveys reveals that the housing cost burden of households paying rents or mortgages in WA have reduced over the two years, largely due to a sustained drop in rents and house prices over this period in many areas within the state.

**Figure 22** Self-assessed housing cost burdens, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015 and Cassells et al., (2014).

The distribution of housing cost burdens were similar in the private rental and owner occupier sectors in 2015. However, the income profiles of the two tenure groups are very different. 40 per cent of households in the \$31,000 - \$70,000 income range were renting and 13 per cent were owners with a mortgage. In comparison, 54 per cent of those in the \$125,000 - \$150,000 income bracket were owners with a mortgage compared and only 24 per cent were renting. The similar housing cost burdens across the two groups reflect the fact that on average mortgage payments tend to be higher than rental payments in WA.

**Table 21** Housing cost burdens by housing tenure, WA respondents

Housing cost burden	Rent from public or community housing provider	Rented in the private sector	Owned with a mortgage	Owned outright	Living with parents
Less than 10%	3	4	8	4	15
10-19.9%	11	13	15	1	6
20-29.9%	49	19	19	1	2
30-39.9%	14	20	24	2	6
40-49.9%	10	13	11	0	2
50% +	4	15	12	2	4
Don't know	4	8	6	2	13
Not prepared to say	4	3	4	1	6
I live rent free/no mortgage	1	6	1	86	45

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Over a third of households paying over 30 per cent of their income in housing costs said that they were forced to do so because there were no other options.

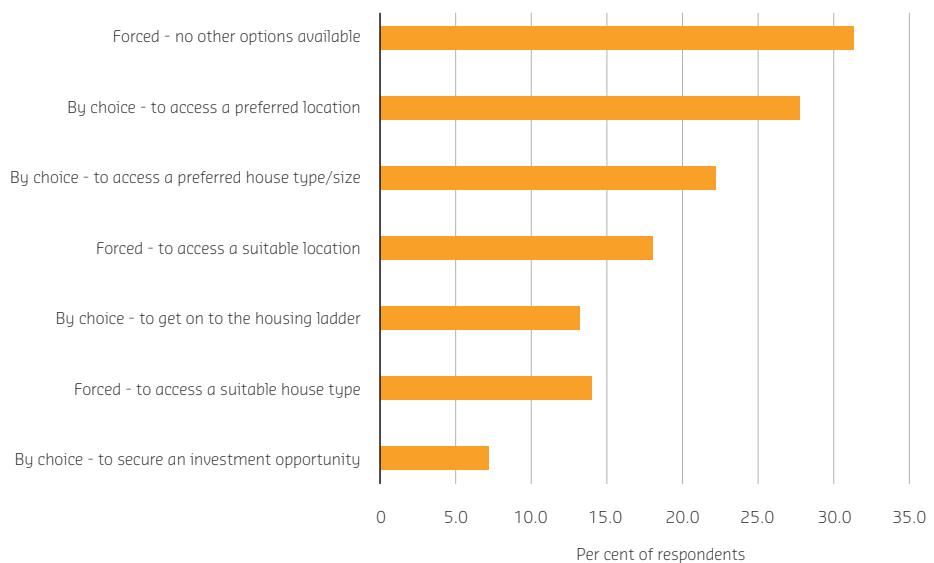
Of course, it should be noted that some households have made a choice to take on high housing cost burdens while others have been forced to do so by low income levels. In particular, high cost burdens in the lowest income groups leave little resources left for other essential expenditure such as food and clothing after paying for housing. Over a third of households paying over 30 per cent of their income in housing costs said that they were forced to do so because there were no other options (Figure 23). However, the second and third most commonly mentioned reasons were "by choice to access a preferred location" (28 per cent) or a "preferred house type" (22 per cent).

Those forced to spend more than 30 per cent of their income on housing costs generally earned less than \$70,000 annually (although a third earned between \$70,000 and \$125,000 a year) and were mostly residing in the private rental sector (58 per cent). Private renters were twice as likely to state that they were forced to pay over 30 per cent of their income in housing costs compared to owner purchasers. Households forced to take on high housing costs to access housing in the private rental sector are potentially more vulnerable to homelessness than other tenure groups. Adverse life shocks or sudden unanticipated additional expenditure may potentially push these households into acute housing stress.

Private renters were twice as likely to state that they were forced to pay over 30 per cent of their income in housing costs compared to owner purchasers.

West Australians revealed a financially comfortable position for most (61 per cent). However, significantly, 28 per cent regarded their financial situation to be either poor or very poor.

**Figure 23 Reasons for spending more than 30 per cent of income on housing costs, WA respondents**



**Notes:** Respondents could choose more than one option.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

The survey also sheds light on the self-assessed financial perceptions of respondents via a question on their perception of their financial position. West Australians revealed a financially comfortable position for most (61 per cent). However, significantly, 28 per cent regarded their financial situation to be either poor or very poor. Only 11 per cent of the West Australian respondents assessed their financial position to be either prosperous or very prosperous. However, when asked whether they felt better off than two years ago, the respondents were equally divided between 'Yes' (33 per cent), 'No, I feel worse off' (34 per cent) and 'About the same' (33 per cent).

Unsurprisingly, households' assessments of their financial situation are correlated with their income levels. In the lowest income bracket (up to \$31,000), 60 per cent of respondents reported feeling poor or very poor compared to only 25 per cent of those on a moderate annual income of \$70,000 to \$89,000. When compared to the findings from the 2013 survey, there had been a decrease in the proportion of households in the lowest income category describing themselves as being poor or very poor, and an increase in the proportion of those who felt financially comfortable (Cassells et al., 2014).

Self-assessed financial wellbeing also varies by housing tenure and housing costs. As shown in Table 22, owner occupiers are more likely to feel financially comfortable or prosperous relative to private renters or indeed those living with their parents. This shows the important influence that home ownership status has on perceptions

of financial prosperity. It is widely accepted that in the Australian context, home ownership contributes significantly to one's sense of socioeconomic status and social identity (Colic-Peisker et al., 2015). Furthermore, outright owners have low housing costs; this would undoubtedly have positive effects on their sense of financial prosperity. On the other hand, respondents renting from public or community housing providers were the most likely to perceive themselves as poor (40 per cent) or very poor (11 per cent). Given that the majority of tenants in social housing pay rents of less than 30 per cent of their income, these perceptions are likely to be income related than housing cost driven. Overall, around half of those paying more than 50 per cent of their income on housing costs described themselves as being either poor or very poor (see Table 23).

**Table 22** Self-assessed financial situation by housing tenure, WA respondents

Financial situation	Rented from public or community housing provider	Rented in the private sector	Owned with a mortgage	Owned outright	Living with parents
Very Prosperous	3%	2%	3%	2%	0%
Prosperous	0%	6%	10%	13%	6%
Comfortable	47%	53%	67%	68%	50%
Poor	40%	32%	17%	15%	35%
Very poor	11%	8%	3%	2%	8%
Total	100%	100%	100%	100%	100%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Table 23** Housing cost burden and self-assessed financial situation, WA respondents

Share of income	Financial situation				
	Very Prosperous	Prosperous	Comfortable	Poor	Very poor
Less than 10%	6	12	68	12	2
At least 10% and under 20%	4	16	65	13	2
At least 20% and under 30%	2	8	67	18	4
At least 30% and under 40%	2	6	61	27	4
At least 40% and under 50%	3	3	51	40	4
At least 50%	3	4	39	40	14

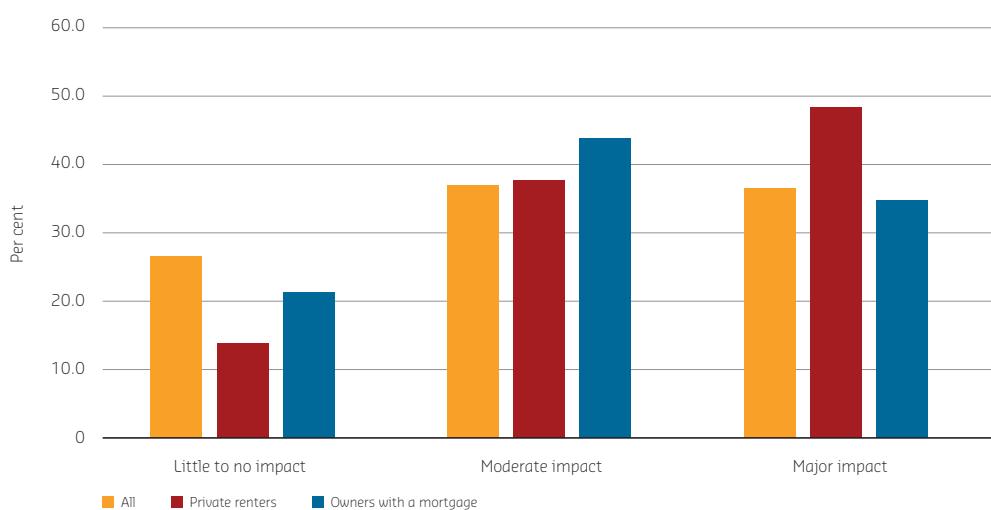
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Just over a third (36 per cent) of households indicated that a 10 per cent increase in rents or mortgage payments would have a major impact on the affordability of their housing.

Respondents were asked to indicate on a scale of one to ten what impact a 10 per cent increase in direct housing costs would have on their current financial situation. A ranking of 1-4 was defined as having little to no impact, 5-7 a moderate impact, and 8 and above being regarded as a major impact. Just over a third (36 per cent) of households indicated that a 10 per cent increase in rents or mortgage payments would have a major impact on the affordability of their housing.

When considered in relation to tenure, almost half of all private rental tenants anticipated the proposed increase would have a major impact on their financial situation (Figure 24). Retired couples were the least likely to be affected by an increase in housing costs, while single parent households were the most likely to experience a major impact, which mirrors the findings from the 2013 survey (Cassells et al., 2014).

**Figure 24** Impact of increased housing costs on financial situation by tenure, WA respondents



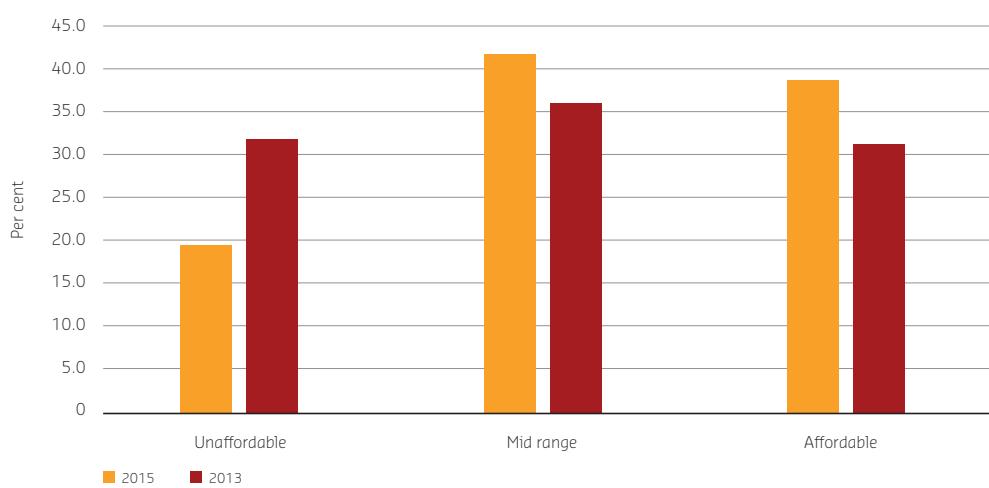
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Perceptions of housing affordability

Traditional measures of affordability such as housing stress status allocate households to a category based on a set measure, for example a ratio of income to rent/mortgage costs. This can provide an incomplete picture of affordability as it does not distinguish between those who have chosen to take on a high housing cost burden versus those who have been constrained to do so. Furthermore, a low income household may have a relatively low housing cost burden of under the 30 per cent, but find that in absolute terms it has little residual income to spend on essential expenditures after paying for housing.

This survey adopts a different approach to traditional methods by asking respondents to rate, on a scale of 1 to 10, how affordable they consider their housing to be. A ranking of 1-4 is defined as unaffordable, 5-7 mid-range, and 8 and above being regarded as affordable. As shown in Figure 25, over 80 per cent of respondents regarded their housing to be either affordable or in the mid-range in 2015. Comparisons between the 2015 and 2013 surveys show a big fall in the number of respondents regarding their housing as unaffordable. This is largely attributed to a decrease in rents in the private rental sector since 2013.

**Figure 25** Perceptions of housing affordability, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

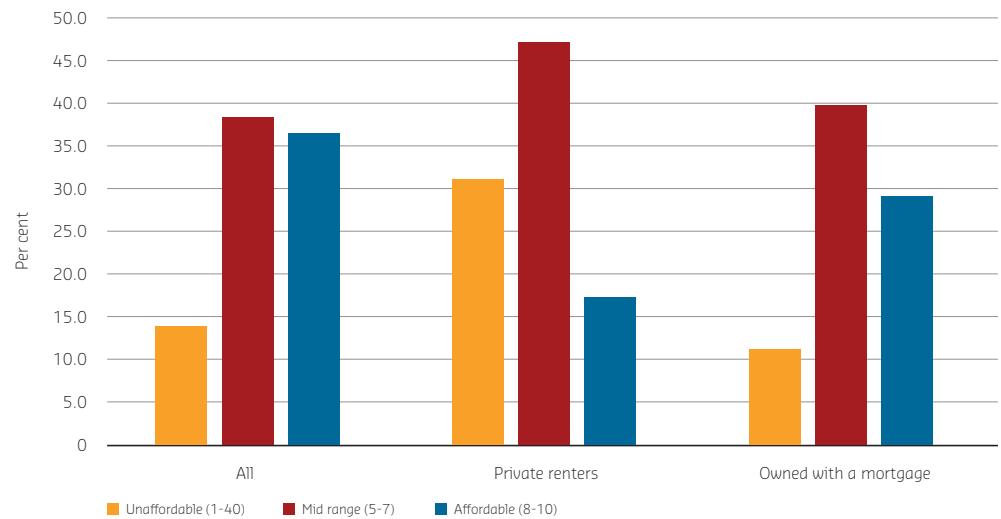
Comparisons between the 2015 and 2013 surveys show a big fall in the number of respondents regarding their housing as unaffordable.

Consistent with the findings from the 2013 survey (Cassells et al., 2014), a far greater proportion of private renters considered their housing to be unaffordable compared to owner purchasers (Figure 26). However, 47 per cent of private renters in the 2015 survey considered their housing to be within the mid-range, which shows an increase in perceived affordability since 2013 (Cassells et al., 2014). Similarly, the proportion of owners with a mortgage who found their housing unaffordable fell significantly between the 2013 and 2015 surveys.

Respondents are more likely to perceive their housing as being unaffordable as housing cost burdens rise (Figure 27). For example, 48 per cent of those contributing more than half their income to pay for housing regarded it as being unaffordable. Lower income groups were, unsurprisingly, far more likely to rate their housing as unaffordable (Table 24).

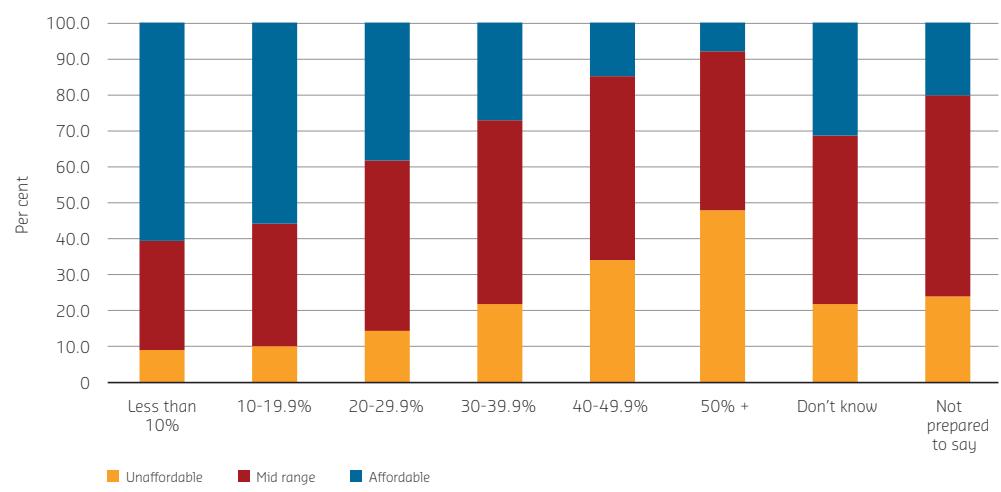
A far greater proportion of private renters considered their housing to be unaffordable compared to owner purchasers.

