BANKWEST CURTIN ECONOMICS CENTRE

GETTING OUR HOUSE IN ORDER?

BCEC Housing Affordability Report 2019

Focus on Western Australia Report Series, No.12
May 2019

About the Centre

The Bankwest Curtin Economics Centre is an independent economic and social research organisation located within the Faculty of Business and Law at Curtin University.

The Centre was established in 2012 through the generous support of Bankwest, a division of the Commonwealth Bank of Australia. The Centre's core mission is to deliver high quality, accessible research that enhances our understanding of key economic and social issues that contribute to the wellbeing of West Australian families, businesses and communities.

The Centre's research and engagement activities are designed to influence economic and social policy debates in state and Federal Parliament, regional and national media, and the wider Australian community. Through high quality, evidence-based research and analysis, our research outcomes inform policy makers and commentators of the economic challenges to achieving sustainable and equitable growth and prosperity both in Western Australia and nationally.

The Centre has built a national 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 and economic and social policy evaluation.

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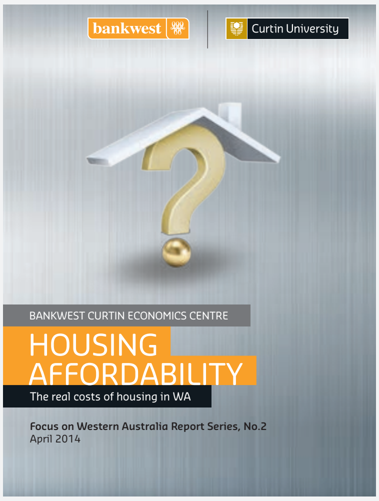

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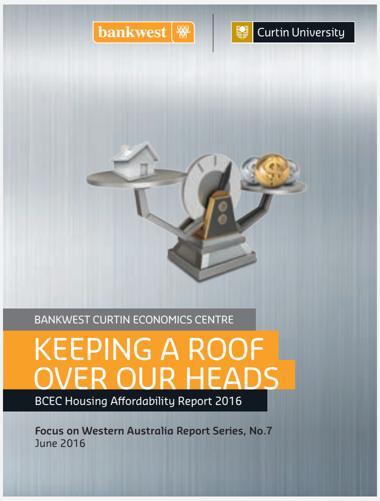

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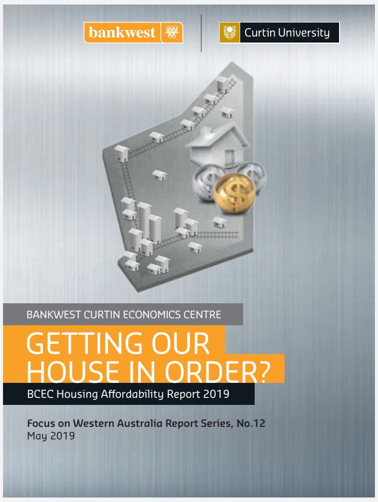


Foreword

The Australian housing market has softened over the course of BCEC's four Housing Affordability Surveys since 2013, but we haven't seen this translate into housing stress relief for West Australians, particularly those on lower incomes.

Getting our house in order? is the twelfth report in BCEC's *Focus on WA* series, and the third BCEC Housing Affordability report.

This report provides new insights into how housing affordability has changed, or hasn't changed, across the three surveys of 3,600 Australians in Western Australia, New South Wales and Queensland.

The share of West Australian homeowners who suffer from housing stress has decreased this decade, but the same can't be said for those who rent.

Perth renters continue to face high housing cost burdens despite the lower prices being paid for houses and units across most of the region. Many people on lower incomes, and particularly single parents are struggling to meet the rental costs of properties at even the lower end of the market.

For those who need to find an affordable house to live in, the outer suburbs of Perth are the only option, which may come with higher commuting costs and longer days away from home.

The BCEC Housing Affordability Survey 2019 highlights the large deposit gap that exists for those who do wish to buy their own home in the future. Not having a large enough deposit is the biggest barrier to home ownership, and a number of policy responses including low deposit home loans such as Keystart, could go some way to overcoming this deposit gap.

The Survey also shows that regional WA faces higher incidence of housing stress than metropolitan Perth, and highlights the impact that unaffordable or poor quality housing can have on mental health across the State.

The winding down of the National Rental Affordability Scheme could well mean that some tenants are unable to afford their rent next year. Protections must remain in place to provide support for housing costs for those households who need it most.

There is no denying the complexity of the challenge to improve housing affordability. As highlighted in previous BCEC reports, it is imperative for state and federal governments to work with housing industry and community organisations to work towards solutions that increase the supply of affordable housing across our State.

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

Executive Summary

This report by the Bankwest Curtin Economics Centre focuses on housing affordability, one of the most important economic and social issues facing Western Australia, and indeed the country.

This twelfth report in BCEC's Focus on WA series builds on the Centre's earlier reports into housing affordability, and includes new analysis of the latest trends in housing affordability since the release of the first housing affordability report in 2014.

The report benefits from new suburb-level transactions data both for housing sales and rents, provided by the Real Estate Institute of Western Australia, as well as from numerous secondary data sources provided by the Australian Bureau of Statistics.

And the report includes important new findings from the fourth Bankwest Curtin Economics Centre Housing Affordability Survey. The latest BCEC survey draws on responses collected during April 2019 from 3,600 households in WA, New South Wales and Queensland. This gives us a unique opportunity to benchmark WA's housing affordability position relative to the situation faced by other states.

This report focuses on a series of key issues:

- How have housing cost burdens changed in the last decade?
- How do mortgage and rental cost stresses vary for households in different social and economic circumstances? Which family types are facing the highest levels of housing stress?
- How do housing affordability outcomes vary between Perth's metropolitan suburbs, across regional centres of WA, and between WA and other states?
- How do West Australian households' housing cost burdens influence their financial wellbeing?
- To what degree are these households making constrained housing choices and accepting trade-offs in their housing decisions?

Key findings

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

- Perth ranks as the least affordable city in Australia in terms of the typical housing cost shares paid by renters, at around 27% of income.
- Many low income families on award wages or government payments are struggling to meet the rental costs of properties at the lower end of the market.
- The share of West Australian homeowners with mortgages who pay at least 30% of their incomes in housing costs fell from 38% in 2011-12 to 33% in 2015-16.
- Around a fifth of WA's renters paid in excess of 40% of income towards housing costs.

Housing costs: who faces the greatest cost shares?

- Typical (median) mortgage cost shares are around 34% for single persons and 31% for single parents.
- 6 in 10 single parent households now face housing cost burdens in excess of 30% of income, up from 48% in 2013-14.
- More than 4 in 10 single parent homeowners in Western Australia (43%) spend more than 30% of their incomes each week on housing costs while surviving on low incomes.
- 1 in 10 single parents have to survive on low incomes and commit more than half of their income to cover their mortgage.
- Nearly one half of single parents who live in rented accommodation have to survive on low incomes and commit at least 30% of their income towards housing costs.
- 1 in 5 older aged renters face the combined pressure of low incomes and having to pay at least 40% in rental costs.

Who can afford what and where?

- At the top end of the market, houses in Peppermint Grove attracted a median transaction value of $3.7 million in 2018.
- Transaction volumes have been relatively high in the northern suburbs, with more than 2,000 transactions each in Wanneroo, Stirling and Joondalup.
- The median transaction value for multi-residential units in North Fremantle fell by 39% in the last three years, from $1.44 million in 2015 to $872,500 in 2018.
- In the Fremantle and Vincent/Stirling South East areas, the median price house costs around 8.8 times the annual household income.
- While affordability for lower income earners seems to have improved in most areas of regional WA, in the Kimberley, lower quartile price-income ratios have risen from 8.4 to 10.8.
- In Gosnells the lower quartile house rental costs in 2018 was $247 per week, compared with a median rent of $280.
- Rents in many localities of Perth have not adjusted, and remain rigid in the face of relatively low supply and vacancy.
- The tight spread of rents imposes disproportionate housing cost stress for lower income families.

Location, location, location

- Families would require an annual income in excess of $400,000 to afford properties in a number of the areas in the Western Suburbs around the Swan River and on the coast.
- Families with limited income either have to bear a greater degree of rental stress, or compromise substantially on location.
- Very few suburbs have rent-income ratios in the comfortably affordable range (below 30%) for families in the lowest quarter of incomes.

The 2019 BCEC Housing Affordability Survey

- In 2019, just over 45% of respondents renting or owning with a mortgage were paying over 30% of their income in housing costs. This was down from 48% in 2017 and 49% in 2015.
- The proportion of all households paying above 30% of their income in housing costs falls to a third taking into account all households living cost free, down very slightly on 2017, but significantly on 2015.
- 37% of households paying over 30%of their income in housing costs were forced into this position due to a lack of other options. This has increased from 31% in 2015 and 32% in 2017.
- While 62% of couples with children chose to take on high cost burdens, 55% of one person families were forced to do so. The balance for other household types was around 50:50.
- Over 80% of households would suffer moderate or major impact on their finances if their housing costs were to increase by 10%. These outcomes are far worse than the equivalents for 2015 and 2017.
- Ratings of affordability deteriorate when over 20% of income is spent on costs but it is not until the 40% level that more households rate their housing as unaffordable compared to affordable.
- 45% of households rating their financial position as poor ranked their housing as unaffordable, and a quarter rated their housing as affordable.
- Almost half of all part time workers reported wanting to work more hours but those hours were not available.
- Just 35% of households classifying themselves as very poor and 71% of those with a gross income of less than $31k could meet essential expenditure after paying direct housing costs.
- Over 50% of respondents in unaffordable housing stated it affects their mental health.
- Private renters had the most difficulty meeting housing costs in 2019 with 52% regularly struggling compared to 38% of those with a mortgage. Even 22% of outright owners had difficulty meeting their housing costs (maintenance, running costs etc.) on a regular basis.
- One parent families and individuals living in a group household were the household types most often struggling with housing costs and the most likely to rate their housing as unaffordable. Couples without children were in the most favourable position.

Regional WA

- The proportion of households in regional WA paying over 30% of their income on housing fell from 44% in 2015 to 34%in 2019.
- Over 23% of regional WA households regarded their housing as unaffordable compared to just 17% of metropolitan households.
- In 2015 almost a quarter of all regional respondents rated their housing as unaffordable compared to just 14% in 2019. Given very little wage growth over this 4 year period, the reductions must be on the housing cost rather than income side for most households.
- 43% of those households regularly struggling to meet housing costs are in the private rental sector and a similar proportion moved house in the last 3 years. 51% earn less than $60k.

State comparisons of affordability

- While the median house price in Sydney is over $900k, it is just $230k for attached dwellings in regional WA. Sydney houses command a rent of $540 per week compared to $300 for Perth units. Sydney prices have fallen almost 10% from their 2016 peak while house prices in Brisbane have risen by $73k in four years.
- 15% of respondents in NSW and QLD regard their housing as unaffordable compared to 13.5% in WA.
- For households that had recently moved (within 3 years) the primary reason varied by tenure. For private renters, a quarter were forced to move due to circumstances beyond their control while for owners it was to move to a dwelling more suitable for household needs.
- Housing cost burdens are similar by state. Around a third of households in regional and metropolitan locations pay more than 30% of gross income in housing costs, the exception being regional NSW where the figure rises to 40%.
- WA households are the least likely to be able to meet non-essential expenditure after paying housing costs at 61% compared to 64% and 66% in NSW and QLD respectively.
- A 3% increase in mortgage interest rates would impact on WA households hardest with 51% reporting a major impact compared to around 47% in the other two states.
- 30% of WA respondents regarded themselves as poor or very poor in 2019, the highest of the three states.