**Figure 26** Perceptions of housing affordability by housing tenure, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Figure 27** Perceptions of housing affordability by housing cost burden, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

In the lowest income group (up to \$31,000), 27 per cent of those paying less than 30 per cent of their income in housing costs rated their housing as unaffordable while 25 per cent paying more than 30 per cent rated their housing as affordable. In the \$31,000-\$70,000 income bracket the figures were very similar. Hence, the survey data indicate that households that traditionally fall outside the bottom 40 per cent of the income distribution may still perceive their housing as unaffordable. However, they are not captured as households in housing stress using traditional measures.

**Table 24** Perceptions of housing affordability by income group, WA respondents

	Unaffordable	Mid-range	Affordable
Under \$31,000	25	47	29
\$31,000 to \$69,999	24	41	35
\$70,000 to \$89,999	21	39	39
\$90,000 to \$124,999	17	45	38
\$125,000 to \$149,999	15	44	41
\$150,000 to \$174,999	10	46	45
\$175,000 to \$199,999	6	44	50
\$200,000 or over	16	26	58

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

A breakdown of housing affordability perceptions by household composition revealed that single parents with children regarded their housing to be the most unaffordable (33 per cent), while retired households (8 per cent) and couples without children (16 per cent) were much less likely to perceive their housing as unaffordable.

In the lowest income group (up to \$31,000), 27 per cent of those paying less than 30 per cent of their income in housing costs rated their housing as unaffordable while 25 per cent paying more than 30 per cent rated their housing as affordable.

Single parents with children regarded their housing to be the most unaffordable (33 per cent).

# ‘Emily’s’ story

## Young family in private rental

I am a 35 year old female with a young family renting a two-bedroom detached home with a small back garden. We live within the inner ring of the capital city so that we can cycle to work and have opted to both work part time to reduce the hours that we require child care. Despite having two steady reliable jobs, home ownership feels completely out of reach.

### Our housing story

We have been at this property for a year. Before moving into this property, we were forced to move three times in as many years, including a three month stint of being homeless between tenancies. We found ourselves being required to move so that properties could be tenanted by family members or put up for sale. Every time we moved it was expensive. There are costs associated with moving, changing the utilities as well as rapid increases in the cost of rent. The experience has been extremely stressful and anxiety inducing.

When we moved into this property, we negotiated a two-year lease and requested that the owners give us some indication that we could rent this property for them in the long term. I imagine that it is the most housing security that we can hope for. As tenants we are at the whim of the owners. In previous houses, landlords have made it clear that the bond will not be returned for even the smallest of reasons. There was one unit we rented which we didn’t even bother to unpack – we would not be staying beyond the 6 month lease. When you are paying such a large portion of your income to housing costs this lack of security and autonomy does not seem fair.

### Housing affordability

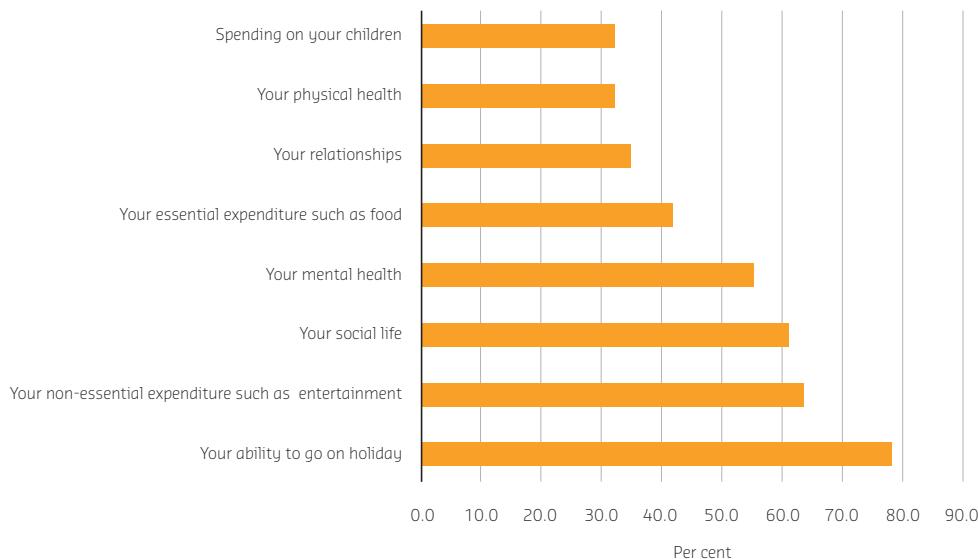
We live from week to week at the moment and our rent consumes 40 per cent of our income. There is no capacity to save money. The location we have chosen is more expensive than if we lived further away from the city, however, the transport costs negate any savings we may achieve from reducing our rent. As a family we have chosen to be within cycling distance from work which gives us exercise, is cheaper than public transport and the reduced travel time affords us more family time. Although it is more expensive, we decided to rent a detached house rather than a unit so that our children could have a back garden and we could grow our own vegetables.

We realise we have made choices and trade-offs for this stage of life but it is our intention that this is a short term situation while our children are young. Once they get to school, we aim to work full time so that the extra income, plus the reduction in child care costs will help us to save. It is our hope that these decisions don’t prevent us from entering home ownership at some point. The only people I know with mortgages are those who have had financial support from their parents or have received inheritances. We won’t be afforded such privileges. It’s terrifying to think of the reality of renting as an older couple. I would love my own house, I just know I could make it into an amazing home if I just had the opportunity.

Those households that reported their housing to be unaffordable were asked questions about the effect of sustaining their housing costs on mental or physical health, social life, relationships, spending on children, essential and non-essential expenditure and the ability to go on holiday. Almost 80 per cent of respondents stated sustaining housing costs affected their ability to go on holiday, with over 60 per cent reporting an impact on non-essential expenditure. 55 per cent of respondents reported sustaining high housing costs affected their mental health.

**Figure 28** Life domains that are affected by having to sustain housing costs, WA respondents

55 per cent of respondents reported sustaining high housing costs affected their mental health.



**Notes:** Respondents could choose more than one option.  
**Source:** BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Housing costs, choice and trade-offs

The choice of dwelling has implications for the cost of housing both directly through rent or mortgage payments and utility bills, and indirectly via commuting costs, access to services and maintenance costs among others. It is through these indirect costs that factors such as location become important from an affordability perspective (often termed affordable living). This section examines housing choice; in particular what drives housing decisions and the trade-offs households make when selecting their home.

Households were asked to indicate the single most important factor they considered when choosing the dwelling they lived in. Table 25 describes the relative ranking of alternative factors, where the highest ranked factor is assigned a score of 1 and a

19 per cent of both owners and private renters were forced to locate more than 10km away from their preferred location to access affordable housing in 2015.

value of 0.5, for example, means the factor is considered half as important as a factor with a score of 1. Location was the most important decision making factor followed by affordability and neighbourhood characteristics. These were also reported to be the most important factors in the 2013 Housing Affordability Survey (Cassells et al., 2014) and align with the findings of the Department of Housing and Departments of Planning's 2013 study on housing choice in Perth and the Peel regions.

**Table 25** Decision making factors in housing choice, relative ranking, WA respondents

Distance of alternative location	Relative ranking 2015	Relative ranking 2013
Location (for example, easy access to work, schools, friends, family)	1	1
Affordability	0.83	0.68
Neighbourhood characteristics (e.g. amenities, safety and security)	0.38	0.29
It was the best option available at short notice	0.24	0.42
Size (number of bedrooms for example)	0.13	0.10
Space (large rural lot for example)	0.09	0.05
Specific features (such as appearance or energy efficiency)	0.08	0.07
Other (please specify)	0.07	0.11

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015 and Cassells et al., (2014).

Given the importance of location to the housing decision making process, respondents were asked if they were required to make any location trade-offs to access their current dwellings. Similar to the 2013 survey, almost two thirds of respondents had purchased or were renting in their preferred location. However, 19 per cent of both owners and private renters were forced to locate more than 10km away from their preferred location to access affordable housing in 2015. This trade-off to secure one's dwelling leads to increased commuting costs and, for many, dislocation from an existing community.

Those renting from state or community housing providers were less likely to secure their preferred location when compared to private renters or owners with a mortgage, unsurprising given dwellings are allocated and not specifically chosen by applicants. There is a shift since the 2013 survey where private renters reported being less able to access their first choice location compared to home owners (Cassells et al., 2014).

**Table 26** Dwelling location relative to households' first choice location by tenure, WA respondents

Distance of alternative location	Owner/ Mortgage	Private renter	Rented from state or community housing provider
Yes, I bought/rented in my preferred location	65	66	58
No but I am living less than 5km away	9	11	8
No I am living 5-10 km away	7	5	12
No I am living 10-20 km away	4	4	10
No I am living more than 20 km away	15	15	12

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

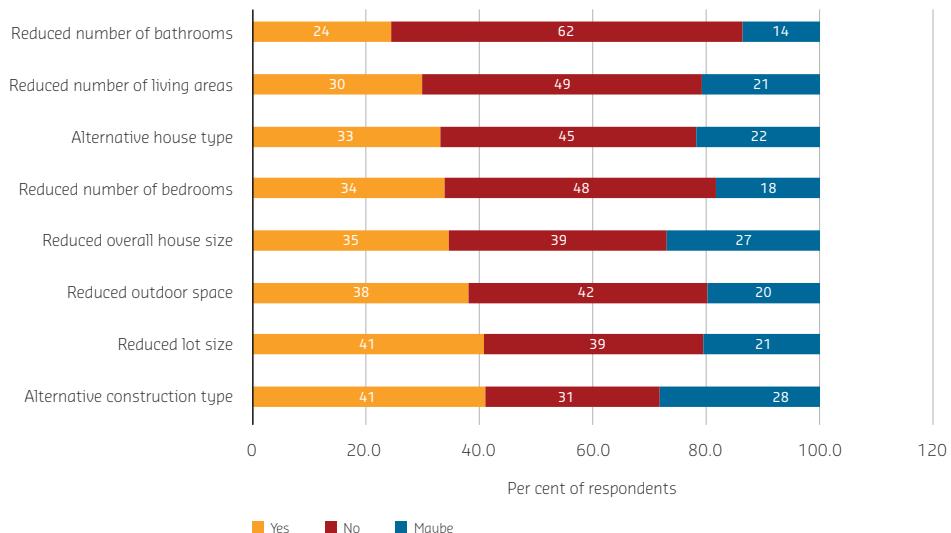
In both the 2013 and 2015 surveys, most respondents living more than 5km from their preferred location were forced to do so because of affordability reasons. For example, 47 per cent of respondents living more than 10km from their first choice location indicated it was the best that they could afford and 20 per cent of those living 10-20km from their first choice location reported they were forced to change location to secure the type/size of house they wanted. Almost two thirds of those living more than 20 km away from their first choice location were living outside metropolitan Perth. Those in the capital city were slightly more likely to access their preferred location (57 per cent) when compared to those residing in the regions.

In both the 2013 and 2015 surveys, most respondents living more than 5km from their preferred location were forced to do so because of affordability reasons. For example, 47 per cent of respondents living more than 10km from their first choice location indicated it was the best that they could afford and 20 per cent of those living 10-20km from their first choice location reported they were forced to change location to secure the type/size of house they wanted. Almost two thirds of those living more than 20 km away from their first choice location were living outside metropolitan Perth. Those in the capital city were slightly more likely to access their preferred location (57 per cent) when compared to those residing in the regions.

Those unable to access their first choice location were asked what trade-offs they would be willing to accept in order to access a dwelling closer to their preferred location (Figure 29). Households were least willing to accept a reduction to the number of bathrooms, bedrooms or living areas while more willing to compromise on lot size, construction type and the proportion of outdoor space.

For those households residing in their preferred location half had to make sacrifices to access the location.

**Figure 29** Respondents willingness to accept trade-offs to access dwelling in preferred location, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015 and Cassells et al., (2014).

For those households residing in their preferred location half had to make sacrifices to access the location. Considering those in their preferred location who made sacrifices, 26 per cent bought a smaller house, 23 per cent were paying higher housing costs than planned and 21 per cent sacrificed other items of expenditure to afford to live in the location.

# 'The Ryan Family's' story

## Single parent family, regional private rental sector

I am a 46 year old female living with my older teenage children. We have been renting a three bedroom detached house through the private rental sector for the last five years. We moved to this major regional centre from a smaller town because I wanted the children to go to a particular high school, so the location of my current house was determined by the catchment zone. I am paying more rent than I would have liked, but it was a trade-off I was willing to make.

### My housing story

While my house is in a good location, the dwelling itself is not much to speak of. It is in poor repair and the owners have made it clear that they are not interested in maintaining it. Being in the private rental sector means that you have to constantly battle limitations that aren't present in other tenures. I spend so much of my income on my accommodation and the fact that it doesn't meet my needs makes me feel like I am not getting my money's worth.

### Housing affordability

We have never been financially secure since I separated from my husband and became a single parent almost 16 years ago. Last year I was made redundant. I am now on Newstart, which covers my rent, and I also receive child support and family tax benefit. I've been unwell with physical health problems for the last few years and I worry about my children's future – like any parent. But when I had my job I felt a bit better about things and I felt I was moving forward, achieving something. People say "why don't you better yourself?" But these little things [house, illness, work] are mentally draining. I keep reminding myself I have so much more than some other people.

Our lease is due to expire soon and I am sure they are going to increase the rent. They say "it's only \$5 a week more" but I don't have that at the moment. Next year when child support ends I will have to move, unless I have a job. While I'm looking for employment, I have also returned to study my university degree. It's hard to know whether I should study full or part time – one will get the degree finished faster, but the other gives me more capacity to work.

The cost of commuting affects the day to day lives of many households. It also affects their productivity, which in turn has economy wide implications. Longer commutes for households result in reduced income after paying for travel costs as well as lost time spent travelling. It may also deter job search, especially amongst low-paid individuals (MacLennan et al., 2015).

The survey asked how close to work a respondent currently lived and compared the response to how close they said they would like to live. Figure 30 shows the results. Similar to the findings of the 2013 survey, unsurprisingly households would prefer to live closer to work than they are currently located. The most preferred travel to work options were to be within walking distance or a short drive away. This was followed by being able to access work within a 10 to 20 minute drive or being within cycling distance. These preferences occurred regardless of income. Almost twice as many respondents wanted to walk to work than were currently able to do so and three times as many respondents had to drive more than 30 minutes to work compared to the number wanting to do such a trip. Twice as many respondents wished to make a short public transport journey to work of less than 20 minutes than the number currently doing it. The findings show that West Australians desire to live closer to where they work and want better access to efficient public transport. There is a preference to be active on the way to work by walking or cycling rather than relying on a car.

**Figure 30 Commuting patterns and preferences, count of WA respondents**



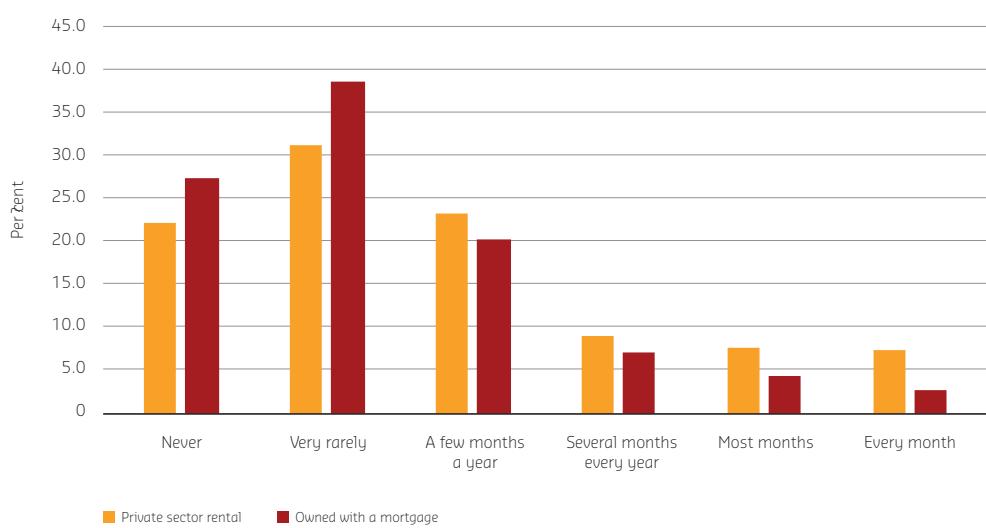
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Managing housing costs

A majority of respondents (63 per cent) reported that it was very rare for them to experience difficulty in meeting housing costs or they never had a difficulty (Figure 31). Private renters were more likely to struggle to meet costs. The proportion of private renters struggling to meet their housing costs has reduced since 2013, a finding which reflects the increasingly favourable rental conditions in the state over the last two years. However, interestingly, between 2013 and 2015 there has been a decline in the proportion of owners with a mortgage who indicate that they never have difficulty meeting their housing costs – indicating that two years along, some households were finding it more difficult to meet this expenditure. This could be an indication of changing patterns of employment in WA following a contraction in mining related employment that has impacted on households' ability to make mortgage repayments easily.

The proportion of private renters struggling to meet their housing costs has reduced since 2013, a finding which reflects the increasingly favourable rental conditions in the state over the last two years.

**Figure 31** Frequency of difficulty meeting housing costs by tenure, WA respondents

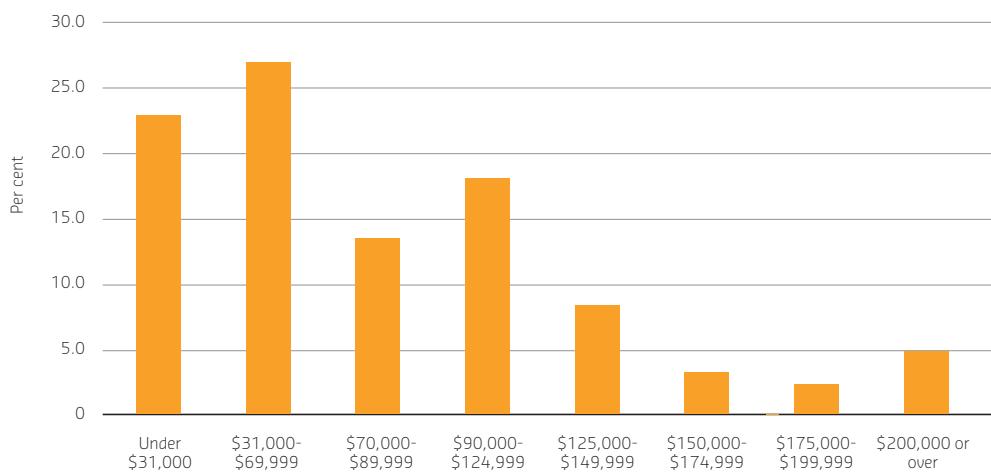


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Among respondents that had fallen behind on mortgage or rental payments, half were from the private rental sector. Single parents were also over-represented among those who have fallen behind on these payments (27 per cent). Figure 32 clearly shows that those who have fallen behind in their payments have incomes in the lower categories. Interestingly, 18 per cent of those who have fallen behind their payments have incomes between \$90,000 to \$125,000, which is perhaps higher than expected and may indicate households overstretching to access a preferred location.

Respondents with incomes less than \$90,000 were most likely to have taken emergency measures such as borrowing money from family and friends to pay their housing costs.

**Figure 32** Households who have fallen behind on mortgage or rental payments by income band, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Two thirds of all respondents indicated that they had implemented cost management strategies to make their housing costs more manageable in the last 2 years with households with incomes between \$90,000 and \$124,999 the most likely to implement such strategies.

Across all income categories, the most widespread strategy to reduce housing costs was not focussed on the dwelling itself, but to reduce expenditure on other items. Those with incomes over \$175,000 a year were most likely to have cashed in other investments and/or negotiated a better interest rate reduced their mortgage repayments or moved to a dwelling with lower housing costs. Households in the \$125,000 - \$150,000 income categories reduced their housing costs by negotiating lower rents or switching mortgage lenders. Respondents with incomes less than \$90,000 were most likely to have taken emergency measures such as borrowing money from family and friends to pay their housing costs. Respondents also included some of their own strategies for reducing costs. A number of respondents have moved or taken in tenants to reduce rent or mortgage repayments. Others had reduced their bills by installing solar panels and using grey water on the garden.

Households most likely to be employing cost savings strategies were those living with a friend or in a group household (78 per cent) and single parents (74 per cent). Only 13 per cent of private renters who had employed strategies to reduce housing costs had negotiated to reduce their rent.

**Figure 33 Strategies to manage housing costs by tenure, WA respondents**

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## The regional dimension: a snapshot of regional WA

This section provides a regional snapshot of housing affordability in the state in 2015. The survey asked respondents to identify the local government area (LGA) in which they lived. LGAs were then identified as being within metropolitan or non-metropolitan regions. 698 survey responses (39 per cent) were from regional WA.

Respondents from regional WA were more likely to reside in the private rental sector, less likely to own their dwellings outright and slightly more likely to have a mortgage. The proportion of respondents living with parents or in a state or community housing provider was close to metropolitan profile. The regional WA household profile in terms of age and income mirrored broadly the metropolitan profile. Geographically, responses were received from across regional areas in WA. A quarter of all responses were from the Mid-West and a similar proportion were from the Wheatbelt region (Table 27).

**Table 27 Geographic distribution of respondents in regional WA**

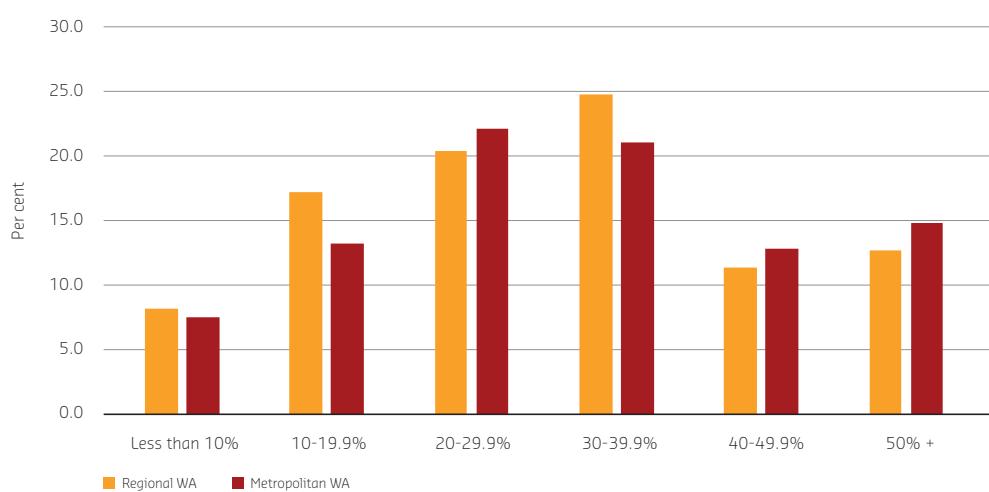
Region	Percentage of all regional WA responses
Gascoyne	6.0%
Goldfields	6.5%
Great Southern	7.3%
Kimberley	2.3%
Mid West	25.8%
Pilbara	10.5%
South West	18.7%
Wheatbelt	23%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

There were no spatial differences in respondents' self-assessed financial perceptions. Participants largely considered themselves comfortable in both metropolitan (60 per cent) and regional (61 per cent) WA. Respondents in regional WA were more likely to indicate that they felt better off than two years ago (38 per cent) compared to those in the metropolitan region (29 per cent).

Respondents in regional WA who pay rents or mortgages were more likely to be spending between 30 and 40 per cent of their income on housing costs but less likely to be spending above 40 per cent than metropolitan respondents (Figure 34). The former were also more likely to be spending less than 20 per cent of their income on housing costs. However, the story is rather different when examining perceptions of affordability.

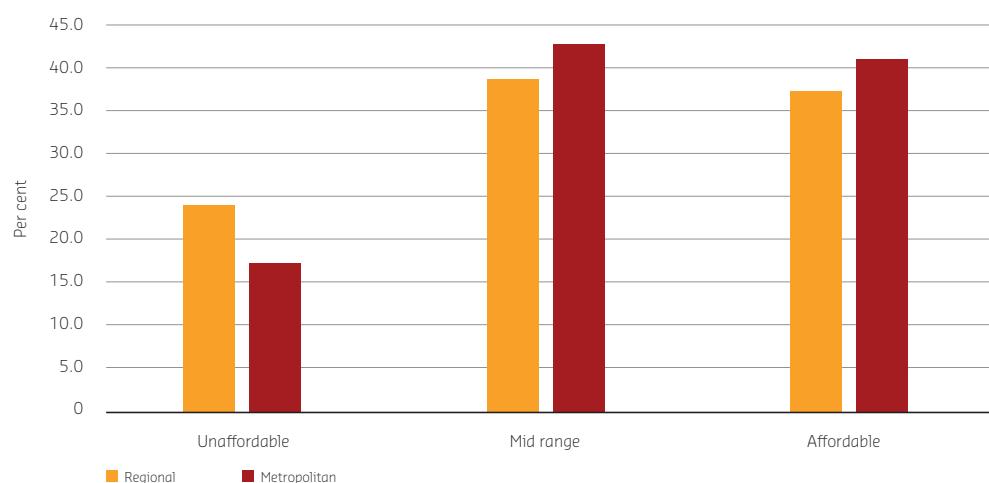
**Figure 34 Self-assessed housing cost burdens, regional versus metropolitan WA**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Respondents in regional WA regard their housing as more *unaffordable* than their metropolitan counterparts. Almost a quarter of all regional respondents reported that their housing was unaffordable, compared to just 17 per cent of those in metropolitan areas (Figure 35). Moreover, fewer respondents in the regions identified their housing as being affordable. Overall, housing in regional WA is perceived as more unaffordable compared to the metropolitan area.

**Figure 35** Perceptions of housing affordability, regional versus metropolitan WA



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Households in regional WA with incomes between \$31,000 and \$90,000 perceived their dwellings to be substantially more unaffordable than their metropolitan counterparts. There was little spatial difference in the perceptions of housing affordability for those with incomes below \$31,000.

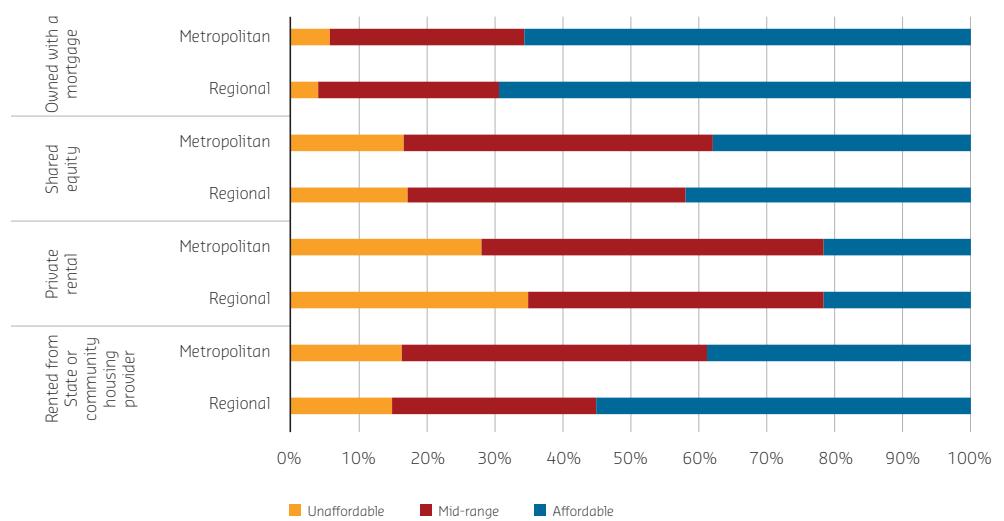
Private renters in regional WA reported their housing to be more unaffordable than those private renters within the metropolitan area (Figure 36). Other tenures reported very similar affordability perceptions. It can be concluded that housing is considered more unaffordable in regional WA due to perceptions of affordability in the private rental sector.

Respondents in regional WA regard their housing as more *unaffordable* than their metropolitan counterparts. Almost a quarter of all regional respondents reported that their housing was unaffordable, compared to just 17 per cent of those in metropolitan areas.

It can be concluded that housing is considered more unaffordable in regional WA due to perceptions of affordability in the private rental sector.

Respondents in regional WA were far more likely to be forced to take on a high housing cost burden than metropolitan respondents, particularly in order to access a suitable location.

**Figure 36 Housing affordability perceptions by tenure and geography, WA respondents**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Those paying above 30 per cent of their income on their housing costs were asked whether or not they were being forced to do so, or whether it was a result of choice. Respondents in regional WA were far more likely to be forced to take on a high housing cost burden than metropolitan respondents, particularly in order to access a suitable location.

# ‘Katie’s’ story

## Single home owner with adult children in a regional centre

I am a 50 year old single female. I am living in my four bedroom detached house in a regional centre. Over the last few years my two children have moved out to go to university. Currently I am unemployed and receiving NewStart. I own my house outright, however, following the divorce with my husband eight years ago have struggled financially.

### My housing story

When we divorced I was left with the house, my children’s family home. Things have always been tight financially. During my children’s early years I worked intermittently, in a part time capacity. I continued this work pattern once I was single to ensure they had support at home. I focused my efforts into raising the children rather than working full time. As they got older and more independent I started working full time. I had some savings, however, these have largely been absorbed by on-going legal fees. I became a single income family not by choice, but the one thing I have made sure I kept and maintained was my family home.

### Housing affordability

Even though I own my house outright it is expensive to run. I maintain it within my financial capacity and get tradesman to work only when absolutely necessary and do as much as I can myself. It’s the other costs of housing which make my week to week budgeting hard. I need the phone and internet to search and apply for jobs, I need to maintain my car to get to job interviews and then (hopefully) to work. I watch how much electricity I use and only buy from the shops what is absolutely necessary.

My house is big and some might say I should downsize. I hesitate to sell for a number of reasons – it’s my children’s family home, I don’t know where my children will be based once they have finished their degrees and I would like to try and be close to them and most importantly, my elderly parents live nearby. If I have to move I don’t want to have to move more than once. Also, the housing market is not good at the moment. I wouldn’t realise the property’s full value if I sold now and I don’t want to just give it away. I’m just hanging on hoping that there is a job for me around the corner. If I don’t get a job in the next six months I will be forced to sell.

I have 15 years of work at least left. I need to work to pay back personal loans and build up my savings for my retirement years. The intermittent nature of my career has resulted in a small superannuation fund. I just don’t know how I will get by in my retirement. Most importantly, I want to hold onto my house, my children’s home.

The single most important factor in the decision to select their current dwellings was the same for metropolitan and regional respondents – location (Table 28). In both cases this was followed by affordability. The response “*It was the best option available*” was ranked higher in regional areas – possibly because of limited alternatives available available in regional housing markets.

**Table 28 Decision making factors in housing choice, relative ranking, regional versus metropolitan WA**

Distance of alternative location	Relative ranking Regional WA	Relative ranking Metropolitan WA
Location (for example, easy access to work, schools, friends, family)	1	1
Affordability	0.89	0.74
Neighbourhood characteristics (e.g. amenities, safety and security)	0.39	0.38
<i>It was the best option available at short notice</i>	0.28	0.19
I live with my parents	0.22	0.24
Space (large rural lot for example)	0.10	0.05
I was allocated the dwelling	0.09	0.09
Size (number of bedrooms for example)	0.08	0.16
Specific features (such as appearance or energy efficiency)	0.07	0.06
Other (please specify)	0.07	0.05

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

There were some slight spatial variations in trade-offs with regional respondents indicating a greater willingness to consider different construction types but less willing to trade-off the number of bedrooms compared to those in metropolitan areas. Conversely, city-based respondents were more likely to trade-off the size of the lot or reduce their outdoor space than those in the regions. Again this is likely due to relative options.