Policy settings

- Three quarters of non-owners who want to purchase a dwelling listed the primary motivation for purchase being the desire for a place to call home. Investment was a motive for only 16%.
- The deposit is the biggest barrier to home ownership. Of those wishing to purchase only 12% stated they would receive parental help while 22% said they might receive some help.
- The average deposit amount currently saved is a little over $14k while the average amount respondents thought they would need was $64k, a gap of some $50k.

- The first home owners grant and stamp duty relief were regarded as important by well over half of respondents who had recently purchased their first dwelling. For those yet to purchase, government assistance with the deposit was considered essential by over three quarters of respondents while two thirds thought they would benefit from access to their superannuation to help fund a deposit.

- A quarter of current investors stated if negative gearing was not available and capital gains tax discount was half its current rate they would not have bought their investment property.

- 28% of current and potential future investors would not buy an investment property if negative gearing were not available. 35% would still buy and the rest were unsure.

- 45% of respondents stated they would buy a new dwelling rather than an established if it meant access to tax incentives and only 14% said they would not, the rest being undecided.

Policy implications

- The current downturn in new housing supply is the most prolonged since data collection began in 1985.

- Affordability remains an issue for many households. A range of policies are necessary to ensure a supply of housing affordable to a diverse range of households and this supply needs to be across tenures as well as locations.

- Keystart has proved very successful in bridging the deposit gap. As the WA State Government seeks to deliver more diverse housing products around transport hubs, Keystart should implement more flexible upper price limits tied to key locations to encourage buyers to take advantage of transit orientated development.

- While first home owner grants increase market activity in the short term they have negative medium term consequences.

- Stamp duty relief is essential. Ultimately, the abolition of stamp duty would have a major, and positive, long term impact on housing affordability.

- Funding for public housing needs to increase to deliver direct housing options for those households in greatest need and to provide a safety net for households falling out of the private rental market.

- Community housing organisations need additional funding to ensure they are able to deliver housing options for households on low incomes that cannot afford to live in the private rental sector.

- In the absence of additional direct funding to the sector, lower cost finance through NHFIC might not be enough on its own to dramatically increase community housing provision but it is a first step in the right direction.

- The WA State Government should continue to push for greater diversity and housing choice within existing infill areas and within new greenfield subdivisions.

- A precinct level approach to infill development is required to deliver the amenity and infrastructure necessary to support quality development.

- Metronet offers opportunities for government to deliver best practice examples of diverse development around transport hubs.

- Tenancy reform is essential to make the private rental sector more secure and more attractive as a long term tenure.

- Built to rent has the potential to deliver long term, stable private rental dwellings if government creates the conditions to encourage private sector investment.

- Government should deliver a replacement for NRAS using investor tax incentives and community housing providers as the delivery mechanism.

- Removing or reducing access to negative gearing and halving the CGT discount would reduce investor demand and potentially have a positive impact on home purchase affordability.

- Innovations around power, including electricity sharing and trading, more efficient water usage and more energy efficient homes have the capacity to reduce running costs.

- Government should maximise affordable housing contributions from government owned land wherever possible. A stretch target of 30% affordable housing on all such sites should be implemented.

- Affordable housing contributions, either the direct provision of units on-site or financial contributions in-lieu, should be required from any development approval that delivers an uplift in land value.

- The ACT land rent scheme has delivered affordable housing opportunities for hundreds of households. Such schemes eliminate the upfront cost of the land and therefore reduce the deposit requirement and level of mortgage payments.

- Innovative lending products are required to facilitative new, collaborative models of development which challenge the traditional way of doing business.

Introduction

Affordable housing has been an ongoing issue for West Australian households.

Having a place to call home is about more than providing shelter. Homes are where we grow up. Where we feel safe, physically and emotionally. And being able to afford a comfortable home shouldn't be a struggle for families who are already doing it tough with stagnant wages and growing levels of precarious work.

The BCEC's series of housing affordability reports aims to shed light on the areas of our community where housing affordability is out of reach, or risks moving into that territory.

This BCEC *Focus on WA* report explores the real level of housing affordability in Western Australia. Using the latest data, it compares the rent and mortgage costs that Australians face in each of our states and territories, and then brings it closer to home, mapping those regions that are the most and least affordable within Perth and the State as a whole.

The report also includes findings from the BCEC Housing Affordability Survey, which charts housing affordability for 3,600 West Australians, Queenslanders and New South Welshman in 2015, 2017 and now 2019.

The survey identifies any aspects that are creating more housing stress for households, and areas where the burden of housing costs may have eased.

The report also invites discussion on what policy interventions could be implemented in order to provide relief to families who are working hard to make ends meet, and to expand the safety net of affordable housing to those West Australians who need it most.

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?

The first comparison of housing affordability uses a national survey of household data from the ABS Survey of Income and Housing (SIH) from 2005-06 to the most recent 2015-16 survey. These are the latest available data that capture representative samples of households from the Australian population over time, and provide comparative measures of the real housing costs faced by families across state and territory jurisdictions, and, more importantly, across families in different socio-economic and demographic circumstances.

We look separately at the evolution of housing cost burdens for mortgage holders and renters, using median housing costs as a share of household disposable income to measure broad trends. We further differentiate the housing cost burdens faced by low-income households that fall into the lowest two quintiles – or lowest 40 per cent - of household disposable incomes when appropriately scaled for family size and composition.

To better understand the situations of housing stress for certain groups underneath these broad figures, we also disaggregate housing cost burden and housing stress indicators across a range of socio-economic characteristics.

Capital city and regional housing costs compared

The analysis in this chapter of the *Focus on WA* housing affordability report uses a broad housing cost measure that incorporates other costs in addition to mortgage or rental costs – specifically property and water rates and body corporate fees. For comparison, all dollar figures are inflated to December 2018 prices using state-specific consumer price indices (CPI).

Mortgage cost burdens compared

Table 1 compares the typical housing (median) cost burdens faced by mortgage holders in capital cities and regional areas of Australia. Housing costs have fallen consistently over the most recent two year comparison according to ABS household survey data. Mortgage holders in the NT and Sydney commit the greatest shares of disposable incomes towards housing costs – at around 28 per cent and 26 per cent respectively in 2015-16. In the case of Sydney mortgage holders, the housing cost share has fallen by 6 percentage points since 2007-08 but more marginally, by 0.3 percentage points in the latest two year comparison. This is attributable to incomes rising marginally faster than housing costs, up by 6 per cent and 3 per cent in real terms respectively over the two years to 2015-16.

Melbourne and Brisbane rank third and fourth respectively in terms of median mortgage cost burdens (both at 24%). Perth ranks sixth on this measure, with mortgage costs falling to 23 per cent of disposable income, down by 3.0 percentage points in the two years to 2015-16.

Home-owners living outside capital cities or territories historically committed lower shares of income towards housing costs, but the gap has narrowed over the latest two survey years with significant increases in regional parts of Queensland and WA compared to their city counterparts. For example, the median share of income devoted to housing costs for mortgage holders in regional WA is now 24 per cent, up by 2.2 percentage points in two years. Heavier mortgage cost burdens in WA's regional areas have been driven by compositional changes, with many home-owners having sold and moved, or downsized, in the last two years, and median incomes (down 13%) falling more rapidly than housing costs (down 2%) over the period.

Table 1 Mortgage cost burdens, by state and territory

Housing cost burdens Mortgage holders	Median housing cost burden *Housing costs as a proportion of h/h disposable income*							Change 2013-14 to 2015-16		Change in median real housing costs: 2013-14 to 2015-16		Change in median real disposable income: 2013-14 to 2015-16	
City or region	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16		ppt change		% change		% change	
Capital city or Territory													
Sydney	31%	32%	29%	27%	26%	26%	2	-0.3	1	+3%	1	+6%	1
Melbourne	27%	28%	25%	26%	26%	24%	3	-1.2	4	-4%	4	+3%	2
Brisbane	27%	25%	24%	27%	26%	24%	4	-1.9	5	-9%	5	+2%	3
Adelaide	25%	26%	26%	24%	24%	23%	5	-0.8	2	-1%	2	-6%	5
Perth	26%	27%	26%	26%	26%	23%	6	-3.0	6	-14%	6	-9%	6
Hobart	22%	25%	21%	22%	24%	23%	7	-1.0	3	-3%	3	+2%	4
NT	.	.	.	.	.	28%	1						
ACT	.	.	.	.	.	22%	8						
ACT and NT	24%	30%	24%	25%	24%	.							
Balance of state													
Balance of Queensland	27%	26%	27%	25%	23%	24%	1	+1.2	3	-15%	6	-16%	6
Balance of Western Australia	21%	22%	22%	26%	22%	24%	2	+2.2	1	-2%	3	-13%	5
Balance of New South Wales	27%	25%	25%	26%	22%	23%	3	+0.6	4	-1%	2	-4%	1
Balance of South Australia	27%	24%	22%	24%	21%	23%	4	+1.6	2	+2%	1	-4%	2
Balance of Victoria	23%	24%	23%	23%	22%	22%	5	+0.2	5	-3%	4	-8%	4
Balance of Tasmania	21%	21%	22%	22%	22%	21%	6	-0.7	6	-8%	5	-7%	3
AUSTRALIA	27%	27%	26%	26%	25%	24%		-0.7		-6%		-3%	

Notes: Housing costs are reported for households with a mortgage. 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 2013-14 and 2015-16 is expressed as the percentage point difference in median housing cost burden for each capital city and regional area. ACT and NT were not separately identified in the SIH prior to 2015-16. See Glossary for definitions.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Survey of Income and Housing (SIH), 2005-06 to 2015-16.

Housing cost pressures are substantially more severe among low-income mortgage holders (Table 2) with housing cost burdens rising to at least 40 per cent of disposable income for low-income households in many capital cities and territories. Housing cost burdens among low-income homeowners in Melbourne and Sydney are especially severe, rising to 45 per cent and 44 per cent in 2015-16. The median housing cost burden for low-income home-owners in Perth rose by 1.9 percentage points to 38 per cent over the last two years 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 risen in regional areas of Victoria (by 1.7 percentage points to 34% of disposable income), New South Wales (by 2 percentage points to 36%) and South Australia (by 9 percentage points to 24%). Regional WA ranks joint third 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 36 per cent of disposable income.