When asked about the impact of a 10 per cent increase in housing costs on the household financial situation, there was little difference between the geographic regions. Regional respondents were equally as likely to experience difficulty in meeting their housing costs as those from the metropolitan area. Almost a third in each geographic region never had trouble paying rents or mortgages, and only four per cent in both regions had difficulty every month. Similarly, most households had never fallen behind on mortgage or rental repayments, regardless of geographic region.

# 'The O'Connor Family's' story

## Family in regional private rental with a flatmate

I am a 57 year old female living in a major regional centre. I live in a three-bedroom detached house with my husband, my son and a flat mate. We are renting through a private arrangement and have been in this house for the last two years, although we have rented in this location generally for about four years.

### My housing story

Prior to living in here, we owned a four bedroom home in a small country town. It was really hard to leave, but it was something we had to do. My husband was diagnosed with cancer and we needed to be located closer to the hospitals and health services for his treatment. We also needed to reduce our housing costs to pay for the medical bills. So our house was sold and we moved.

### Housing affordability

I would describe our financial situation as being poor. My income consists of a disability pension, my husband is on the aged pension and my son receives a carer's allowance which is in part supporting him through the final year of his degree at university. The \$450 a week rent consumes more than 50 per cent of my husband's and my income. Our son contributes as well, however, to make ends meet we are required to have a flat mate. Our rent is only just affordable because of our flat mate.

Sustaining the housing costs places a great deal of stress on the household. We have made sacrifices such as reducing non-essential expenses such as entertainment, we save for things such as skin-care products and do surveys for panel companies to earn a little extra money. I shop for specials at the supermarket too. There have been times we've had to get a loan from Centrelink to pay electricity bills and there have been times that family and friends have helped out.

Our housing options were limited at the time we were looking for rental accommodation. We needed to have certain features to meet the needs of my disability and my husband's treatment. It may have been possible to find reduced rents further out of town, however, as I don't drive I need to be close to public transport options. Many landlords were not enthusiastic to sign a lease with a couple on aged and disability pensions, not to mention the cat. We really had to educate people on the stability of our income to convince them to consider our application.

We applied for state housing and were shown a number of properties. Unfortunately they were not appropriate for my disability and I was unable to access the dwellings. You are only allowed to say "no" to a couple of houses before they take you off the program. We will stay in the private rental market for the foreseeable future. Our current landlords are very nice and have not put the rent up in the time we have been here. They are quick to respond to maintenance issues and rarely do inspections. If our son decides to move out at the end of his degree then we will either find another flat mate or downsize to a smaller property, if we can find something that is appropriate.



# The BCEC

Housing Affordability Survey 2015:  
state comparisons of housing  
affordability

# The BCEC Housing Affordability Survey 2015: state comparisons of housing affordability

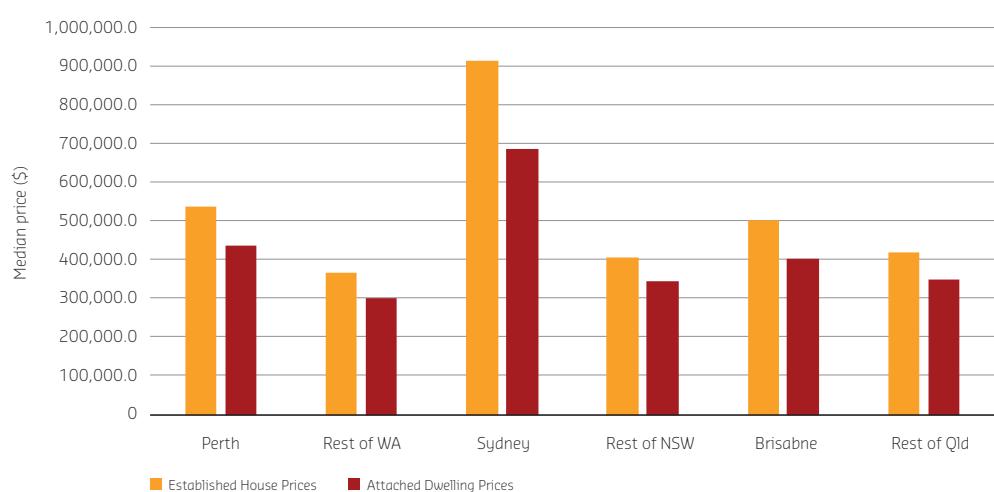
The 2015 BCEC Housing Affordability Survey captured the housing experiences and affordability perceptions of 4,357 individuals across three states. NSW was selected because it has the most expensive housing in Australia and if perceptions of housing affordability are going to differ from WA, NSW is likely to be the state where differences are greatest. Queensland was selected because it shares many similarities with WA, notably strong employment in the resources sector and the population of Greater Brisbane is very similar to that of Greater Perth at around 2 million. The survey gathered data from both Greater city and regional areas with 42 per cent of the respondents coming from WA and 29 per cent each from NSW and Queensland.

## Prices, rents and perceptions of housing affordability

Figure 37 describes median house and unit prices in the three states clearly showing that Sydney is far more expensive than either Perth or Brisbane. In Sydney, the median prices of established houses sit at \$900,000 while the median prices of units approximate \$700,000. This is significantly higher than median house unit prices in both Perth and Brisbane, where the median prices of established houses are around \$500,000 and the median prices of units are around \$400,000. Outside the capital city, the prices of both houses and units are cheapest in WA.

As with median prices, median rents are also significantly higher in Sydney than Perth and Brisbane. For both houses and units, median rents in Sydney are \$500 or more per week, and Sydney also features the lowest vacancy rate among the three capital cities at 2 per cent (Table 29).

**Figure 37 Median Prices of established house and attached dwellings, by state and capital city, 2016, dollars**



**Notes:** Attached dwellings are dwellings which share a structural component with one or more other buildings. This may include walls, ceiling, floor or roofing.  
**Source:** BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat No. 6416, 2016: Median Price and Number of Transfers - Capital City and Rest of State (Tables 4 and 5).

**Table 29** Median rents by capital city, final quarter of 2015

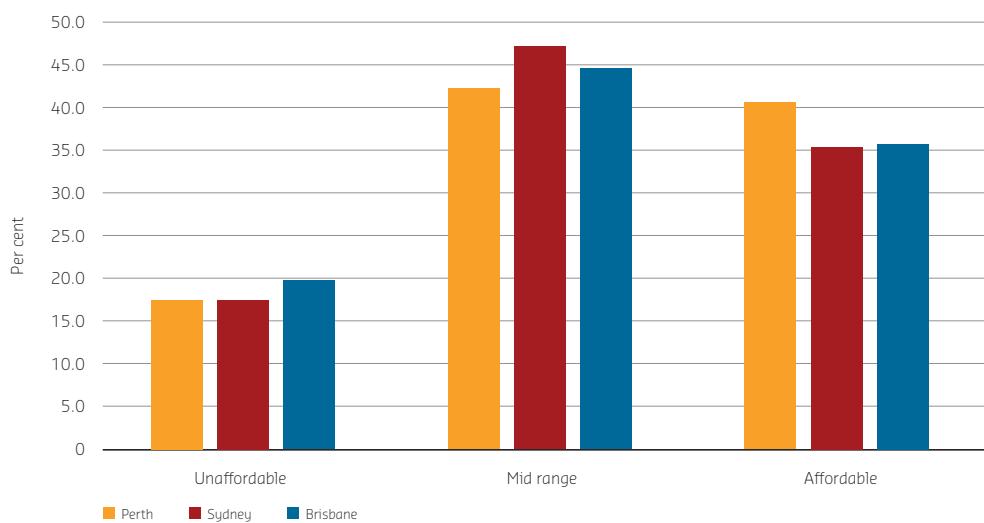
Region	Houses	Units	Vacancy rate (all dwelling)
Perth	\$410	\$350	3.5%
Sydney	\$530	\$500	2%
Brisbane	\$400	\$375	3%

Source: BANKWEST CURTIN ECONOMICS CENTRE | Wilson (2015).

Because housing is far more expensive in Sydney, one would expect Sydney respondents to most likely to rank their housing as unaffordable among the three capital cities. However, surprisingly, as shown in Figure 38 only 17 per cent of Sydneysiders ranked their housing as unaffordable. This is similar to the proportion of Perth respondents who ranked their housing as unaffordable, and slightly lower than Brisbane at 20 per cent.

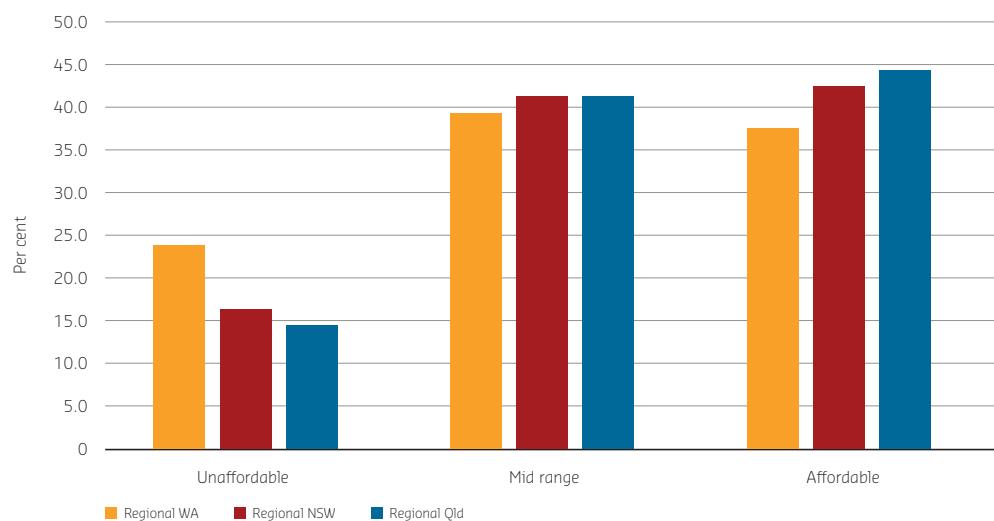
On the other hand, because housing is clearly cheaper in regional WA, one would expect the regional WA respondent to be most likely to rank their housing as affordable among regional areas in the three states. However, in regional areas across the three states, WA respondents were most likely to perceive their housing as unaffordable (24 per cent) and least likely to perceive their housing as affordable (36 per cent) (Figure 39).

In regional areas across the three states, WA respondents were most likely to perceive their housing as unaffordable (24 per cent) and least likely to perceive their housing as affordable (36 per cent).

**Figure 38** Housing affordability perceptions by capital city

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Figure 39** Housing affordability perceptions, by regional areas



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

These puzzling findings deserve further investigations and we examine three factors that may contribute explanations for the lack of alignment between the level of prices and rents, and perceptions of affordability. The first relates to perceptions of affordability which will include not only mortgage and rental costs but also other costs associated with the dwelling such as running and maintenance costs as well as commuting costs. Therefore perceptions of affordability will vary across locations and may not directly align with direct housing cost burdens. The second relates to differences in the diversity of housing stock across the three states. A housing market that offers diversity in housing stock can help improve perceptions of affordability despite high price and rents, as households are able to exercise more choice in their selection of dwellings. The third relates to differences in housing tenure aspirations across the three states (see below). In certain states, residents may have adapted their expectations in relation to tenure as a result of high prices and rents, hence mitigating perceptions of unaffordability.

### Diversity of the housing stock

The current dwelling size of respondents is proxied by the number of bedrooms in Table 30. Homes in WA appear to be significantly larger than NSW or Queensland, with 42 per cent of West Australian households residing in dwellings with four or more bedrooms compared to just 32 per cent and 34 per cent of households in NSW and Queensland respectively. On the other hand the number of dwellings with two or less bedrooms is lowest in WA at around 14 per cent compared to 26 per cent in NSW and 30 per cent in Queensland.

These differences in dwelling size reflect the differing levels of housing diversity across capital cities and states (Table 31). Almost four-fifths of respondents from Perth and Brisbane live in separate houses, compared to just 61 per cent in Sydney. Conversely, a much higher proportion of Sydney respondents are found in units (26 per cent) compared to Perth (9 per cent) and Brisbane (12 per cent).

It is noteworthy that the housing stock in Sydney appears to be the most diverse among all capital cities given a more even distribution across dwelling sizes and types than Perth or Brisbane. On the other hand, on a state wide basis, the housing stock in WA appears to be the least diverse with the majority of the stock being separate houses with three or more bedrooms. The availability of diverse dwelling sizes and types in Sydney may temper perceptions of unaffordability despite the city's high prices and rents. On the other hand, the lack of diversity in WA's housing stock may exacerbate perceptions of unaffordability particularly in regional areas despite cheaper prices.

**Table 30** Number of bedrooms, by state

	WA	NSW	QLD
Four + bed house	42.2%	32.0%	34.3%
Three bedroom house	39.1%	31.1%	37.6%
One bedroom apartment	3.4%	8.1%	4.3%
Two or more bed apartment	6.5%	15.8%	12.9%
One or Two bed house	7.2%	10.6%	8.2%
Other	1.7%	2.5%	2.7%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

The availability of diverse dwelling sizes and types in Sydney may temper perceptions of unaffordability despite the city's high prices and rents. On the other hand, the lack of diversity in WA's housing stock may exacerbate perceptions of unaffordability particularly in regional areas despite cheaper prices.

**Table 31** Housing diversity by state and capital city

	NSW	Sydney	WA	Perth	QLD	Brisbane
Separate House	69.5%	60.9%	80.4%	78.6%	78.5%	79.0%
Semi-detached, row or terraced house, townhouse etc	10.7%	12.8%	10.6%	11.9%	8.4%	8.5%
Flat, unit or apartment	18.8%	25.8%	7.9%	9.1%	11.7%	11.7%
Other dwelling	0.9%	0.5%	0.9%	0.4%	1.3%	0.7%

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census data 2011.

Respondents in NSW may have adapted tenure expectations in line with prices and rents in Sydney by increasingly shifting to a culture of multigenerational living within the same household.

## Housing tenure preferences

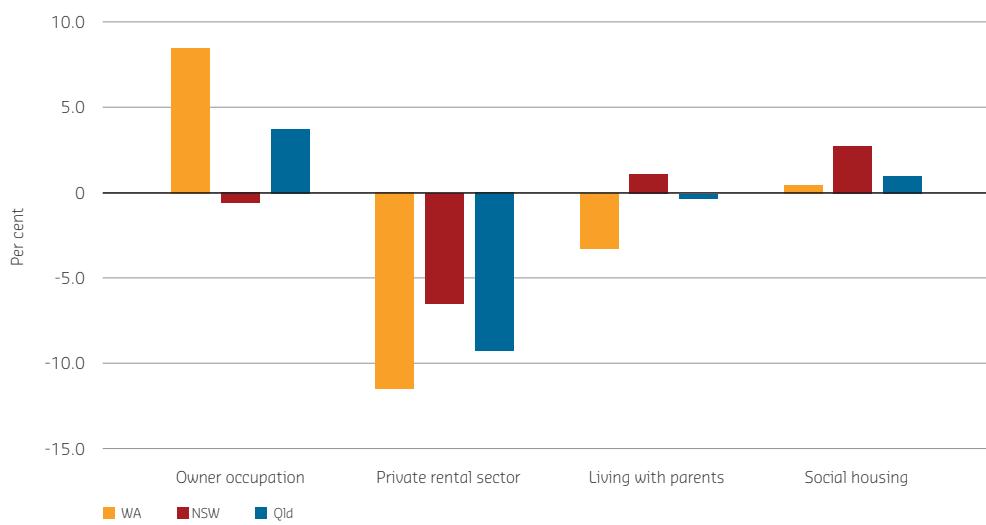
The second possible explanation for the incongruence between perceptions of affordability and prices or rents may arise from differences in tenure preferences across capital cities and states. When questioned about their preferred tenure, WA respondents were much more likely to prefer home ownership. As shown in Table 32, almost two thirds of West Australian households preferred to be owner occupiers. On the other hand, the private rental sector proved to be more popular in Queensland with over 30 per cent of Queenslanders preferring private renting over other forms of tenure. Living with parents was most popular in NSW, with one in ten NSW respondents preferring to live with parents compared to 5 per cent in WA and 7 per cent in Queensland.

Figure 40 displays the difference between a respondent's current tenure and their preferred tenure. There were a number of variations by State with a big gap in the percentage of households wanting to be in owner occupation in WA but currently residing in other tenures. This gap did not exist in NSW and was much smaller in Queensland indicating a stronger preference for owner occupation in WA than was achieved by West Australian households. On the other hand, more respondents were living with their parents in WA than would choose to do so. The reverse is true in NSW, where more respondents would prefer to live with their parents than were actually doing so. It is possible that the weaker aspirations towards home ownership in NSW and Queensland relieve perceptions of unaffordability in these states compared to WA. Respondents in NSW may have adapted tenure expectations in line with prices and rents in Sydney by increasingly shifting to a culture of multigenerational living within the same household, as indicated by the stronger preference of residing with parents than in other states.

**Table 32 Preferred housing tenure by state**

	WA	NSW	QLD
Owner occupation	63.9%	52.8%	50.2%
Private rental sector - 12 month fixed term lease	12.7%	12.7%	21.0%
Private rental sector - 2 year fixed term lease	4.0%	5.5%	5.2%
Private rental sector - 5 year fixed term lease	2.6%	5.9%	5.6%
Shared ownership	4.6%	1.3%	1.3%
Renting from a community housing provider	1.5%	3.7%	2.8%
Renting from the state government	3.1%	4.5%	3.2%
Living with parents	5.1%	10.7%	7.0%
Joint ownership as part of a co-operative housing group	0.9%	1.5%	0.8%
Other	1.6%	1.5%	3.0%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Figure 40** Difference between preferred and current tenure (per cent of respondents)

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Commuting patterns and preferences

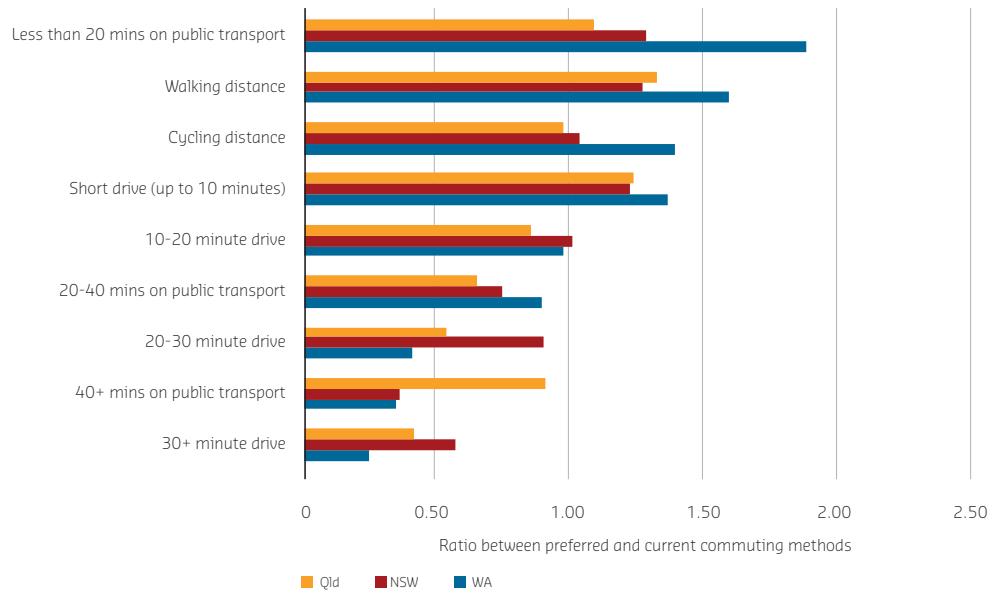
Figure 41 compares current and preferred commuting patterns of each state. Respondents were asked to select their current and preferred method of transport and a ratio of current to preferred commuting modes were calculated. In all three states more respondents wanted to walk to work than was currently the case and, unsurprisingly, most wanted to move away from a drive of 30 minutes or more to work.

However, the results also show significant variations by state. Almost twice as many WA respondents would prefer a public transport journey of less than 20 minutes than are currently taking such a journey to work. In NSW and Queensland respondents were much more likely to already be enjoying a short public transport commute. More WA respondents wanted to cycle than currently do so. Importantly, respondents in WA were noticeably more likely than respondents in other states to be driving for 20 minutes or more to get to work than they would prefer.

These findings suggest that households in WA are likely to bear higher commuting costs than they would prefer both in terms of costs and time lost to travel than households in NSW or Queensland. This can in turn exacerbate perceptions of unaffordability in WA relative to other states. On the other hand, shorter commutes are likely to alleviate perceptions of unaffordability in NSW than other states.

WA are likely to bear higher commuting costs than they would prefer both in terms of costs and time lost to travel than households in NSW or Queensland.

**Figure 41 Ratio between preferred and current commuting methods, by state**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

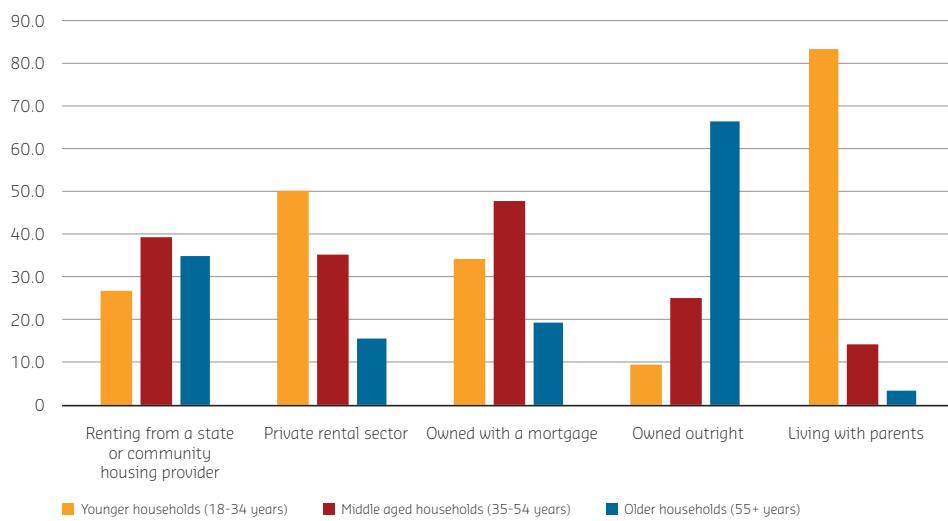
# The BCEC

Housing Affordability Survey 2015:  
household profiles

# BCEC Housing Affordability Survey 2015: household profiles

This section considers the perceptions of housing affordability of two key demographic groups; older households (55+ years) and Gen Y households (18-34 years). Figure 42 presents age groups by tenure type. Younger households aged 18 to 34 years are more likely to live at home or be in the private rental sector than other households, while those who own their house outright are likely to be an older household aged over 55 years of age. Mid aged households, in their child rearing years, reside in a greater variety of tenures including being in their own their home with a mortgage, renting from the state or a community housing provider or being in the private rental sector.

**Figure 42** Housing tenure by age group



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Older households

Older households are defined for the purpose of this survey as being in the age categories 55-64 and 65+. 1,160 respondents were in these two categories and the breakdown by region and income is show in Table 33. Over 60 per cent of respondents had gross incomes below \$70,000. 30 per cent were retired, 23 per cent were a couple with no children living at home, 20 per cent still had children living at home and 20 per cent were a lone person household.

**Table 33** Older person households

	WA	NSW	QLD	Total
55-64	272	193	169	634
65+	222	155	149	526
<b>Total</b>	<b>494</b>	<b>348</b>	<b>318</b>	<b>1,160</b>
<b>Income</b>				
Under \$31k	25%	25%	24%	25%
\$31,000-\$69,999	33%	38%	37%	36%
\$70,000-\$89,999	16%	16%	12%	14%
\$90,000-\$124,999	11%	11%	14%	12%
\$125,000+	16%	10%	13%	13%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

The majority of households were in home ownership with 61 per cent of 65+ households outright owners. For those household retired, 66 per cent owned outright, 13 per cent had a mortgage and 13.5 per cent were in the private rental sector. Therefore 26.5 per cent of retired households still had to cover mortgage or rental costs. Over 80 per cent of retired households in the private rental sector had incomes below \$70,000. Of those retired households with a mortgage, 85 per cent had incomes below \$70,000.

**26.5 per cent  
of retired  
households still  
had to cover  
mortgage or  
rental costs.**

**Table 34 Housing tenure of older person households**

	55-64	65+	Retired
Rented from state housing authority or community housing provider	6.5%	5.7%	6.9%
Private rental sector	22.7%	16.5%	13.5%
Owned with a mortgage	29.5%	15.7%	13.2%
Owned outright	39.7%	60.9%	66.1%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Older households in WA were more likely to live in larger houses (80 per cent) compared to other states. Over 30 per cent of NSW older households lived in apartments or smaller housing options pointing to the increased diversity of housing available in the state.

**Table 35 Current accommodation of older households**

	WA	NSW	QLD
Four + bed house	38.9%	30.5%	32.1%
Three bedroom house	41.8%	34.8%	41.2%
One bedroom apartment	3.7%	4.6%	4.7%
Two or more bed apartment	5.9%	14.4%	6.9%
One or Two bed house	7.7%	14.1%	12.9%
Other	2.0%	1.7%	2.2%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

# 'Julia's' story

## Older person in private rental

I am a 64 year old single female, living on my own. I work part-time and receive a disability support pension. My job is seasonal in the sense that I am not required on a weekly basis 52 weeks a year. That means that there are some months in which I have work and up to three months a year where I receive no income other than my pension and have to rely on my credit card or ask family and friends for assistance.

## My housing story

I have rented my three bedroom detached home through the private rental sector for two years now. I offered less rent than what they were asking, I have a good rental history, you see. The reason I moved was to be closer to work, my last house was much more central and better serviced by public transport. This house was the most affordable dwelling in the location that I needed. I wanted a second bedroom to use as an office and the third so children have somewhere to stay when she visits and the parking options are secure.

## Housing affordability

I live week to week – I just exist really. I can't afford to go out and socialise or live. After I pay my rent, I have \$27 left from my pension, and what I get from my part-time wage, to pay for everything else. I'm lucky I don't smoke or drink really! I have just negotiated to have my rent reduced. Until the rent comes down I don't have the capacity to save but I hope to save that \$30 a week. It feels like I am living on the edge all the time. Things are in balance and then something small tips it over.

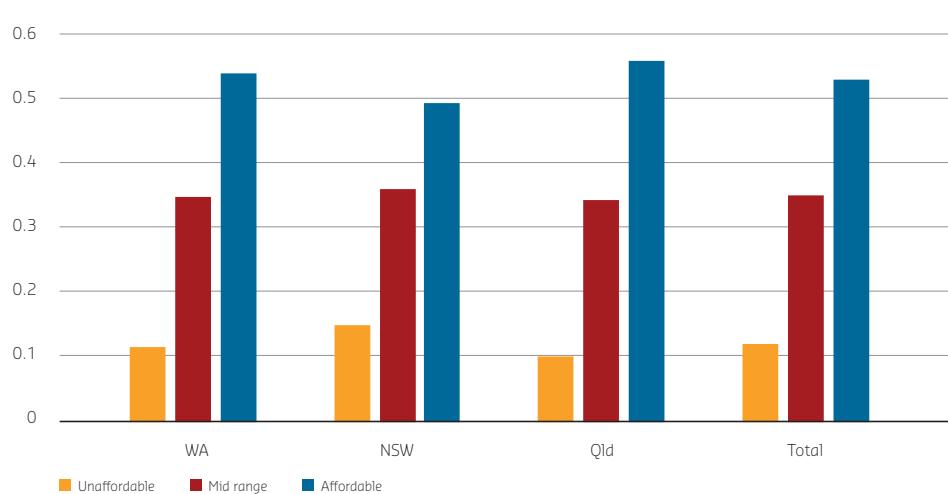
When my part time employment is taken into account with my pension, I don't qualify for state housing – although that would be my preferred tenure as I wouldn't have to spend as much of my income on my accommodation. I won't be able to continue working forever though. I have back pain, sleeping difficulties and find work physically taxing. I don't see myself being able to live in the private rental sector without my part-time income long term. Once I retire in the next few years I will re-apply and join the queue for state housing.

NSW older households were most likely to rate their housing as unaffordable.

When asked why they were renting, the most common answer from older households was they had no other options.

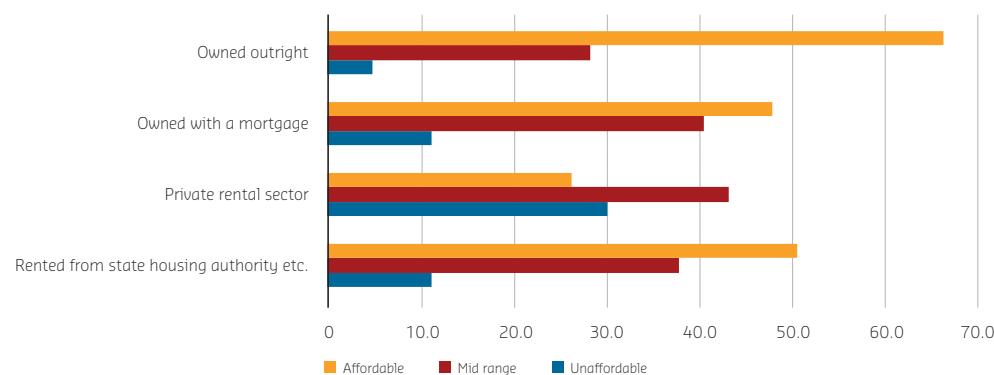
Turning to perceptions of housing affordability, NSW older households were most likely to rate their housing as unaffordable (Figure 43) with considerable variations across tenures (Figure 44). 5 per cent of outright owners rated their housing as unaffordable, likely due to running and maintenance costs. Those struggling most with housing costs are those in the private rental sector with 30 per cent rating their housing as unaffordable. When asked why they were renting, the most common answer from older households was they had no other options.

**Figure 43** Housing affordability perceptions of older households



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Figure 44** Housing affordability perceptions of older households by tenure



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

While the majority of 65+ and retired households did not have a mortgage or pay rent, 20 per cent of 65+ and 15 per cent of retired households were paying over 30 per cent of their income in housing costs. These are potentially vulnerable households given most have low incomes.

**Table 36** Housing costs of older households

	All	55-64	65+	Retired
I do not have a mortgage/do not pay rent	48%	39%	59%	65%
Less than 10%	6%	6%	7%	5%
10-19.9%	7%	8%	6%	3%
20-29.9%	12%	14%	9%	11%
30-39.9%	9%	11%	6%	4%
40-49.9%	6%	7%	5%	4%
50% +	7%	8%	5%	3%
Don't know	5%	6%	4%	4%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

While the majority of 65+ and retired households did not have a mortgage or pay rent, 20 per cent of 65+ and 15 per cent of retired households were paying over 30 per cent of their income in housing costs.

Older households were asked a series of questions about downsizing. 16 per cent of 55-64 year olds and 25 per cent of those 64+ had already downsized with a further 31 per cent and 29 per cent respectively having thought about downsizing. Rates of downsizing were consistent across states at 20 per cent however 36 per cent of WA had thought about downsizing but hadn't yet done so compared to 26 per cent in both NSW and Queensland. This reflects the greater proportion of WA residents in larger dwellings. Those that had not already downsized were asked further questions on the subject with 80 per cent stating they would certainly downsize in the future. 58 per cent thought the costs of downsizing such as stamp duty, real estate agent fees etc. were simply too great while 44 per cent did not believe there were enough affordable housing options in the area they would want to live, with a similar proportion believing there were not enough suitable housing options. Releasing enough equity was not a major problem and neither were children living at home. There were no differences between states relating to the availability of affordable dwellings however 44 per cent of WA respondents agree there were no suitable housing options available where they would want to live compared to 40 per cent in NSW and just 33 per cent in Queensland.

Reducing downsizing costs and delivering more diverse housing would be the most successful way to aid downsizing.