Table 2 Mortgage cost burdens for low-income households, by state and territory

Housing cost burdens *Mortgage holders in bottom two income quintiles*	Median housing cost burden *Housing costs as a proportion of h/h disposable income*							Change 2013-14 to 2015-16		Change in median real housing costs: 2013-14 to 2015-16		Change in median real disposable income: 2013-14 to 2015-16	
City or region	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16		ppt change		% change		% change	
Capital city or Territory													
Adelaide	39%	37%	40%	37%	36%	45%	1	+9.0	1	-5%	5	-7%	5
Melbourne	48%	39%	37%	42%	44%	45%	2	+0.6	4	+4%	2	-10%	6
Sydney	53%	55%	41%	47%	44%	44%	3	+0.1	5	-3%	3	+4%	2
Brisbane	37%	45%	34%	45%	41%	39%	4	-2.1	6	-8%	6	-0%	3
Perth	34%	30%	36%	47%	36%	38%	5	+1.9	2	+16%	1	+5%	1
Hobart	26%	n/s	35%	46%	31%	32%	8	+0.8	3	-4%	4	-6%	4
NT	.	.	.	.	.	37%	6						
ACT	.	.	.	.	.	34%	7						
ACT and NT	34%	38%	32%	34%	36%	.							
Balance of state													
Balance of Queensland	38%	41%	43%	35%	37%	42%	1	+5.0	2	-7%	3	+0%	4
Balance of South Australia	33%	30%	29%	32%	26%	39%	2	+12.9	1	+39%	1	-4%	6
Balance of New South Wales	35%	46%	43%	39%	34%	36%	3	+2.0	3	+28%	2	+13%	1
Balance of Western Australia	39%	58%	29%	32%	44%	36%	3	-8.5	6	-9%	5	-3%	5
Balance of Victoria	28%	33%	31%	33%	32%	34%	5	+1.7	4	-9%	6	+13%	2
Balance of Tasmania	27%	25%	32%	31%	31%	29%	6	-2.4	5	-8%	4	+2%	3
AUSTRALIA	39%	41%	37%	41%	39%	39%		+0.1		-1%		+3%	

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 2013-14 and 2015-16 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), 2005-06 to 2015-16.

Rental cost burdens compared

Housing cost burdens rose substantially among WA's renters over the latest two national surveys of households. Perth ranks as the least affordable city in Australia in terms of the typical housing cost shares paid by renters, at around 27 per cent of income (Table 3). This contrasts with lower rental burdens in regional WA, with median housing cost shares for renters falling relatively slightly to around 19 per cent of disposable income. Sydneysiders in rented accommodation pay 26 per cent of their income in rent and other housing costs – a fall of 1.6 percentage points over the latest two surveys. Renters in Melbourne have also seen their housing costs fall as a share of income, by 0.8 percentage points to 25 per cent, with a similar pattern apparent in Brisbane.

Perth ranks as the least affordable city in Australia in terms of the typical housing cost shares paid by renters, at around 27% of income.

Table 3 Rental cost burdens, by state and territory

Housing cost burdens *Renters*	Median housing cost burden *Housing costs as a proportion of h/h disposable income*							Change 2013-14 to 2015-16		Change in median real housing costs: 2013-14 to 2015-16		Change in median real disposable income: 2013-14 to 2015-16	
City or region	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16		ppt change		% change		% change	
Capital city or Territory													
Perth	22%	21%	23%	23%	24%	27%	1	+2.8	1	-3%	4	-5%	5
Sydney	26%	25%	26%	25%	28%	26%	2	-1.8	6	-2%	3	+9%	1
Melbourne	24%	22%	23%	24%	24%	25%	3	+1.2	2	+1%	1	-4%	4
Brisbane	24%	24%	24%	23%	25%	25%	5	-0.8	5	-1%	2	-4%	3
Adelaide	24%	23%	22%	24%	24%	24%	6	-0.3	3	-3%	5	-13%	6
Hobart	22%	20%	22%	26%	25%	24%	6	-0.7	4	-8%	6	+2%	2
ACT	.	.	.	.	.	25%	4						
NT	.	.	.	.	.	22%	8						
ACT and NT	21%	22%	21%	23%	23%	.							
Balance of state													
Balance of Queensland	24%	23%	25%	23%	25%	25%	1	+0.7	3	-7%	6	-5%	5
Balance of New South Wales	24%	23%	24%	25%	24%	25%	2	+1.1	2	+4%	2	+4%	2
Balance of Tasmania	21%	21%	22%	23%	22%	24%	3	+1.6	1	-2%	3	+1%	3
Balance of Victoria	23%	19%	21%	21%	24%	22%	4	-2.3	6	+8%	1	+8%	1
Balance of South Australia	20%	22%	21%	22%	21%	21%	5	-0.4	4	-4%	4	-4%	4
Balance of Western Australia	20%	17%	19%	20%	20%	19%	6	-0.8	5	-4%	5	-9%	6
AUSTRALIA	24%	23%	24%	24%	25%	25%		+0.1		-4%		-1%	

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 2013-14 and 2015-16 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), 2005-06 to 2015-16.

Rental properties are far less affordable for those on lower incomes, particularly in the two largest state capitals and in metropolitan Perth. A typical low-income renter in Melbourne commits at least 38 per cent of their income to cover housing costs – up 4.0 percentage points in two years (Table 4). Sydneysiders on low incomes face similar rental cost burdens, with rental costs at around 37 per cent of household disposable incomes. Housing cost burdens in most regional areas of Australia outside the capital cities and territories are a little lower for low-income renters than their city counterparts, at around 30 per cent for most jurisdictions on the latest available data.

WA renters in the bottom two income quintiles are facing significant housing cost pressures, with rental cost burdens rising by 4.8 percentage points to 38 per cent. This has been driven by falling real incomes among lower income families, but with no commensurate reduction in real rental costs. A shortage of affordable rental properties coming onto the Perth market in most areas, together with low vacancy rates, looks to be putting a floor under rental costs.

This means that many low income families on award wages or government payments are struggling to meet the rental costs of properties at the lower end of the market.

Many low income families on award wages or government payments are struggling to meet the rental costs of properties at the lower end of the market.

Table 4 Rental cost burdens for low-income households, by state and territory

Housing cost burdens *Renters in bottom two income quintile*	Median housing cost burden *Housing costs as a proportion of h/h disposable income*							Change 2013-14 to 2015-16		Change in median real housing costs: 2013-14 to 2015-16		Change in median real disposable income: 2013-14 to 2015-16	
City or region	2005-06	2007-08	2009-10	2011-12	2013-14	2015-16		ppt change		% change		% change	
Capital city or Territory													
Melbourne	36%	31%	36%	36%	34%	38%	1	+4.0	2	+7%	1	-6%	5
Perth	28%	27%	30%	31%	33%	38%	2	+4.8	1	-2%	4	-10%	6
Sydney	33%	34%	35%	34%	39%	37%	3	-2.4	5	-7%	5	-0%	2
Adelaide	27%	28%	27%	30%	31%	34%	4	+3.0	3	+1%	3	-1%	3
Brisbane	30%	30%	34%	36%	38%	33%	5	-4.8	6	-14%	6	-4%	4
Hobart	32%	23%	32%	36%	33%	32%	6	-1.4	4	+3%	2	+19%	1
ACT	.	.	.	.	.	29%	7						
NT	.	.	.	.	.	26%	8						
ACT and NT	24%	27%	27%	28%	30%	.							
Balance of state													
Balance of Queensland	33%	32%	31%	34%	34%	32%	1	-2.2	6	-0%	3	+8%	1
Balance of New South Wales	30%	31%	30%	30%	30%	31%	2	+0.9	2	+9%	1	+2%	3
Balance of Tasmania	27%	28%	25%	26%	29%	30%	3	+0.8	3	+7%	2	-3%	4
Balance of Victoria	28%	23%	25%	25%	29%	29%	4	-0.1	4	-4%	4	-5%	5
Balance of Western Australia	27%	24%	24%	26%	25%	28%	5	+3.2	1	-11%	6	-12%	6
Balance of South Australia	25%	27%	25%	27%	28%	26%	6	-2.2	5	-10%	5	+4%	2
AUSTRALIA	31%	30%	30%	32%	34%	34%		-0.1		-2%		-2%	

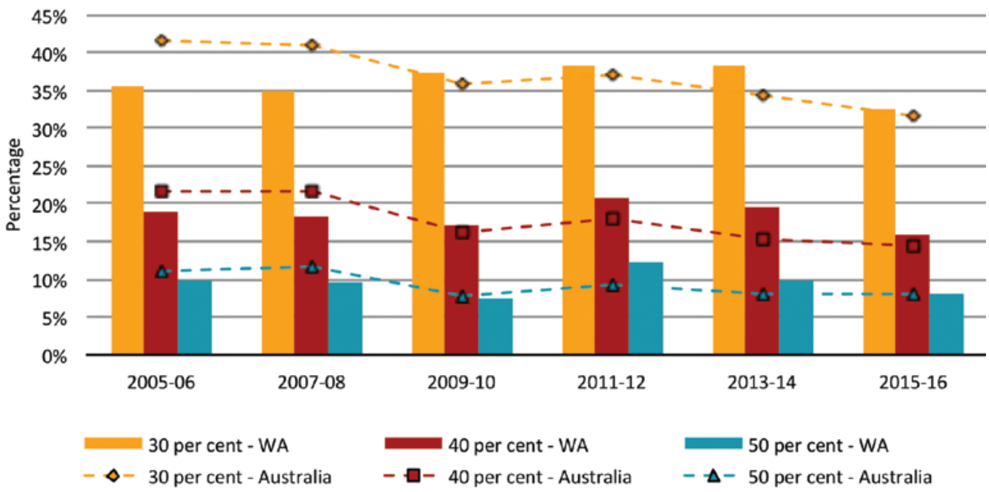
Notes: Calculations are reported for households in rental accommodation, and whose incomes fall in the bottom two quintiles (lowest 40 per cent) of household equivalised disposable income. Housing cost burdens are calculated using total weekly housing costs expressed as a proportion of weekly household disposable income. The change in housing cost burden between 2013-14 and 2015-16 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), 2005-06 to 2015-16.

A housing cost burden of 30 per cent of household income is often considered as a benchmark to assess housing affordability, with cost burdens in excess of this threshold used as a marker signalling potentially challenging housing cost pressures. However, as noted in previous *BCEC Housing Affordability* reports, this threshold may well represent a manageable, voluntary and affordable cost commitment for many households – particularly those on higher incomes.

To focus more specifically on those households facing real cost challenges, Figure 1 compares the proportion of homeowners in WA (shown in bars) and Australia (shown as hashed lines) who pay more than 30 per cent, 40 per cent and 50 per cent of their disposable incomes in housing costs. A similar comparison for renters is provided in Figure 2.

Figure 1 Mortgage cost burdens for WA and Australia



Note: 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), 2005-06 to 2015-16.

The share of West Australian homeowners with mortgages who pay at least 30% of their incomes in housing costs fell from 38% in 2011-12 to 33% in 2015-16.