16 per cent of 55-64 year olds and 25 per cent of those 64+ had already downsized with a further 31 per cent and 29 per cent respectively having thought about downsizing.

Those that had not already downsized were asked further questions on the subject with 80 per cent stating they would certainly downsize in the future.

Respondents were presented with a number of options to explain why they downsized. By far the most common response was to live in a smaller house that is easier to run.

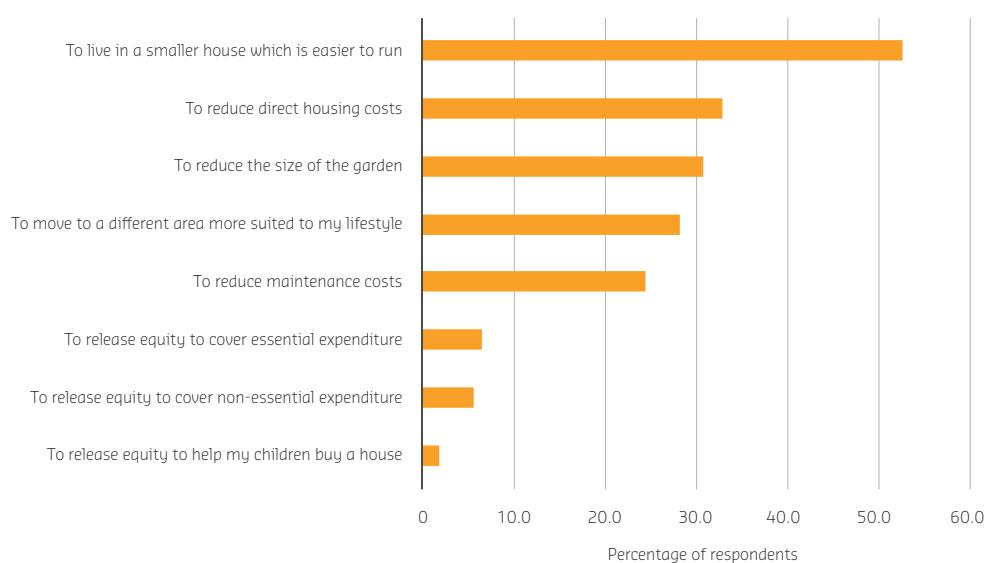
**Table 37 Barriers to downsizing**

	Agree	Neither agree or disagree	Strongly disagree
I will certainly downsize in the future	80%	15%	4%
Costs of downsizing are too great	58%	24%	18%
I could not release enough equity to make it worthwhile	30%	26%	44%
My children still live at home and I need the space	14%	14%	72%
There are no <i>affordable</i> housing options in the area I would choose to live	44%	26%	30%
There are no <i>suitable</i> housing options in the area I would choose to live	40%	26%	34%
I intend to downsize to a totally different location	41%	38%	21%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Those households that had downsized were asked whether they had changed tenure when downsizing. 62 per cent had not while 17 per cent went from ownership to rental and 6 per cent went from owned outright to owning with a mortgage.

Respondents were presented with a number of options to explain why they downsized. By far the most common response was to live in a smaller house that is easier to run. This was selected by almost twice as many respondents as the next most popular response; to reduce my direct housing costs. The third most common reason was to reduce the size of the garden followed closely by a move to an area more suitable to current lifestyle. Reducing maintenance costs was also a popular response. A very small proportion of respondents downsized to release equity to cover essential expenditure, non-essential expenditure or to help children/grandchildren to buy a house. It seems downsizing is much less about releasing wealth and much more about reducing costs and accessing housing to suit lifestyle. Figure shows the responses relative to the most frequently chosen option.

**Figure 45 Reasons for downsizing**

A very small proportion of respondents downsized to release equity to cover essential expenditure, non-essential expenditure or to help children/grandchildren to buy a house.

**Notes:** Respondents could choose more than one option.

**Source:** BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Older person households were asked about their location choices. 52 per cent of older households had been in their house for more than 10 years and 21 per cent less than 3 years. 75 per cent were living in what they regarded as their first choice location with a further 10.5 per cent living less than 5km from that location. Only 8 per cent were living more than 10km from their first choice location. Older households were far more likely to be living in their first choice location than Gen Y households.

# ‘Ruth’s’ story

## Older home owner, downsizing

I am a 60 year old female living in the middle ring of an Australian capital city. I live on my own in my three-bedroom detached home which I have had for 35 years. Despite owning my property outright, I currently find my housing costs unaffordable and am in the process of downsizing.

### Housing affordability

Until a few years ago, I was working full time. My employers offered me an attractive a redundancy package, which I accepted. I used the money to pay off my mortgage in full and settle other financial debts. I did use some of the money to have a good time. After a short period of time, I started to apply for new jobs. I am more than willing to work and can offer a great deal of experience. I often get through to the interview stage, but it is clear that my age is the biggest barrier. Now that my redundancy money has gone, I have no income and hope to receive Newstart shortly. Sometimes I do surveys or focus groups for some extra money, but I am finding it very difficult to make ends meet. If an unexpected bill or maintenance issue arises, I can't pay for it. I'm very mindful of how much water, electricity and gas I use and sometimes these bills get paid late. I have, to my great sadness have had to cease my health insurance policy and only re-insure my home when I can. I no longer see the value in it while I am not in the workforce. I use public transport a lot more rather than run my car and there have been times when it wasn't registered. I shop more frequently which allows me to find the daily specials on perishables such as fruit, vegetables and meat. Ironically, with the time to shop and prepare meals, I am eating more healthily than I used to when I worked and often resorted to take-away meals.

### My housing future

I recently sold my house and am in the market to purchase. My house is getting old and is in need of repairs, which I cannot do or afford to pay someone to do. The garden is getting too much for me now as well and the few steps in the house don't agree with my knee troubles. I am looking for a three-bedroom villa on a smaller piece of land. I would like to stay within a 10km radius of my current home and given the sale price of my property, I think that is feasible. I will only spend between 50 and 70 per cent of the sale of my house on the new property. Unfortunately, this will affect how much Newstart I receive and I am not eligible for the pension until I am 66 and half years old. Despite downsizing, until I get either a job or am eligible for the healthcare card and the aged pension, I will continue to be asset rich and income poor – making my housing scenario unaffordable.

## Gen Y Households

Traditionally, between the ages of 18 and 34 years individuals move through tenures including leaving the parental home, renting in the private sector before purchasing a dwelling. The linear pattern of these tenure changes has been changing over the last decade, with individuals finding it difficult to leave the parental home, the growth of long term renting and home ownership being delayed until later in life. The survey respondents reflect this diversity. Younger households were largely residing in the private rental sector (44 per cent), living with parents (18 per cent) or owned their home with a mortgage (29 per cent).

When asked about their preferred preferences for this stage in their lives, only half of the younger cohort would prefer to be owner occupiers (48 per cent), while a third would choose the private rental sector and 13 per cent have a preference for living with their parents. When considered by state, a much higher proportion of young people in WA (56 per cent) had a preference for owner occupation compared to the other two states (45 per cent in NSW and 41 per cent in Queensland). The findings indicate that younger households are realistic about what can be achieved in terms of their housing given their current circumstances and prevailing house prices.

62 per cent of Gen Y households in WA were able to access their first choice location compared to 57 per cent in NSW and 59 per cent in Queensland. WA households were more likely to be living more than 10km away (12 per cent) than in NSW or Queensland (9 per cent).

Younger households largely had incomes below \$70,000 a year (40 per cent), with a third earning between \$70,000 and \$124,999 (Table 39). Surprisingly, only a fifth of all younger households described their housing as unaffordable. Similar to the older households, those that considered their housing to be unaffordable were mainly in the rental sector (63 per cent), although 23 per cent owned a property with a mortgage. A third of all younger households were paying more than 30 per cent of their income in housing costs, which 38 per cent of younger renters considered to be unaffordable. Not all younger households paying such a high proportion of their income considered their housing to be unaffordable. For example, only 15 per cent of all young households with mortgages consuming more than 30 per cent of their income considered their housing to be unaffordable.

For those Gen Y households already in home ownership, 38 per cent received help from their parents or grandparents. The most common form of assistance was a cash gift or loan (Table 40). More common however was the use of government grants. Incentives rated as being important or very important by younger household for the purchase of their home included the First Home Ownership Grant (59 per cent), Stamp Duty Relief (57 per cent) and the First Home Savers Account (38 per cent).

A much higher proportion of young people in WA (56 per cent) had a preference for owner occupation compared to the other two States (45 per cent in NSW and 41 per cent in Queensland).

62 per cent of Gen Y households in WA were able to access their first choice location compared to 57 per cent in NSW and 59 per cent in Queensland.

For those Gen Y households already in home ownership, 38 per cent received help from their parents or grandparents.

**Table 38** Living with parents or in a group household, by state

State	Living with parents	Group household
New South Wales	62%	38%
Queensland	47%	53%
Western Australia	57%	43%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Table 39** Gross income for individuals living with parents or in a group household

Income	Living with parents	Group household
Under \$31,000	53%	34%
\$31,000-\$69,999	22%	36%
\$70,000-\$89,999	6%	11%
\$90,000-\$124,999	4%	6%
\$125,000 +	1%	6%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

**Table 40** Parental assistance to purchase

Parental assistance	Yes	No
Did you receive any assistance from your parents or grandparents to help you purchase your dwelling?	37.6%	62.4%
Type of Help		
Cash gift to help with the deposit	48%	
Cash loan to help with deposit	30%	
Mortgage guarantee	20%	
Rent free/subsidised accommodation to help boost savings	13%	
They gifted their investment property to me	6%	
I bought / will be allowed to buy their old investment property cheaply	3%	
Help with childcare to help me save money	5%	

Notes: Respondents could choose more than one option.

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Living at home or in group households

Individuals living at home or in group households are rarely considered during housing affordability debates. The housing choices they make, however, are often shaped by affordability. The survey captured the thoughts of 762 individuals in this cohort in three states, 56 per cent of whom lived in their parents' house (Table 38). A majority of these respondents were female (57 per cent) and almost half were aged between 18 and 24 years (48 per cent) with a further third were aged between 25 and 35 years. Half of those living with their parents have an individual pre-tax income of less than \$31,000 compared to 34 per cent of those in group households (Table 39). Those in higher income categories were likely be living in group households rather than with parents. Respondents living in a group households generally worked full time (44 per cent) or part time (21 per cent) with only 21 per cent combining full or part time study and working for the remainder of the week. By contrast, fewer respondents living at home were working full time (29 per cent) or while more were studying full or part time (35 per cent) only a small proportion were unemployed (6 per cent).

More than a third of group households had been in the dwelling for less than one year (36 per cent) compared to only 11 per cent of those with parents, while a further 35 per cent of group households had resided in their current residence for between one and three years.

When asked about the reason for choosing their current housing the overwhelming response was "*It's the only option I can afford*". Those living with parents ranked the reason as saving for a house purchase higher than those in group households, who gave greater weight to the ability to live in a better neighbourhood.

12 per cent of those in group households and 10 per cent living with parents have purchased a dwelling they are not living in, termed "rentvestors," with those in WA slightly more likely to have done so than the other states. Those living in group households largely made the decision to purchase a property but rent elsewhere because the property was in another state (37 per cent) or did so because they could rent in a better location (27 per cent). Conversely, the reasons for purchasing a property and living with parents was chiefly because the investment property did not suit the needs of these individuals (45 per cent) or it was the only way to sustain mortgage repayments (21 per cent).

12 per cent of those in group households and 10 per cent living with parents have purchased a dwelling they are not living in, termed "rentvestors," with those in WA slightly more likely to have done so than the other states.

“I have started to wonder if owning a home is something I will ever achieve or whether it’s just a dream. I aspire to be a home owner – it is the only tenure I have ever known.”

The preferred housing tenure of those living with parents or in a group household is owner occupation (35 per cent compared to 48 per cent of all Gen Y households), followed by living with parents (28 per cent) and private rental 12 month fixed term lease (18 per cent). Almost half of those living with parents (49 per cent) and 43 per cent of those in group households are living in their preferred tenure. 42 per cent of those living in a group household would prefer owner occupation. For both groups, home purchase could be a number of years away given their deposit gaps identified in Table 41.

**Table 41 Current and expected deposits**

Deposit you could raise today	Living with parents	Group household
\$0	15%	20%
\$1-\$9,999	42%	38%
\$10,000-\$19,999	14%	15%
\$20,000+	29%	27%
How much deposit do you think you will need to save for a deposit to buy the type of dwelling you prefer?	Living with parents	Group household
\$0	2%	2%
\$1-\$9,999	10%	7%
\$10,000-\$19,999	10%	9%
\$20,000-\$49,000	23%	29%
\$50,000+	53%	53%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

# 'Jessica's' story

## Young single person living with parents

I am a 21 year old full time student who works part time.

### My housing story

I live at home with my parents and my partner. We contribute to groceries and household expenses as we can, but do not pay board. I made the decision not to move out while I studied because it was economically impractical. My part-time employment doesn't offer a consistent income which would make paying a regular rent stressful. I don't think my income would allow me to make ends meet, let alone save for the future. Emotionally, I want to move out. I want to be independent. Financially, I do not see the value in doing that. At this stage of my life, finishing my tertiary education is my priority.

In the recent past, I have started wonder if owning a home is something I will ever achieve or whether it's just a dream. I aspire to be a home owner – it is the only tenure I have ever known, no one in my family has ever rented. Only lately have I realised that not everyone grows up in a home ownership environment. I began looking more closely at the real estate market and have started to understand that home ownership is not a given and that it might not be an option for me as I get older. I've even asked myself if I am being idealistic about my home ownership aspirations.

### Housing affordability

I have started getting used to the idea that I will probably have to rent at some stage in my life. My biggest fear though, is becoming trapped in the rental sector because of my inability to save a deposit while renting. This realisation has made me question my immediate future – do I continue studying and complete my Honours year or should I finish at the end of this year, enter the workforce and get a home loan as soon as is practically possible? My friends think these questions are a worry for future me, but the increasingly political nature of housing and the crisis reported on in the media, makes me think its a worry for now.

The average gap between the deposit currently available to an individual living with their parents and the amount they would expect to need in order to purchase a dwelling was calculated to be \$64,500, compared to \$37,100 for those living in a group household. These deposit gaps have increased since the 2013 survey.

The average gap between the deposit currently available to an individual living with their parents and the amount they would expect to need in order to purchase a dwelling was calculated to be \$64,500, compared to \$37,100 for those living in a group household. These deposit gaps have increased since the 2013 survey (Cassells et al., 2014). These are significant gaps and would require an individual on a gross income of \$80,000 saving 10 per cent of their net income between five and eight years to accumulate a deposit. The deposit gap remains the biggest single barrier to younger households entering the home ownership market.

It is often assumed that many younger households will rely on assistance from their parents or grandparents to access the housing market. However, only around a fifth of those living with parents (21 per cent) and in group households (18 per cent) expected to receive any assistance. A further fifth of individuals from group households and a third of those living with parents indicated that assistance may be offered.

Respondents were asked about the importance of first home buyer incentives. Table 42 shows that government grants to help with deposits (for example the First Home Owners Grant) and Stamp Duty Relief are very important, as was the case in the 2013 survey (Cassells et al., 2014).