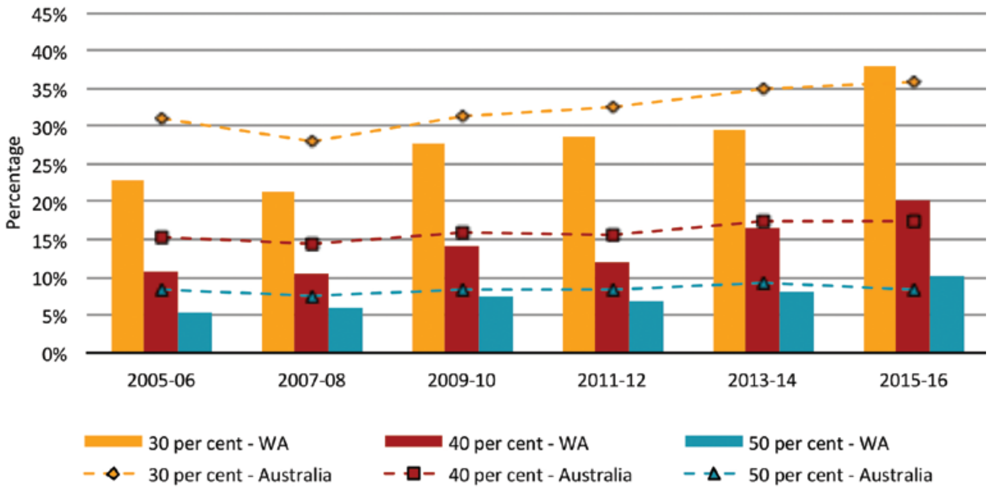
Around a fifth of WA's renters paid in excess of 40 per cent of income towards housing costs

The share of West Australian homeowners with mortgages who pay at least 30 per cent of their incomes in housing costs (the orange bars in Figure 1) fell from 38 per cent in 2011-12 to 33 per cent in 2015-16. This follows a similar national trend (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 consistently over the most recent six years of SIH data, down by around 5 percentage points from 21 per cent in 2011-12 to 16 per cent in 2015-16, slightly higher than the equivalent share for Australia. The share of WA households devoting more than half of their income towards housing costs also fell from 12 per cent in 2011-12 to 8 per cent in 2015-16, equivalent to the national rate.

The story is somewhat different for WA's renters. The share of those facing rental cost burdens in excess of 30 per cent rose from 29 per cent in 2011-12 to nearly 38 per cent in 2015-16 (Figure 2). In comparison, the national share of households paying more than 30 per cent of income towards rent remained relatively stable at around 36 per cent over the same period.

The pattern is repeated for housing cost burdens at more severe depths. Around a fifth of WA's renters paid in excess of 40 per cent of income towards housing costs in 2015-16, compared with a national rate of 17 per cent. The gap between WA and Australia has also closed for the most severe housing cost burden measure, with 10 per cent of WA renters now paying at least half of their income in housing costs.

Figure 2 Rental cost burdens for WA and Australia



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), 2005-06 to 2015-16.

These findings reveal the divergent trends in housing costs between owner-occupiers and renters in Western Australia. Cost burdens have fallen for households with mortgages, both in WA and nationally. This remains the case for standard benchmarks for housing affordability and for more severe affordability measures with cost shares in excess of 40 per cent and 50 per cent of income.

Patterns are somewhat different between WA and the rest of Australia among renters. The share of West Australian renters paying in excess of 30 per cent of their income towards housing costs has risen to 38 per cent according to the latest national SIH survey data for 2015-16, with the share of WA renters paying more than 40 per cent rising to a fifth and one in ten spending more than a half of their income on housing costs.

How

affordable is housing

for families in the West?

How affordable is housing for families in the West?

Typical housing cost burdens vary substantially for different renter and homeowner groups over time according to socio-economic situation – including family type, age, gender and income quintile – as well as locality. The report seeks to gain a fuller understanding of the impact of housing costs on family wellbeing, by identifying those groups facing particular housing cost pressures, or for whom housing affordability issues have intensified in recent times.

The first series of findings looks at median housing cost burdens faced by home-owners 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.

We have already noted the limitations in measuring housing affordability on the basis of a 30 per cent cost share benchmark. Households on higher incomes or with few or no dependents may comfortably afford to pay more than 30 per cent of their income in housing costs. At the same time, families with children, especially single parent families, are likely to feel far greater pressure in maintaining equivalent housing cost shares. For this reason, this section of the report looks at the shares of families facing housing cost burdens not just above 30 per cent, but at higher levels of severity – at 40 per cent and 50 per cent of family income.

Housing costs: who faces the greatest cost shares?

Mortgage cost burdens vary substantially for families in different socioeconomic situations, a fact highlighted in Table 5.

Single families with mortgages generally commit a greater share of their income towards housing costs than do other family types. Typical (median) mortgage cost shares are around 34 per cent for single persons and 31 per cent for single parents according to the most recent SIH data.

It's worth highlighting that the trajectories of mortgage cost burdens are somewhat different between the two groups of single families. Single parents have seen their mortgage cost burdens rise by around 5 percentage points to 31 per cent over the last decade, while the typical mortgage cost share for single person families, at 34 per cent, is the same now as it was 10 years ago. Six in ten single parent households now face housing cost burdens in excess of 30 per cent of income, up from 48 per cent in 2013-14. The equivalent share for single people has fallen from 50 per cent to 40 per cent over the same period.

Couple families without children have seen mortgage cost burdens fall over the last decade, with typical mortgage cost burdens now at around 22 per cent and with fewer than one in five paying more than 30 per cent of their incomes towards mortgage costs. One in four 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 6.6 percentage points since 2013-14.

Mortgage holders in the poorest fifth of households when grouped according to disposable incomes face especially severe housing cost pressures. The typical low income mortgage holder devotes two thirds of the household's disposable incomes to cover mortgage costs. Indeed, more than seven of every 10 homeowners in the bottom income quintile face housing cost shares in excess of 30 per cent of income.

Typical (median) mortgage cost shares are around 34% for single persons and 31% for single parents.

6 in 10 single parent households now face housing cost burdens in excess of 30% of income, up from 48% in 2013-14.

Table 5 Mortgage cost burdens in Western Australia, by household type

Housing cost burdens *Mortgage holders*	Median housing cost burden *Housing costs as a proportion of h/h disposable income*						Change 2013-14 to 2015-16	Proportion of households with housing costs more than 30% of h/h disposable income		
By household characteristics	**2005-06**	**2007-08**	**2009-10**	**2011-12**	**2013-14**	**2015-16**	**ppt change**	**2013-14**	**2015-16**	**ppt change**
Family composition										
Couple only	26%	24%	26%	24%	27%	22%	-5.5	31%	19%	-11.6
Couple with children	22%	24%	24%	24%	23%	23%	-0.1	29%	27%	-1.4
One parent with children	27%	29%	21%	30%	29%	31%	+2.2	48%	62%	+13.7
Lone person	34%	37%	34%	39%	32%	34%	+1.9	50%	40%	-10.5
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	23%	17%	22%	13%	21%	17%	-3.9	20%	9%	-10.5
Age of head of household										
<24	32%	n/s	n/s	27%	n/s	n/s	n/s	n/s	n/s	n/s
25-34	27%	31%	30%	30%	30%	28%	-2.0	47%	40%	-6.6
35-44	23%	25%	26%	28%	25%	24%	-1.9	33%	31%	-2.6
45-54	23%	20%	21%	21%	21%	22%	+1.2	26%	24%	-2.3
55-64	23%	22%	21%	24%	21%	18%	-3.2	29%	20%	-8.2
65+	n/s	n/s	n/s	20%	23%	n/s	n/s	13%	n/s	n/s
Gender of head of household										
Male	23%	25%	25%	25%	25%	23%	-1.8	32%	26%	-5.5
Female	27%	27%	28%	27%	27%	24%	-2.9	36%	31%	-4.4
Home owner status										
Settled homeowner (> 3 years)	21%	23%	23%	24%	25%	23%	-2.1	29%	25%	-4.4
First home buyer (3 years or less)	32%	34%	31%	34%	31%	23%	-8.1	56%	34%	-22.2
Changeover buyer (3 years or less)	29%	30%	28%	27%	25%	29%	+3.3	37%	39%	+2.7
Household income quintile										
First quintile (poorest)	53%	67%	45%	41%	65%	68%	+3.6	73%	51%	-22.7
Second quintile	34%	34%	34%	45%	28%	31%	+2.6	37%	46%	+8.3
Third quintile	27%	30%	30%	33%	32%	32%	-0.0	51%	49%	-2.0
Fourth quintile	27%	26%	26%	26%	26%	23%	-3.6	29%	21%	-8.5
Fifth quintile (richest)	19%	20%	18%	19%	17%	17%	+0.2	15%	10%	-5.7
ALL WESTERN AUSTRALIA	25%	26%	26%	26%	25%	23%	-2.4	33%	28%	-5.0

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. Incomes have been equivalised using the OECD modified equivalence scale to take account of family composition. The change in housing cost burden between 2013-14 and 2015-16 is expressed as the percentage point difference in median housing cost burden in the last two years for each household type. nd 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), 2005-06 to 2015-16.

Housing affordability has worsened significantly for WA households in rented accommodation, as shown in Table 6. Households in the bottom two income quintiles commit substantially higher shares of income towards housing costs – at 36 per cent and 35 per cent respectively – than do families on higher incomes. The share of households in the bottom quintile with housing cost shares above the standard affordability benchmark of 30 per cent of income has risen to 57 per cent since 2013-14, and for those in the second quintile, the share is even higher, at 68 per cent.

Table 6 Rental cost burdens in Western Australia, by household type

Housing cost burdens *Renters*	Median housing cost burden *Housing costs as a proportion of h/h disposable income*						Change 2013-14 to 2015-16	Proportion of households with housing costs more than 30% of h/h disposable income		
By household characteristics	**2005-06**	**2007-08**	**2009-10**	**2011-12**	**2013-14**	**2015-16**	**ppt change**	**2013-14**	**2015-16**	**ppt change**
Family composition										
Couple only	19%	15%	20%	22%	20%	23%	+2.7	17%	26%	+8.7
Couple with children	17%	17%	20%	21%	23%	22%	-1.0	27%	26%	-0.8
One parent with children	24%	21%	27%	24%	28%	33%	+5.3	44%	57%	+12.7
Lone person	24%	24%	26%	24%	25%	32%	+6.1	39%	53%	+13.6
Group households	15%	16%	19%	21%	20%	25%	+5.0	26%	38%	+11.4
Other one/multi households	22%	15%	18%	19%	18%	21%	+2.9	14%	20%	+5.8
Age of head of household										
<24	22%	18%	26%	24%	22%	26%	+4.4	21%	43%	+22.5
25-34	18%	18%	22%	21%	21%	26%	+4.8	23%	39%	+15.4
35-44	21%	19%	21%	21%	24%	24%	-0.1	34%	34%	-0.2
45-54	19%	22%	21%	23%	25%	24%	-1.2	41%	40%	-1.2
55-64	23%	22%	24%	25%	23%	25%	+1.6	22%	38%	+15.6
65+	26%	22%	22%	24%	24%	25%	+1.4	31%	36%	+5.0
Gender of head of household										
Male	20%	18%	21%	22%	22%	24%	+2.1	25%	33%	+7.5
Female	23%	22%	25%	24%	25%	27%	+3.0	37%	46%	+8.5
Household income quintile										
First quintile (poorest)	31%	28%	28%	27%	34%	36%	+2.8	55%	57%	+2.7
Second quintile	26%	25%	26%	31%	30%	35%	+5.1	51%	68%	+16.9
Third quintile	20%	18%	22%	22%	22%	26%	+3.8	15%	28%	+13.1
Fourth quintile	14%	16%	18%	18%	19%	18%	-1.5	7%	7%	+0.3
Fifth quintile (richest)	13%	11%	12%	14%	13%	15%	+1.7	1%	0%	-1.4
ALL WESTERN AUSTRALIA	21%	20%	22%	22%	23%	25%	+1.9	30%	38%	+8.4

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 2013-14 and 2015-16 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), 2005-06 to 2015-16.