**Table 42 Importance of first home buyer incentives**

Indication of importance	Government grant to help with deposit		Stamp Duty Relief		Government help with saving towards a deposit		Ability to access superannuation to fund deposit	
	Group household	Living with parents	Group household	Living with parents	Group household	Living with parents	Group household	Living with parents
Not Important	11%	14%	8%	9%	14%	15%	28%	31%
Quite Important	30%	23%	29%	20%	34%	29%	22%	22%
Very Important	47%	45%	45%	39%	39%	37%	34%	21%
Don't Know	12%	18%	18%	31%	13%	19%	16%	26%

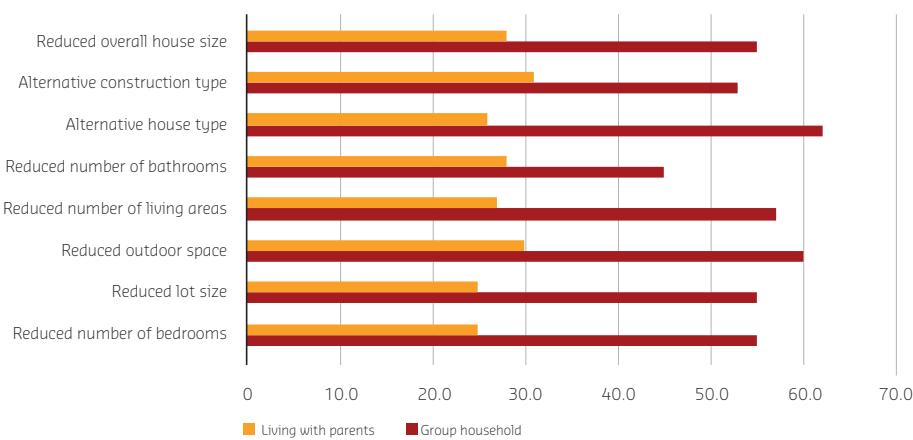
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Most individuals living in a group household (59 per cent) managed to obtain a dwelling in their first choice location, or within a five kilometre radius (21 per cent). Those living outside their first choice location were doing so because they were unable to afford a dwelling in their preferred location, or it was the only way they could afford the preferred house type/size. Many of those who were living in a group household within their preferred location, indicated that the trade-off they had made to live there was to share with friends, while those living with parents compromised on the neighbourhood.

From the *Housing We'd Choose* study (Department of Housing/Department of Planning, 2013), we know that location and affordability are the very important factors in the purchase of a home. First home buyers and young people are often

labelled as having unrealistic expectations around the purchase of their first home. Figure 46 shows the willingness of these cohorts to trade dwelling characteristics to get closer to their first choice location. Respondents were willing to compromise on house type, the amount of outdoor space, and house size. The findings challenge the assumption of young people wanting to "have it all" in their first home purchase. Group households were far more willing to make trade-offs compared to those living at home.

**Figure 46** Willingness to trade to access first choice location



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

When asked to describe their current financial situation, both cohorts indicated that they were largely comfortable. Those living at home with parents were more likely to report themselves as prosperous or very prosperous (18 per cent) than those living in group households, where more than a third of respondents felt poor or very poor.

More than a third of group households were spending more than 30 per cent of their income on their housing costs (Table 43). A third of those living with parents were doing so rent-free. Accordingly, individuals living in group households were more likely to describe their housing as unaffordable (24 per cent) compared to those living with parents (17 per cent). Although a majority rarely have difficulty meeting their housing costs, most respondents have implemented strategies to make their housing costs more manageable, often by reducing expenditure on other items or by moving to a cheaper dwelling.

Despite the higher proportion of younger respondents paying more than 30 per cent of their income towards their housing costs, a third believe they will be able to purchase a home in the next two to five years and a quarter think home ownership is between five and ten years away.

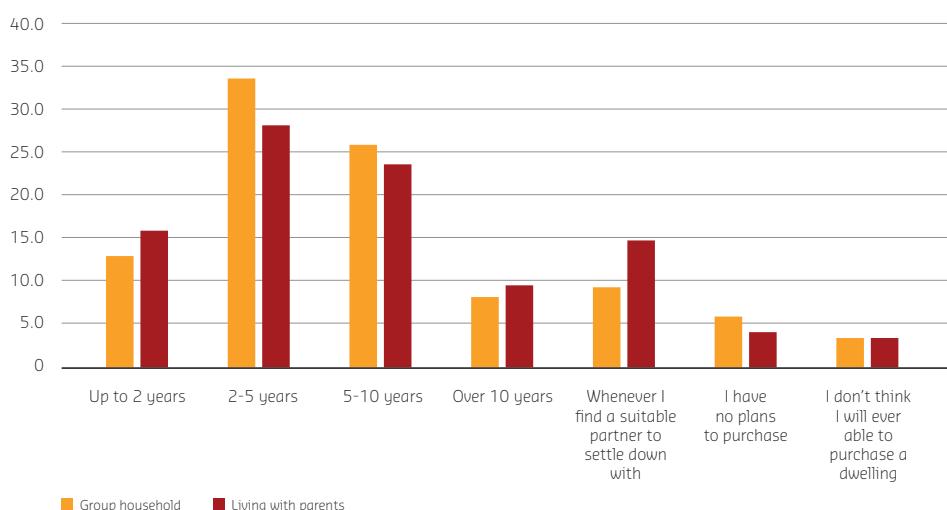
**Table 43 Housing cost burdens: group households and living with parents**

Housing costs	Living with parents	Group household
Less than 10%	10%	11%
10-19.9%	9%	13%
20-29.9%	13%	20%
30% +	13%	34%
Live rent free	32%	7%
Don't know	16%	10%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

Despite the higher proportion of younger respondents paying more than 30 per cent of their income towards their housing costs, a third believe they will be able to purchase a home in the next two to five years and a quarter think home ownership is between five and ten years away. Figure 47 shows that only a small proportion of those living at home and in group households do not think they will ever be able to purchase their own home. For younger households more generally, those in WA were slightly more likely to indicate that they may be able to purchase a house in the next two years compared to those in the other states. Partnership was more often linked to home ownership in NSW than the other two states, perhaps reflecting the need for a dual income to meet the higher cost of housing in the state.

**Figure 47 Length of time until home purchase is possible: Group households and those living with parents**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

## Private renters

Almost half the private renters were aged below 35 years (49.7 per cent) Four main household types resided in the private rental sector: Couples with children (23 per cent); couples with no children (21 per cent); single person households (20 per cent) and group households (17 per cent). Half the renters had incomes below \$70,000 and a third of regarded their housing as unaffordable, while only 22 per cent considered it to be affordable (Table 44). Fewer households considered the private rental sector to be unaffordable compared to the previous survey (Cassells et al., 2014).

Fewer households considered the private rental sector to be unaffordable compared to the previous survey.

**Table 44** Comparison of private renters' perceptions of housing affordability: 2015 and 2013

Affordability perception	2015	2013 <sup>(a)</sup>
Unaffordable	29%	45%
Neither affordable nor unaffordable	49%	35%
Affordable	22%	20%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015 and (a) Cassells et al. (2014).

Over half of all private renters (56 per cent) indicate that they rarely or never have difficulty meeting their housing costs while 14 per cent find it difficult most or every month. The majority (76 per cent) report to have never fallen behind on paying their rent. This is despite 44 per cent of private renters contributing more than a third of their income towards their housing costs and 28 per cent of those with incomes under \$31,000 paying more than 50 per cent of their income towards housing costs (Figure 48). While younger respondents were contributing large proportions of their income to their housing costs, middle to older aged households are likely to contribute a greater proportion. For example, 60 per cent of those renters aged 45-54 years are using more than 30 per cent of their income to pay for their housing costs. Unsurprisingly, 39 per cent of all renters report themselves as being poor or very poor. These findings indicate that housing costs are prioritised and, once paid, leave the renter with a smaller proportion of their income to spend on other essentials creating the perception of feeling poor.

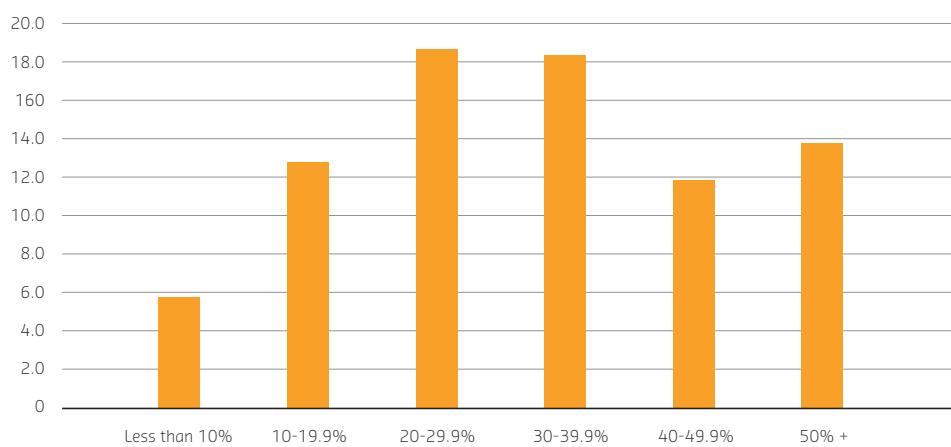
44 per cent of private renters were contributing more than a third of their income towards their housing costs.

28 per cent of those with incomes under \$31,000 were paying more than 50 per cent of their income towards housing costs.

60 per cent of those renters aged 45-54 years are using more than 30 per cent of their income to pay for their housing cost.

39 per cent of all renters report themselves as being poor or very poor.

**Figure 48** Housing cost burdens in the private rental sector



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

# ‘Toby’s’ story

## Young professional in shared rental housing

I am a 34 year old single male, employed in a full time permanent position, living in a share house. The lease is through a private arrangement as the person I share with is also the landlord. The situation and location is not ideal but it was all I could find at short notice.

### My housing story

Until recently, I lived in a one bedroom apartment in the CBD. The rent was ridiculously unaffordable but I stayed there for a couple of years because it was close to work and had good public transport options – which was particularly important because I don’t own a car. Late last year the rent went up by 10 per cent and the landlord made it clear that they would be doing this every six months. Not only was it becoming more unaffordable, I was aware than any unexpected bill would have put me in financial strife so I had to find somewhere else to live. I secured accommodation and wrote to the agent regarding my intent to leave. Unfortunately, a week before I was due to move out, my new share-house accommodation fell through. The agent for my inner-city apartment was not sympathetic and would not allow me extended time to find new housing so I had to move out on the date planned. The agent explained that they had further increased the rent and were keen to get someone in as soon as possible.

### Housing affordability

My current dwelling is a two-bedroom apartment in a less desirable area but still enables me to travel without a car and is much more affordable than my previous apartment. Despite the weekly rent being less, my capacity to save for a deposit in the short term is still limited. I feel frustrated because by the time I will have saved up enough for a deposit, my age will then be against me in the mortgage calculation. My preference is to be a home owner but I don’t think I will ever be able to purchase my own home. Consequently, my plans for the future are to keep renting.

I think my challenge to enter home ownership is compounded by my single status. One income is insufficient to service a mortgage for a two-bedroom apartment, but if I was in a couple, it would be quite achievable. I pay more in rent now than many of my couple-friends pay in mortgage repayments. If I could find an affordable one-bedroom apartment in the CBD or surrounds I have the capacity to buy it right now. However, there is a lack of housing diversity in these areas and one bedroom apartments in my preferred location are surprisingly hard to find.

The private rental market in Australia is considered to be the residual tenure. Accordingly, over a third of private renters would prefer to be owner occupiers (37 per cent), however, the survey found that 49 per cent would, given their current circumstances, choose to be in the private rental sector, an outcome which indicates a degree of satisfaction, or potentially choice, with their current tenure. Table 45 shows the preferred tenure choices of all private renters by age. Respondents overall preferred the option of a 12 month fixed term lease over a two or five year lease option.

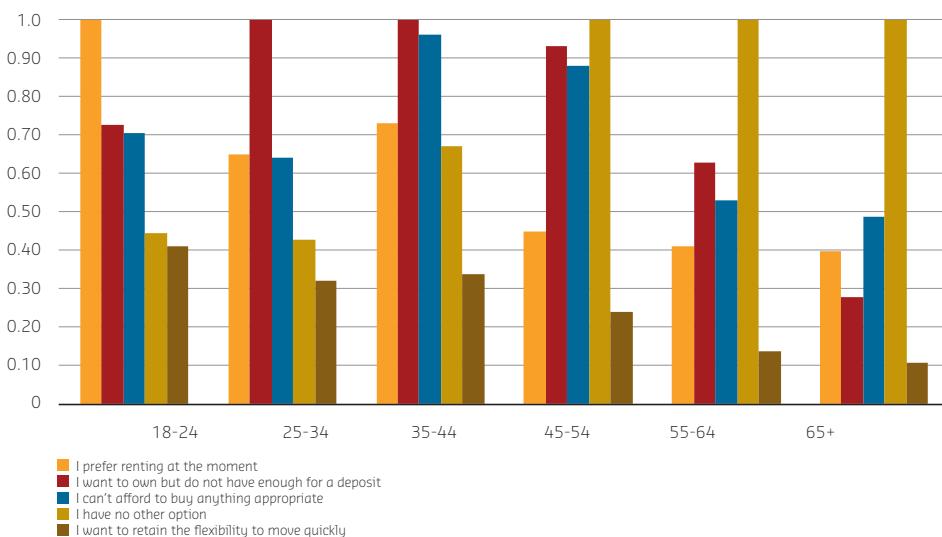
**Table 45** Preferred housing tenure of all private renters by age

Age	Owner occupation	Private rental	Shared ownership	Rent from a state or community housing provider	Living with parents	Joint ownership (co-op. housing group)
18-24	34	49	2	4	6	1
25-34	39	51	2	2	3	1
35-44	41	47	4	3	2	1
45-54	35	48	5	7	0	2
55-64	34	44	6	11	0	1
65+	33	49	5	9	1	1
<b>Total</b>	<b>37</b>	<b>49</b>	<b>3</b>	<b>5</b>	<b>3</b>	<b>1</b>

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

While there is a preference for some households to live in the rental sector, 22 per cent would prefer to be paying off their own mortgage rather than paying rent, 18 per cent consider renting a waste of money and 17 per cent do not like the uncertainty associated with renting. Younger respondents were more likely to consider renting problem and a waste of money when compared to older cohorts, however, they were less concerned by the uncertainty.

Households in the private rental sector were asked why they had made the decision to rent (Figure 49). The three most often reported responses indicate that younger households rent because they don't have enough for a deposit, prefer to rent at the moment and can't afford to buy anything appropriate. In middle age, there was a stronger relationship between the shortage of a deposit and being unable to buy anything that is appropriate, while by older age, the most common response was a lack of choice.

**Figure 49** Top five reasons that households rent: relative rank by age

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

78 per cent of all renters reported that they would like to buy a home at some point in the future. The drive for home ownership was driven almost principally by the desire to have a 'place to call home'.

Location (36 per cent), followed by affordability (30 per cent), was the single most important factor for renters when choosing their current home. A finding which mirrored the outcomes from the previous survey (Cassells et al., 2014). More than two thirds of renters were living in a dwelling in their first choice location (65 per cent), while further 17 per cent were within 5km of their preferred locality. Most renters managed to lease the property they wanted in the location they wanted (60 per cent) however, younger households were more likely to achieve this goal compared to other age ranges. Those who did have to make trade-offs to access their preferred location were likely to pay more in rent than planned or lease a smaller dwelling than intended. Those renting outside their preferred location were doing so largely because they could not afford their preferred location (43 per cent), couldn't find anything suitable in their first choice locality (18 per cent) or it was the best they could find at short notice (15 per cent). Younger household were more likely to live outside their preferred location in order to afford a particular dwelling type or size compared to other age groups.

Despite the private rental market suiting the needs of many, particularly younger households, 78 per cent of all renters reported that they would like to buy a home at some point in the future. The drive for home ownership was driven almost principally by the desire to have a 'place to call home', with the next reasons ranking much lower including 'it offers a sense of security' and 'it's a better option than renting' (Table 46). The primary barrier to homeownership for most renters was that they didn't have a sufficient deposit. This was particularly so for young households, as was their

ability to service the loan. Contrary to popular belief, the ‘inability to purchase the type of house that they want’ ranked low as a barrier to young households reasons for not purchasing a home.

**Table 46** Reasons for wanting to purchase a house: All renters

Distance of alternative location	Relative ranking
I want a place to call home	1
It offers a sense of security	0.52
It's a better option than renting	0.42
So I have somewhere to bring up my family	0.37
I want to be independent	0.35
It is an investment	0.27
Somewhere to be myself	0.24
So I have somewhere to entertain and socialise	0.15
Society expects it of me	0.09

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015.

# **Summary**

**of key findings**

# Summary and key findings

Despite a general softening of housing market conditions, housing cost pressures continue to dominate as a key concern in Western Australia. This second BCEC housing affordability report provides new insights into housing affordability by documenting changes in the state's affordability trends since the release of the first housing affordability report in 2014. It offers up-to-date findings on changes in housing stress levels between 2003 and 2013, as well as the extent to which the spatial distribution of housing affordability has changed across housing markets between 2013 and 2015. The report also draws on a new BCEC Housing Affordability Survey of over 4,000 households in WA, New South Wales and Queensland to highlight how housing affordability in WA compares to other states.