Single parent families in rented accommodation again face greater housing cost burdens than any other household group. The typical single parent in rented housing pays a third of their income towards rent, up 5.3 percentage points over the latest two years, with nearly six in ten now paying in excess of 30 per cent of their income in housing costs.

There is also a worrying increase in the rental cost burdens faced by older cohorts of West Australians, with nearly four in ten Baby Boomer households aged 55-64 years now committing more than 30 per cent of their income towards rental costs.

Housing stress in WA

High housing cost shares may be affordable to households on higher incomes, with many choosing to commit a greater share of income to build their housing assets through upsizing or investment.

To further refine the measurement of housing cost burdens, this section focuses on households who have a combination of high housing costs and relatively low incomes. Specifically, we seek to capture the share of households who are in different degrees of housing 'stress' defined according to the following combinations of income and housing costs:

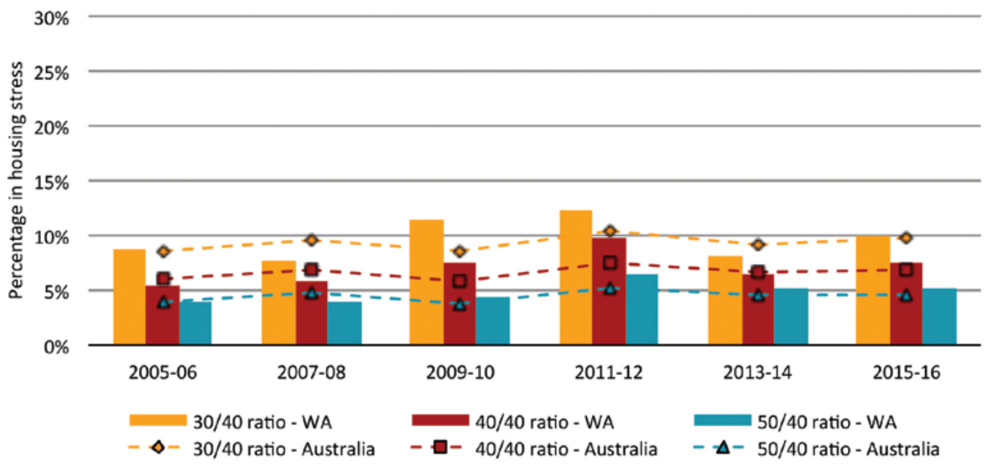
- 30/40 ratio – those households in the bottom two quintiles of the income distribution paying more than 30 per cent in housing costs;
- 40/40 ratio – those households in the bottom two quintiles of the income distribution paying more than 40 per cent in housing costs; and
- 50/40 ratio – those households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

Have mortgage stress measures in WA changed over time?

The proportion of WA mortgage holders who are in the bottom two income quintiles and who pay more than 30 per cent of their income towards housing costs rose to around 10 per cent in 2015-16, matching the national rate (Figure 3). The shares of WA mortgage holders in greater (40/40) housing stress has also risen to around 7.5 per cent over the same period, while 5 per cent of WA homeowners are on low incomes and pay more than 50 per cent towards housing costs.

Housing stress is far more severe among WA renters. The share of WA households in rented accommodation who are on low incomes and pay at least 30 per cent of their income in rent (30/40 housing stress) rose to just under 30 per cent (Figure 4) by 2015-16, some 2 percentage points higher than the national rate. The pattern is similar at more severe depths of rental stress, with 18 per cent of WA's renters facing low incomes and committing more than 40 per cent of their incomes towards rental costs (40/40 rental stress) compared to a national rate of just over 15 per cent. For the first time in a decade, the rate of severe (50/40) housing stress for renters in Western Australia now exceeds the national rate, with 10 per cent of WA renters both on low incomes and paying at least half of their income towards housing costs.

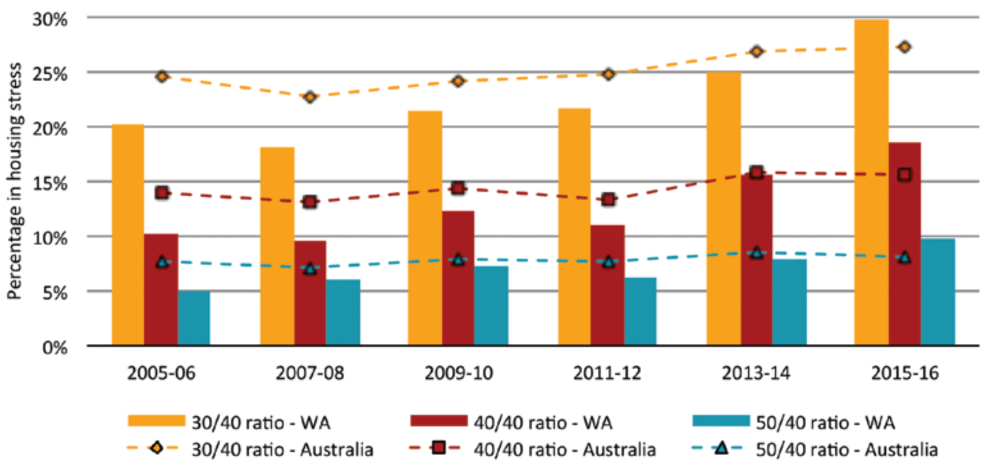
Figure 3 Mortgage 'stress' measures for WA and Australia



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), 2005-06 to 2015-16.

Figure 4 Rental 'stress' measures for WA and Australia



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), 2005-06 to 2015-16.

> More than 4 in 10 single parent homeowners in Western Australia (43%) spend more than 30% of their incomes each week on housing costs while surviving on low incomes.

Housing stress in WA: which households are affected most?

Single parent families with mortgages are far more likely to be in housing stress than other groups of mortgage holders (Table 7). More than four in ten single parent homeowners in Western Australia (43%) spend more than 30 per cent of their incomes each week on housing costs while surviving on low incomes, compared with a rate of 25 per cent for single people and 5 per cent for couples with children. Just under one in four single parents with mortgages in WA face significant (40/40) housing stress, while one in ten single parents have to survive on low incomes and yet commit more than half to cover their mortgage.

Table 7 Mortgage 'stress' measures for Western Australia, by household characteristics

Housing affordability measures *WA mortgage holders, 2015-16*	Proportion of h/h with more than x% of income committed to housing costs						Proportion of h/h with more than x% of income on housing costs and h/h income in lowest 40%						Number of households
By household characteristics	> 30%		>40%		>50%		30/40		40/40		50/40		
Family composition													
Couple only	23%	-15.5	14%	-5.9	7%	-3.7	10%	+4.6	8%	+3.8	6%	+2.2	65,200
Couple with children	32%	-1.0	12%	-2.1	5%	-2.9	5%	+0.2	4%	+0.9	3%	-0.2	132,300
One parent with children	60%	+11.3	26%	-9.4	13%	-12.2	43%	+16.2	18%	-6.1	10%	-11.7	15,100
Lone person	53%	-3.3	40%	+3.3	25%	+10.1	25%	-0.1	20%	+0.8	14%	+1.4	30,000
Group households	n/s		n/s		n/s		n/s		n/s		n/s		n/s
Other one/multi households	11%	-15.1	1%	-13.9	1%	+0.6	1%	-0.7	1%	+0.6	1%	+0.6	20,500
Age of head of household													
<24	n/s		n/s		n/s		n/s		n/s		n/s		n/s
25-34	41%	-8.7	20%	-6.1	10%	+1.6	12%	+9.0	10%	+8.1	6%	+5.2	61,100
35-44	34%	-3.6	16%	-2.7	8%	-0.6	9%	+2.3	8%	+2.1	6%	+1.0	79,600
45-54	27%	-4.8	12%	+2.1	6%	+0.1	8%	-2.9	5%	-2.0	3%	-1.9	73,200
55-64	27%	-6.2	15%	-13.3	9%	-12.4	10%	-2.7	6%	-6.4	6%	-6.3	41,400
65+	29%	-4.1	17%	+0.1	11%	-3.5	23%	+6.0	17%	+0.1	11%	-3.5	7,500
Gender of head of household													
Male	31%	-6.5	14%	-5.1	6%	-2.7	6%	+0.3	6%	+0.8	4%	+0.1	185,200
Female	38%	-4.2	22%	-0.4	13%	-0.8	18%	+4.1	12%	+0.5	8%	-1.0	80,400
Home owner status													
Settled homeowner (> 3 years)	30%	-6.0	13%	-5.7	7%	-4.6	10%	+0.1	7%	-0.6	5%	-1.5	195,200
First home buyer (3 years or less)	37%	-22.9	25%	-0.7	6%	+2.0	9%	+4.6	8%	+3.8	5%	+0.6	27,200
Changeover buyer (3 years or less)	44%	+6.9	24%	+4.6	14%	+7.6	9%	+7.1	8%	+6.1	6%	+5.6	43,200
Household income quintile													
First quintile (poorest)	91%	+13.0	86%	+8.5	70%	-2.8	91%	+13.0	86%	+8.5	70%	-2.8	10,300
Second quintile	53%	+6.8	35%	+7.0	21%	+5.7	53%	+6.8	35%	+7.0	21%	+5.7	32,000
Third quintile	56%	-2.2	27%	-1.0	10%	-3.3	-		-		-		55,900
Fourth quintile	23%	-11.0	7%	-6.5	2%	-0.8	-		-		-		87,600
Fifth quintile (richest)	12%	-7.2	2%	-5.2	0%	-2.0	-		-		-		79,900
ALL WESTERN AUSTRALIA	33%	-5.6	16%	-3.5	8%	-1.9	10%	+1.9	8%	+1.1	5%	+0.0	265,600

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) 2015-16 updated to 2018Q4.

Nearly one half of single parents who live in rented accommodation have to survive on low incomes and commit at least 30 per cent of their income towards housing costs (Table 8). The figure has risen by nearly 9 per cent over the latest two years. Three in ten pay more than 40 per cent, and 14 per cent are on low incomes and have to commit half of that income to cover their rent.

These findings bring into sharp relief the growing stresses that single parents on low incomes face in keeping a roof over their and their childrens' heads.

The distribution of housing stress is similar for lone person renters, with 46 per cent facing low incomes and paying at least 30 per cent of their income in rent. Just under three in ten lone person renters pay more than 40 per cent in rent, and 14 per cent face severe (50/40) housing stress.

A third of older aged households in rental accommodation face 'standard' 30/40 housing stress, while one in five older aged renters face the combined pressure of low incomes and having to pay at least 40 per cent in rental costs.

Nearly one half of single parents who live in rented accommodation have to survive on low incomes and commit at least 30% of their income towards housing costs.

1 in 5 older aged renters face the combined pressure of low incomes and having to pay at least 40% in rent.

Table 8 Rental 'stress' measures for Western Australia, by household characteristics

Housing affordability measures *WA renters, 2015-16*	Proportion of h/h with more than x% of income committed to housing costs						Proportion of h/h with more than x% of income on housing costs and h/h income in lowest 40%						Number of households
By household characteristics	> 30%		>40%		>50%		30/40		40/40		50/40		
Family composition													
Couple only	26%	+4.8	18%	+10.4	5%	-0.2	20%	+5.1	15%	+7.7	5%	+0.1	51,400
Couple with children	26%	-5.7	8%	-6.7	5%	-5.0	14%	-3.7	7%	-3.6	5%	-1.7	57,400
One parent with children	57%	+14.8	30%	+6.3	14%	+0.3	48%	+8.8	29%	+5.3	14%	+0.3	27,400
Lone person	53%	+8.7	29%	+9.5	14%	+4.2	46%	+9.1	28%	+9.4	14%	+4.2	73,100
Group households	38%	+14.5	19%	+2.8	16%	+9.3	27%	+5.4	19%	+2.8	16%	+9.3	19,900
Other one/multi households	20%	-2.7	11%	-8.6	11%	-7.1	17%	-4.9	8%	-11.7	8%	-10.2	16,500
Age of head of household													
<24	43%	+11.4	33%	+16.1	19%	+6.7	33%	+5.0	29%	+12.3	19%	+6.7	18,900
25-34	39%	+5.6	19%	+7.4	10%	+3.9	33%	+7.7	18%	+6.2	10%	+3.9	76,300
35-44	34%	+5.0	14%	-0.4	5%	-2.8	22%	+4.7	12%	-0.2	5%	-1.2	57,300
45-54	40%	+4.6	22%	-0.2	13%	-1.6	28%	+3.5	19%	+2.4	12%	+1.2	41,000
55-64	38%	-4.0	22%	-7.6	11%	-10.3	34%	-4.5	22%	-4.0	11%	-10.3	24,300
65+	36%	+7.2	22%	+10.7	10%	+4.2	33%	+6.4	22%	+10.7	10%	+4.2	27,900
Gender of head of household													
Male	33%	+4.6	17%	+5.0	8%	+1.6	26%	+7.6	16%	+6.2	8%	+2.7	148,900
Female	46%	+5.0	26%	+1.5	13%	-2.4	36%	-1.2	23%	-0.5	12%	-2.1	96,700
Household income quintile													
First quintile (poorest)	57%	-0.1	46%	-1.5	33%	-2.9	57%	-0.1	46%	-1.5	33%	-2.9	52,900
Second quintile	68%	+12.9	34%	+13.9	11%	+4.8	68%	+12.9	34%	+13.9	11%	+4.8	62,400
Third quintile	28%	+12.1	6%	+4.3	1%	+0.7	-		-		-		63,500
Fourth quintile	7%	-5.5	1%	-2.3	0%	-2.8	-		-		-		31,800
Fifth quintile (richest)	0%	-12.4	0%	-5.3	0%	-3.0	-		-		-		35,000
ALL WESTERN AUSTRALIA	38%	+5.2	20%	+4.0	10%	+0.3	30%	+4.8	19%	+4.1	10%	+1.1	245,600

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) 2015-16 updated to 2018Q4.

The spatial distribution of house prices in WA

At the top end of the market, houses in Peppermint Grove attracted a median transaction value of $3.7 million in 2018.

Transaction volumes have been relatively high in the northern suburbs, with more than 2,000 transactions each in the sub-regional areas of Wanneroo, Stirling and Joondalup.

There is a consistent ring of lower median transaction values for houses to the north, east and south of the city.

This section provides a broad picture of the housing market in Western Australia, a more detailed suburb-level analysis, and a reflection of how transaction prices and volumes have fared since the Centre's previous Housing Affordability report in 2016. Data have been supplied by REIWA, and provide an opportunity to explore price movements for the sub-regional areas within Perth as well as the State's main regional urban centres.

In Figure 5, we map the median value of property transactions for suburbs within each sub-regional area of Perth using data provided by REIWA for the four quarters of 2018. Lower median transaction prices are shown in shades of blue, mid-range prices are in yellow and orange, with red shades indicating progressively higher property sales prices. Circles represent the number of sales transactions in 2018 for each sub-regional area of metropolitan Perth.

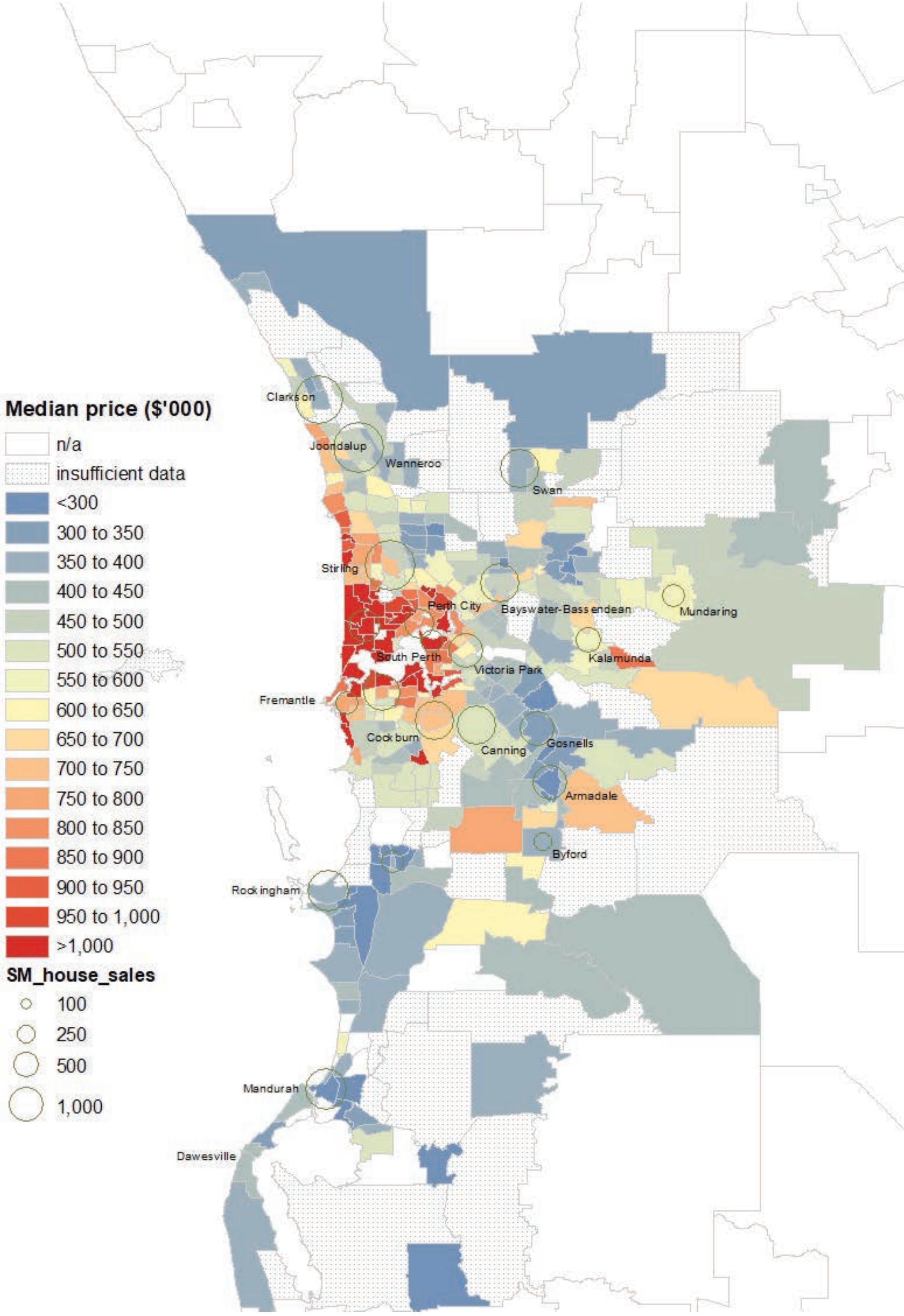
The map shown in Figure 5 again highlights the huge variety of transaction prices across the Perth metropolitan area. The highest prices are commanded for houses in the inner city, to the Western Suburbs along the Swan River and along to the coastline from City Beach in the north to Cottesloe, Mosman Park and Fremantle. We also see high transaction values for houses in a ring within a 10 kilometre radius around the Perth city centre.

At the top end of the market, houses in Peppermint Grove attracted a median transaction value of $3.7 million in 2018, with Dalkeith ($2.3 million) and Cottesloe ($2.1 million) also featuring amongst the most expensive suburbs. Fremantle ($760,000) and particularly East Fremantle ($1.15 million) have also continued to grow in value. Towards the north of Perth, Joondalup ($518,000) and Wanneroo ($400,000) are showing larger sales volumes with a lower median transaction value since 2015, while the sub-regional areas of Gosnells ($360,000) to the East and south to Mandurah ($365,000) are more affordable still, but further from the Perth city centre.

Transaction volumes have been relatively high in the northern suburbs, with more than 2,000 transactions each in the sub-regional areas of Wanneroo, Stirling and Joondalup.