## Housing stress and vulnerable groups

This report has found that many pockets of the WA population are still vulnerable to housing stress despite a general softening of housing market conditions in recent years. Measures of severe housing stress have increased more for renters in WA than the rest of Australia. Indeed, the BCEC Housing Affordability Survey shows that private renters were twice as likely to state that they are forced to pay over 30 per cent of their income in housing costs compared to owner purchasers.

Those on low incomes are particularly exposed to housing stress. The BCEC Housing Affordability Survey finds that 83 per cent of West Australian households with incomes between \$31,000 and \$70,000 per year paid over 30 per cent of their income in housing costs and 29 per cent paid over 50 per cent in 2015. Over a third of households paying over 30 per cent of their income in housing costs said that they were forced to do so because there were no other options.

In the last two years, while most key workers have seen an increase in the number of suburbs in which they can rent an affordable dwelling, the same cannot be said for those on the minimum wage. It remains the case that there are no affordable one-bedroom rental properties for an adult award wage holder in the Perth metropolitan area. Furthermore, single parents are more likely than any other demographic group to perceive their housing as unaffordable.

## Housing affordability in an era of demographic change

The ageing of WA's population raises new challenges and opportunities in relation to housing options for older households. According to the BCEC Housing Affordability Survey, 16 per cent of 55-64 year olds and 25 per cent of those aged 65 years of over had already downsized with a further 31 per cent and 29 per cent respectively having thought about downsizing. Among those who had not already downsized, 80 per cent stated they would certainly downsize in the future. This presents industry with a challenge: how to deliver the type of housing older Australian's want in the locations where they would choose to retire which also meets a wider variety of budgets.

On the other hand, Gen Y households continue to face severe barriers to home ownership, raising questions regarding the role of intergenerational transfers and government grants in helping the latter secure affordable housing. For those Gen Y households already in home ownership, 38 per cent received help from their parents

or grandparents in 2015. The most common form of assistance was a cash gift or loan. Among those not yet in home ownership, only around a fifth of those living with parents (21 per cent) and in group households (18 per cent) expected to receive any intergenerational transfers to assist them into home ownership. Help from government was viewed as essential in enabling access to ownership and schemes such as the First Home Owners Grant and Stamp Duty Relief providing young households with support to bridge the deposit gap.

### **Housing affordability in regional Western Australia**

Affordability concerns are particularly acute in regional Western Australia. Residents of regional WA are more likely to perceive their housing as unaffordable than residents of regional New South Wales or Queensland. Moreover, in regional WA, the fall in average housing cost burden among owners with a mortgage between 2011-12 and 2013-14 can be primarily explained by a shift from owner occupation to renting amongst those facing high housing costs. This suggests that significant numbers of owners with a mortgage are precariously positioned at the edges of home ownership, with loss of home ownership a consequence of being unable to sustain high housing costs.

The West Australian Outback is significantly more exposed to homelessness than metropolitan regions. Indeed, the Kimberley region had the highest rate of homelessness within WA in 2011 at 385.8 homeless persons per 10,000 population and contributed to one-fifth of the state's homelessness count in 2011.

### **The experience of housing affordability**

Households' experience (or perceptions) of housing affordability are influenced not just by prices or rents, but a range of factors.

A key factor relates to housing diversity, which in turn affects housing choice and availability at a range of price/rent points. The housing stock in WA is the least diverse of the three states covered by the BCEC Housing Affordability Survey with the majority of housing being separate houses with three or more bedrooms. The availability of diverse dwelling types in Sydney may mitigate perceptions of unaffordability despite its high prices and rents. In contrast, the lack of diversity in WA's housing stock may exacerbate perceptions of unaffordability despite cheaper prices.

A second important factor relates to running, maintenance and commuting costs. Large houses are generally more expensive to run and maintain adding to overall housing costs, affecting perceptions of affordability. 19 per cent of both owners and private renters in the BCEC Housing Affordability Survey were forced to locate more than 10km away from their preferred location to access affordable housing. Respondents in WA were noticeably more likely than respondents in other states to be driving for 20 minutes or more and less likely to be taking short public transport journeys. These findings suggest that households in WA are likely to bear higher commuting costs than they would prefer both in terms of costs and time lost to travel than households in NSW or Queensland. This can in turn exacerbate perceptions of unaffordability in WA relative to other states.



# Policy

## discussion

# Policy discussion

The report provides some commentary of policies that impact on the current housing affordability situation in Australia, with some discussion of the sorts of policy interventions that might be required to promote greater access to affordable housing both in Western Australia and nationally.

## Investing in affordable housing

Private renters generally report higher housing cost burdens than do owner occupiers. This report shows that measures of severe housing stress have increased more for renters in WA than the rest of Australia. The BCEC Housing Affordability Survey has found that 78 per cent of all renters would like to buy a home at some point in the future. The drive for home ownership is driven firstly by the desire to have a 'place to call home' as a place that offers tenure security.

However, there is currently a mismatch between incomes and house prices. Households on lower quartile incomes are unable to purchase lower quartile houses or units, indeed households on median incomes are unable to access median house prices in some areas. Public and community housing provides a safety net for those unable to afford housing in private rental markets. However, demand clearly exceeds supply in the social housing sector. Delivery of housing affordable to those on low to moderate incomes will likely require some form of subsidy to bring it below market levels. The National Rental Affordability Scheme was successful in delivering around 38,000 affordable dwellings (Senate Economics References Committee, 2015). However, this scheme has since been abolished with no replacement scheme currently being planned for delivering supply of affordable rental housing to those on low to moderate incomes.

There has been much research into securing institutional investment into affordable housing funded through the Australian Housing and Urban Research Institute. Options such as housing supply bonds backed by government, social impact bonds and public private partnerships have been put forward to increase the flow of private sector funds into the community housing sector increasing the delivery of affordable housing. Such investment is common in other countries as are other mechanisms to secure affordable housing including the Low Income Housing Tax Credit scheme in the US that has delivered around 110,000 affordable rental units annually and a number of schemes in the UK including direct capital grants to the community housing sector and developer contributions to affordable housing through section 106 policy. Furthermore, one way of ensuring that affordable housing remains affordable in perpetuity is to involve the community housing sector in the management of affordable housing stock and covenants can be used to cap the sale price at an affordable level.

Scale in the delivery of affordable housing can also be achieved via affordable housing contributions from all development sites through the use of inclusionary zoning. Such a policy would ideally be applied at the zoning or re-zoning stage where the uplift in value occurs and exclude developments where the land has already been purchased and the buyer has been unable to factor any affordable housing contribution into the land price.

Government grant support remains critical for first home buyers and can make a major dent in deposit requirements. The deposit gap remains the biggest barrier to home ownership and while help from parents and grandparents may be available to some, such support is not, by any means, available to all households. The delivery of more affordable purchase options through alternative tenures such as shared ownership, cooperative housing models and land rent models would provide options that are not widely available across Australia. A key example of a WA model that includes shared ownership loan options is the Keystart Loan Program.

### **Housing and tax reform**

Downsizing is an option that many older persons have adopted or are considering. However, many barriers to downsizing exist, ranging from threats to eligibility for pensions through to the transaction costs that arise as a result of the purchase of a new, albeit lower valued, property. Indeed, a previous BCEC report on population ageing in WA found that the incidence of stamp duty on housing equity released through downsizing is 25 per cent in WA (Dockery et al., 2015). There is an opportunity to promote more efficient use of housing stock by relaxing the disincentives to downsizing among seniors, and to reap something of a “double dividend” from so doing. This would free up housing space for younger families and older households would be able to move into a smaller property that is easier to run.

A commonly proposed policy reform that would promote incentives to downsize includes the provision of stamp duty relief to seniors who downsize (Ong et al., 2013). Indeed, stamp duty relief for pensioners are currently available in some states such as Victoria and the Australian Capital Territory (ACT Revenue Office, 2016; State Revenue Office Victoria, 2016). While stamp duty relief is typically frowned upon as a drain on state revenues, a commonly overlooked benefit of downsizing are the potential gains to stamp duty revenue that would ensue if stamp duty relief policies result in a larger number of property being transacted in the market as a result of more seniors downsizing.

Furthermore, it is well-known that stamp duty on property purchase have negative impacts on housing affordability for both the young and old. Stamp duties are a key barrier to home ownership for young first home buyers as they represent an upfront lump sum that has to be paid upon home purchase. Stamp duty will also eat into the returns from downsizing by seniors who move into lower valued properties.

There has been much recent debate about reforming negative gearing and its potential impact on rents and prices. Where investors and first home buyers compete for the same property it is likely investors are able to outbid first home buyers and the safety net of negative gearing is part of the reason. Furthermore, a previous BCEC report (Cassells et al., 2015) show that the share of debt associated with investment property loans has tripled from one-tenth to three-tenths between 1990 and 2015. Investors now take up a higher share of the value of new loans than do first home buyers.

It is evident from current policy debates that the impact of negative gearing on housing market dynamics and affordability in the owner-occupied and rental sector

is hotly contested. One the one hand, proponents of the current system argue that negative gearing acts as a stimulus to investors entering the rental property market. Others argue that the tightening of negative gearing provisions could have positive impacts on home purchase affordability. This emphasises the compelling need for a better understanding the impact of negative gearing provisions as they currently stand, and of potential reform options.

### **Addressing precarious housing**

In regional WA, the fall in average housing cost burden among owners with a mortgage between 2011-12 and 2013-14 can be primarily explained by a shift from owner occupation to renting amongst those with facing high housing costs. This can potentially be attributed to downturns in mining areas which are of course concentrated in the regions. The finding suggests that significant numbers of owners with a mortgage are precariously positioned at the edges of home ownership in regional Australia, with loss of home ownership a consequence of housing stress. Traditionally, government grants that promote owner occupation have been focused on reducing the costs of entry into home ownership such as First Home Owners Grants. Whilst these remain important for aspiring young first home buyers, there are some who face a risk of being unable to sustain their home ownership status without financial assistance from external sources such as government grants.

Another housing issue that is particularly relevant to regional WA is Indigenous homelessness. It is clear that the meaning of homelessness differs between Indigenous and mainstream communities. The distinction between Indigenous and mainstream homelessness is particularly important in a state like Western Australia, where regions with high number of Indigenous persons such as the Kimberley region are more vulnerable to homelessness. Memmott et al. (2003) point out that Indigenous homelessness is not necessarily defined as a lack of accommodation but more so an Indigenous person's loss of his or her sense of control over, or legitimacy in, the public space where s/he resides. Hence, policies that aim to target Indigenous homeless will need to take into account these differences.

The report also highlights the fact that homelessness is a multifaceted phenomenon driven by range of health and psychosocial concerns that affect a person's mental and physical wellbeing (Ruah Community Services, 2016). The multiplicity of issues that homeless people face significantly increases their risk of death if accommodation is not found for them. The provision of integrated support services that tackle homelessness in conjunction with other social issues such as domestic and family violence and child protection will be better placed to take address homelessness by addressing the multiplicity of issues that are associated with it.

### **Aligning housing stress measures with the experience of affordability**

The report found that households' experience (or perceptions) of housing affordability differ from actual cost burdens. Many households that are paying less than 30 per cent in housing costs consider their housing to be unaffordable while there are many on moderate incomes that are paying well above 30 per cent and regard their housing as mid range or even affordable. It points to the 30 per cent measure underestimating

the impact of housing costs on housing affordability of low income households and underestimating the capacity of moderate income households to sustain housing costs.

One method of better aligning empirical measures with the actual experience of housing affordability is to calibrate housing stress on a sliding scale that measures the depth of housing stress and confining it to households in the bottom 40 per cent of the income distribution. In this report, housing stress has been measured in increasing depths, as reflected by the 30/40, 40/40 and 50/40 measures adopted.

Debates around house stress should also be extended beyond housing cost to income ratios, to take into account housing choice and trade-offs such as having to accept a location outside one's preferred radius to secure affordable housing. Indeed, offering housing supply across a diverse range of different housing types in locations where people want to live is critical for improving affordability. However, the supply of housing is complex, driven by a range of factors including but not limited to the availability of land, the availability of finance, capacity in the industry, urban regulation and the ability of the private sector to generate a profit. Government can help create the conditions for profitable development through efficient urban regulation and quality infrastructure for both infill and greenfield sites.

### **Concluding comments: an integrated policy package?**

Clearly, the issue of housing affordability affects households across the housing continuum, from those who are in owner occupation to the homeless. Furthermore, housing outcomes are affected by a range of policy settings that extend across multiple portfolios including taxation, infrastructure and social security, and are administered by a range of government agencies. For instance, the 2010 review of Australia's Future Tax System (the 'Henry Review') notes the complex ways in which tax and transfer parameters interact with the housing system (Henry et al., 2010). For the homeless, a multiplicity of related issues exists, including poor health, violence and interactions with the justice system which requires the provision of integrated support services that tackle both housing and other social concerns simultaneously.

Overall, it is clear that the wide-ranging effects of housing (un)affordability cannot be tackled by one or two discrete measures. Effective solutions for affordability problems require the implementation of an integrated policy package, as well as transitional strategies that smooth the pathway of reform.



# Glossary

# Glossary

## Data sources

This report uses five key data sources:

- The ABS Survey of Income and Housing (SIH) for the years 2003-04, 2005-06, 2007-08, 2009-10, 2011-12 and 2013-14. The SIH is a household survey which collects information on sources of income, amounts, received, housing characteristics, household characteristics and personal characteristics. The survey scope covers residents of private dwellings in both urban and rural areas of Australia.
- Real Estate Institute of WA (REIWA) suburban-level price and rent data for the fourth quarter of 2015. Please refer to the end of this report for further acknowledgement of REIWA for supplying the data.
- Social housing data reported in the Productivity Commission's 2016 Report on Government Services, collected from the states and territories. It is therefore subject to jurisdictional differences in reporting accuracy and data quality, which readers should note when interpreting the social housing trends presented in this report. However, this data nonetheless represents a comprehensive bank of up-to-date information on social housing in Australia.
- Homelessness estimates from the 2001 and 2011 Census. Please refer to the end of this report for acknowledgement of the researchers who supplied this data.
- The 2015 Bankwest Curtin Economics Centre Housing Affordability Survey. This survey was administered online and open to anyone living in Queensland, New South Wales and Western Australia aged 18 or over. The survey sought to collect a representative sample by location (Metropolitan and rest of State), age and income. Overall, 4,357 responses were received, including 1,829 in WA.

## Homeless persons

The ABS categorises homeless people into six groups comprising those who are in severely overcrowded accommodation, in supported accommodation for the homeless, in temporary accommodation with other households including family and friends, in boarding houses, rough sleepers or in other temporary lodgings (ABS, 2012).

## Homelessness rate

The number of homeless persons per 10,000 population.

## Household equivalised disposable income

Disposable income is total income less income tax, the Medicare levy and the Medicare levy surcharge. Equivalising income is a method of standardising household income to take into account household size and compositional differences.

## Housing cost burden

An indicator that shows an aggregate amount of housing costs as a fraction of household income.

## Housing stress

A term used when discussing housing affordability. It refers to the financial impact of high housing costs relative to an individual or household's income.

## Price-to-income ratio

A commonly used measure of housing affordability that measures the sale price of a property divided by a measure of household income. A specific price-to-income ratio that uses the median measure of price with median household income is also known as the Median Multiple.

## Rental-income ratio

An analogous measure to the price-to-income ratio of housing affordability that measures the rental price of a property as a fraction of household income.

## Quartile

Quartiles divide a set of values that have been ranked from the smallest to largest value into four equal groups. The lower quartile refers to values in the bottom 25 per cent of the distribution.

## Quintile

Quintiles divide a set of values that have been ranked from the smallest to largest value into five equal groups.

## Share of homelessness

The contribution of each region to the state's homelessness, or the contribution of each state to national homelessness.

## Social housing

Rental housing typically provided by state housing authorities or not-for-profit organisations in order to assist individuals and households who are unable to secure appropriate accommodation in the private rental market.



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