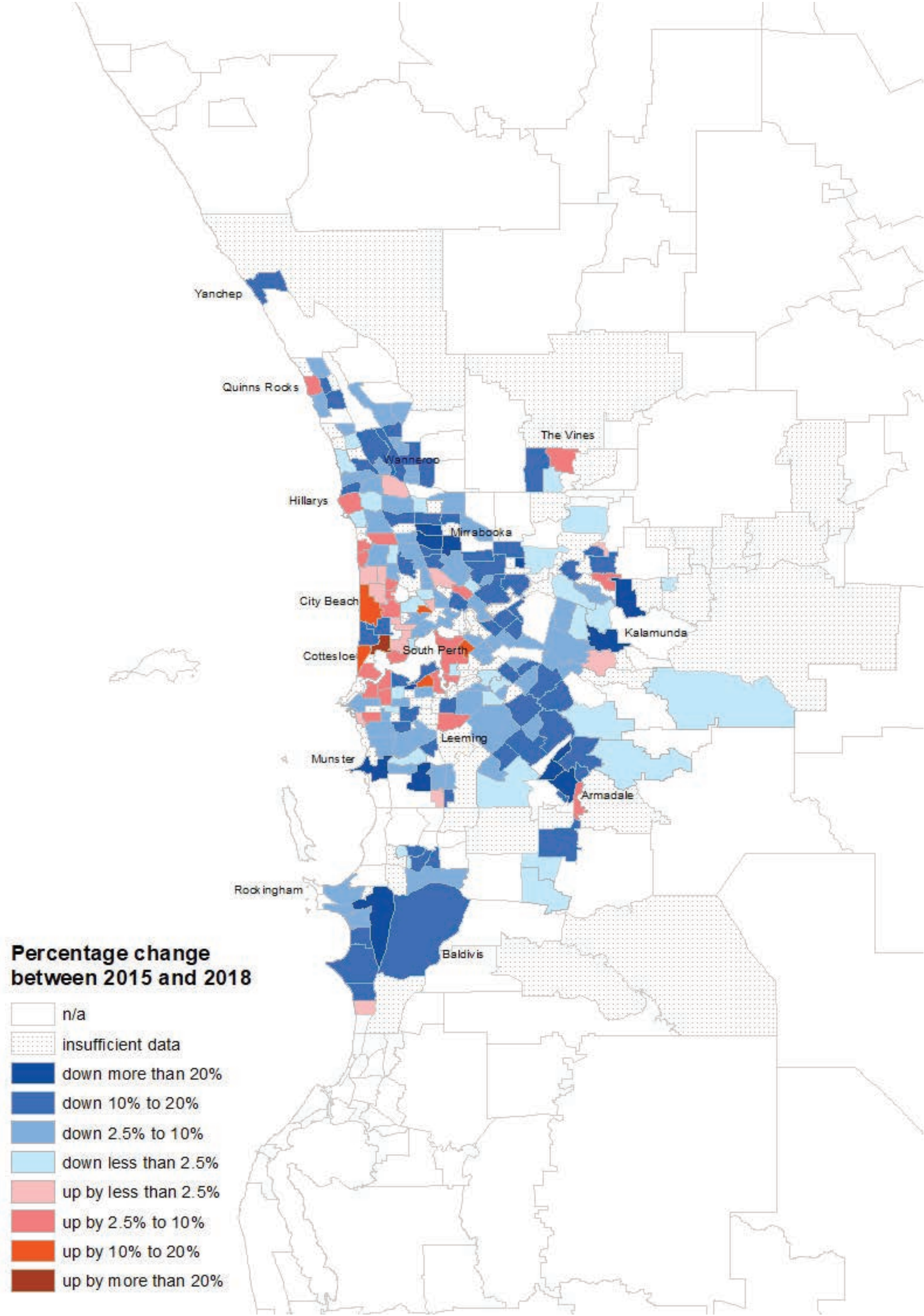
Comparing latest housing prices with those in our 2015 BCEC Housing Affordability study, Figure 6 shows a number of 'hot' and 'cold' spots of higher and lower house prices over the last three years period, with larger percentage increases shaded in progressively darker red and larger percentage decreases shaded in progressively darker blue. While median transaction values in the western suburbs have continued to grow strongly over the period, there is a consistent ring of lower median transaction values for houses to the north, east and south of the city, from Wanneroo in the north (12.6% lower at $400,000 in 2018), Mirrabooka in the north east (23% lower at $326,000), Belmont to the east (17.7% lower at $440,000) and Armadale to the south east (22% lower at $240,000). A similar trend is apparent in Rockingham, where the median transaction value for 2018, at $385,000, was 8% lower than 2015Q4.

Figure 5 Median price of all established houses, by Perth metropolitan suburb, 2018



Note: House prices are 2018Q1-4 median prices for all established for each REIWA regional sub-market.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Figure 6 Median established house price growth, 2018 compared to 2015



Note: House prices are 2018Q1-4 and 2015Q4 median prices for all established houses for each REIWA regional sub-market. Suburbs with less than 5 transactions are removed.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Figure 7 shows the corresponding median transactions value of all multi-residential units in 2018, along with sales volumes for sub-regional areas of Perth.

The general landscape is of more affordable transactions values in 2018 for units compared to houses (Figure 5), as would be expected, with a median transaction value for multi-residential units in the Perth metropolitan area of $395,000 and transaction values below $300,000 for units in a host of suburbs to the far north (for example, Yanchep at $195,000), north east (Mirrabooka at $220,000 and Morley at $293,000) and south east (Gosnells at $230,000). The same was true of multi-residential unit transactions in Rockingham (at $278,000), Baldivis (at $260,000) and Mandurah (at $257,000).

The most expensive sales of multi-residential units took place in Dalkeith (with a median 2018 transaction value of $1.37 million) and in the coastal suburbs of City Beach (at $880,000), Cottesloe (at $860,000) and North Fremantle (at $872,500). Higher price unit transactions to the south of Mandurah in Dawesville ($730,000) are reflective of sales of new luxury beachfront apartment developments in the area.

Sales volume data for multi-residential units (shown as rings in each of the sub-regional areas on Figure 7) present an interesting counterpoint to the transactions data for houses in Figure 5, with 5,865 new unit sales in the locality of Perth City, nearly 3,300 transactions in Stirling and 2,100 in East Victoria Park.

The map in Figure 8 shows how the median transaction values for multi-residential units has changed over three years since 2015, and shows a similar pattern of lower transaction values to the north east of Perth City, towards Balcatta (with 2018 median transaction value for units lower by 23% at $335,000) and to south east in Thornlie (23% lower at $265,000) and Gosnells (19% lower at $230,000). Other areas have experienced large percentage increases in transaction prices for units, particularly in Cottesloe (higher by 26% at $860,000) and Shenton Park (31% higher at $715,000). On the other hand, the median transaction value for multi-residential units in North Fremantle fell by 39% in the last three years, from $1.44 million in 2015 to $872,500 in 2018.

REIWA collects sales data for major regional urban centres. The median price of established houses in these centres for 2018 are mapped in Figure 9 to better understand the spatial distribution of housing transactions 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.

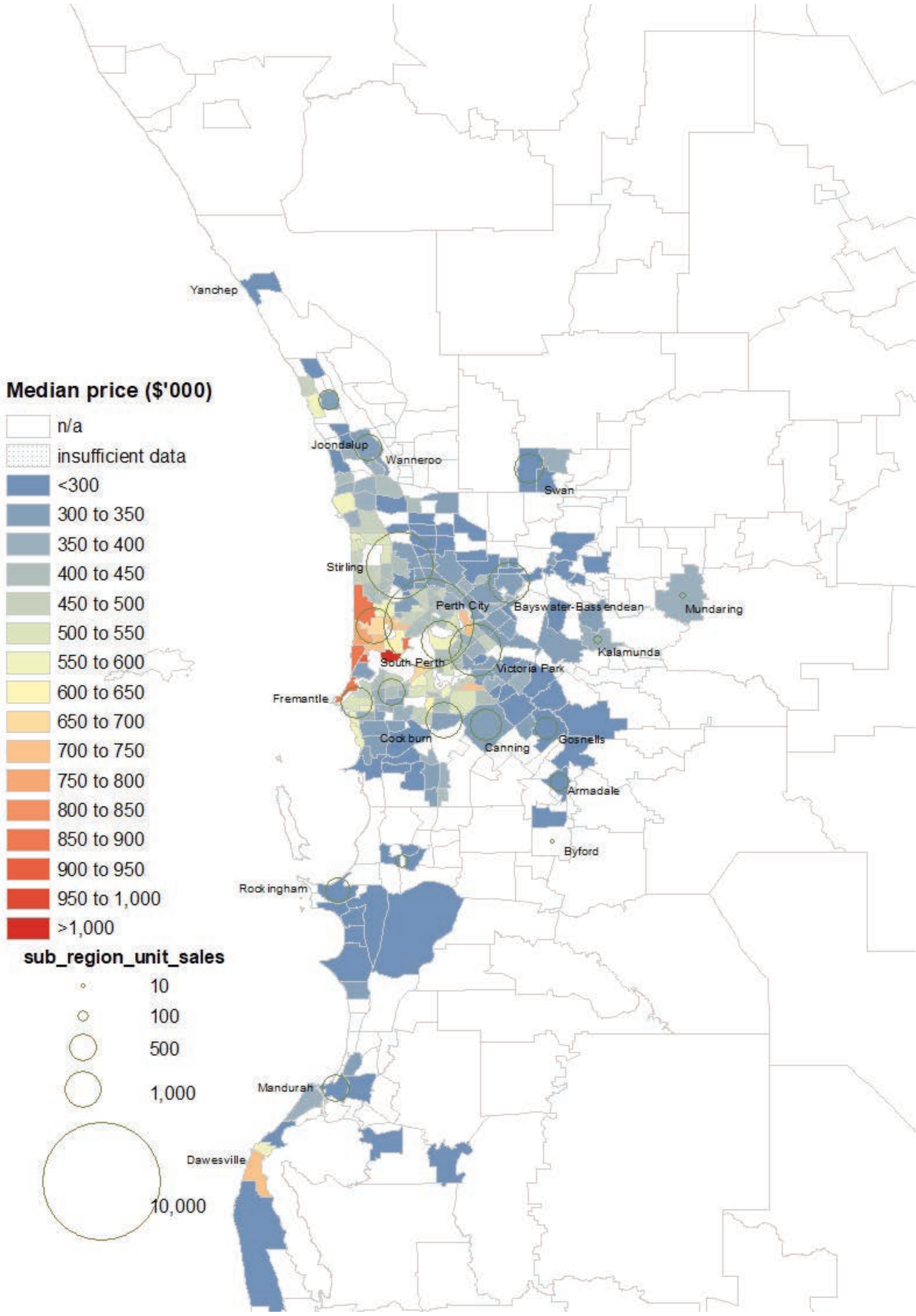
The higher priced regional urban centres are concentrated in Port Hedland and tourism locations such as Broome and Busselton, with lower price transactions in Karratha and Port Hedland reflecting the changing fortunes of the resources sector in the Mid West and Goldfields.

The most expensive sales of multi-residential units took place in Dalkeith (with a median 2018 transaction value of $1.37 million).

The median transaction value for multi-residential units in North Fremantle fell by 39% in the last three years, from $1.44 million in 2015 to $872,500 in 2018.

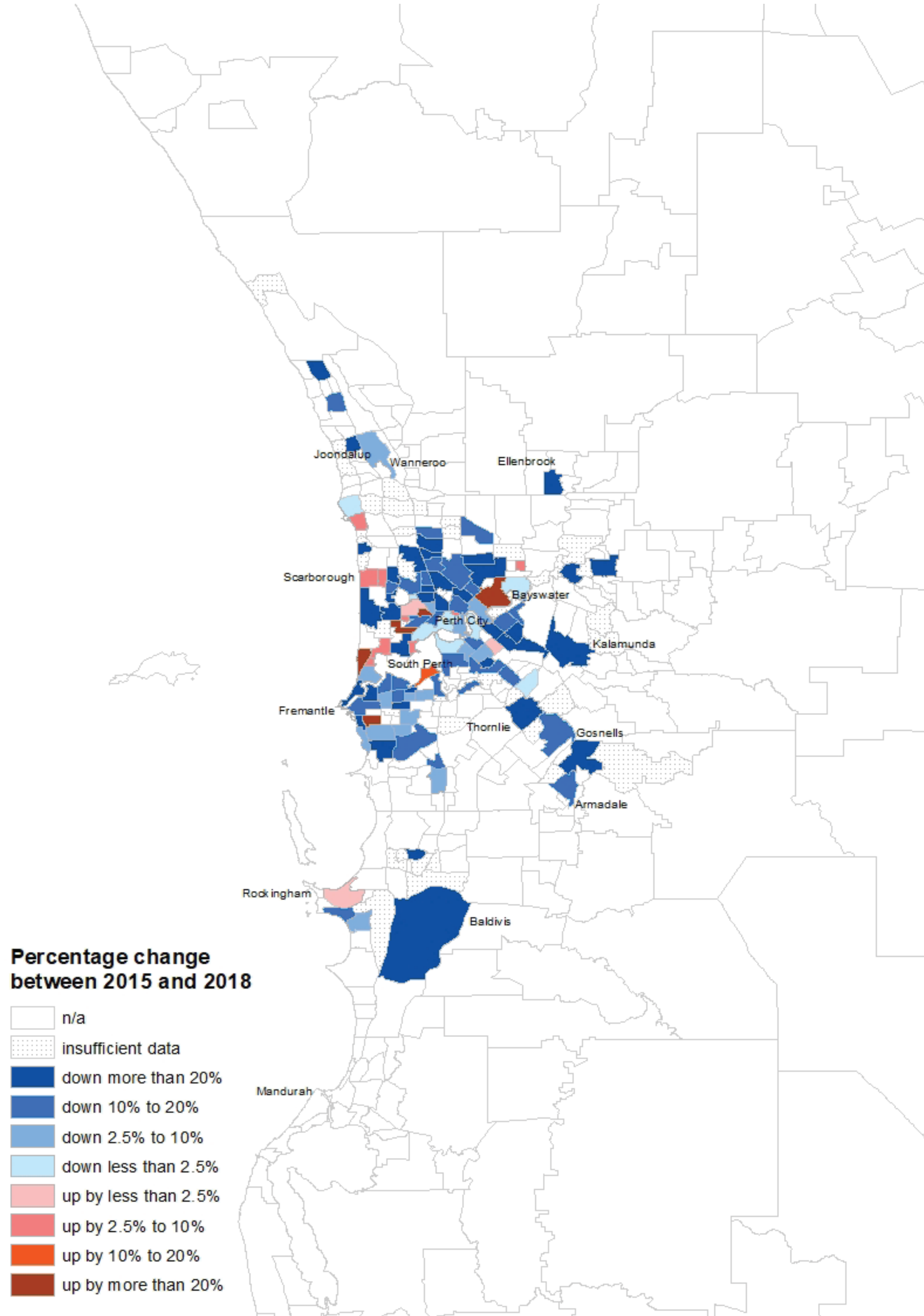
The higher priced regional urban centres are concentrated in Port Hedland and tourism locations such as Broome and Busselton.

Figure 7 Median price of all multi-residential units, by Perth metropolitan suburb, 2018Q1-4



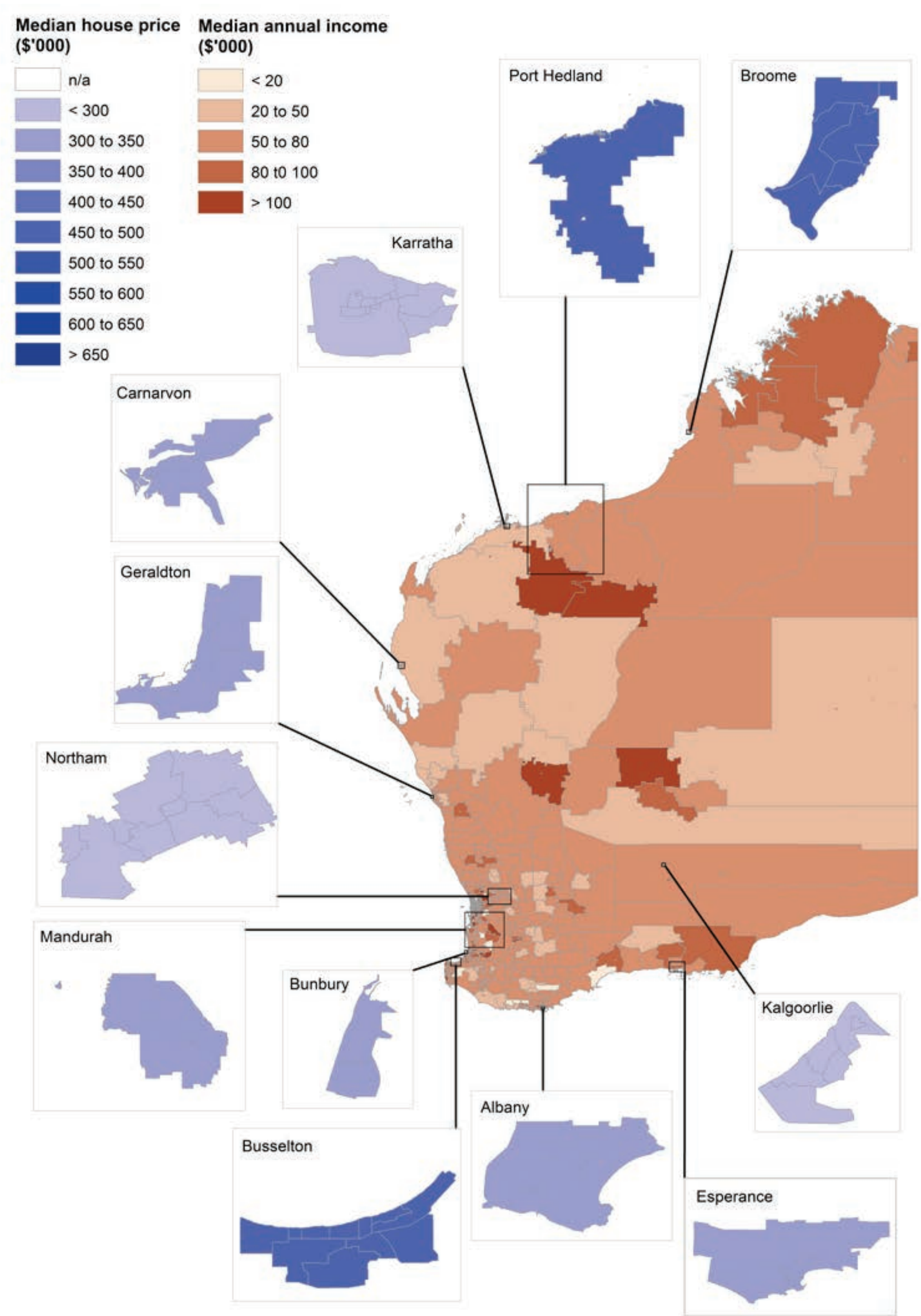
Note: Multi-residential unit prices are 2018Q1-4 median prices for all multi-residential units for each REIWA regional sub-market.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Figure 8 Median multi-residential unit price growth, 2018 relative to 2015



Note: Multi-residential unit prices are 2018Q1-4 and 2015Q4 median prices for all multi-residential units for each REIWA regional sub-market.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Figure 9 Median price of established houses, by WA regional centres, 2018



Note: House prices are 2018Q1-4 median prices for all established houses for each REIWA regional sub-market. Income is median total household annual gross income by sub-regional market, imputed from Census 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Who can afford what and where?

Which properties can WA households afford, and where?

In this section we examine local variations in housing affordability across Perth and regional WA using the 'price-to-income' ratio to compare the sales prices of properties in each sub-regional market across Perth and WA with the incomes of households who live in those areas.

We explore two variants of the price-income ratio to better understand how the housing market serves different sections of the WA population. Alongside the usual ratio of median price to median income, as an affordability measure for the 'typical' WA household, we also compare the lower-quartile house/unit price (the bottom quarter of prices) with the lower-quartile level of income of the poorest quarter of the local population.

In the Fremantle and Vincent/ Stirling South East areas, the median price house costs around 8.8 times the annual household income.

Established housing costs

Table 9 shows the 'median multiples' or price-income ratios for established price sales across Perth and in the regional centres. The top three most expensive sub-markets are in the western suburbs of Cottesloe and Claremont ($1.53 million), Perth City ($950,000) and South Perth ($925,000).

These three sub-regional areas also have the highest price-to-income ratios, with Cottesloe-Claremont the most unaffordable with typical housing transaction prices at 9.0 times median household income for the area. This is despite a median household income for this collection of suburbs of around $170,750. The sub-markets with the next two highest price-income ratios are Melville, Fremantle and Stirling, which are also relatively unaffordable with price-income ratios of 6.0 or more. 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 2015 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 median price-income ratios are in Gosnells, Wanneroo, Rockingham, Serpentine-Jarrahdale and Kwinana. Their ratios range from 3.8 to 4.2, with all having improved in terms of affordability over the last three years.

The top three most expensive sub-markets are in the western suburbs of Cottesloe and Claremont ($1.53 million), Perth City ($950,000) and South Perth ($925,000).

Table 9 Median price-income ratios for established houses, by WA housing sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	Median household gross annual income *by sub-region, 2018$*		Median sales price for residential houses *by sub-region, 2018$*		Median price-to-income ratio *by sub-region*					
Sub-region	h/h income		Median sales price		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Cottesloe - Claremont	170,737	1	1,530,000	1	9.0	1	11.9	1	-2.9	
South Perth	122,419	3	925,000	3	7.6	2	8.5	3	-0.9	+1
Perth City	127,237	2	950,000	2	7.5	3	8.3	5	-0.8	+2
Melville	117,255	4	800,000	4	6.8	4	8.4	4	-1.5	
Fremantle	114,846	5	760,000	5	6.6	5	8.8	2	-2.2	-3
Stirling	101,198	8	609,000	6	6.0	6	7.1	7	-1.1	+1
Canning	91,608	16	530,000	8	5.8	7	6.9	9	-1.1	+2
Bayswater - Bassendean	95,698	11	520,000	9	5.4	8	7.5	6	-2.1	-2
Belmont - Victoria Park	94,111	14	490,000	12	5.2	9	7.0	8	-1.8	-1
Kalamunda	98,588	10	499,000	11	5.1	10	5.7	12	-0.7	+2
Cockburn	102,830	7	510,000	10	5.0	11	5.9	10	-0.9	-1
Joondalup	114,214	6	565,000	7	4.9	12	5.3	14	-0.4	+2
Mundaring	95,614	12	470,000	13	4.9	13	5.8	11	-0.9	-2
Swan	92,980	15	410,000	14	4.4	14	5.2	16	-0.8	+2
Armadale	87,894	18	380,000	17	4.3	15	5.2	15	-0.9	
Gosnells	84,895	20	360,000	19	4.2	16	5.4	13	-1.2	-3
Wanneroo	95,075	13	400,000	15	4.2	17	5.0	17	-0.8	
Rockingham	89,686	17	370,000	18	4.1	18	5.0	18	-0.9	
Serpentine - Jarrahdale	99,366	9	395,000	16	4.0	19	4.6	20	-0.6	+1
Kwinana	85,130	19	325,000	20	3.8	20	5.0	19	-1.1	-1
Greater Perth	100,479		500,000		5.0		6.1		-1.1	
Augusta - Margaret River - Busselton	78,620	8	500,000	1	6.4	1	8.1	2	-1.7	+1
Kimberley	86,496	5	470,000	2	5.4	2	6.1	5	-0.6	+3
Albany	74,950	9	385,000	3	5.1	3	6.8	3	-1.7	
Mandurah	72,285	10	365,000	4	5.0	4	8.2	1	-3.1	-3
Bunbury	85,021	6	340,000	6	4.0	5	5.5	6	-1.5	+1
Esperance	89,299	4	347,500	5	3.9	6	5.1	7	-1.2	+1
Mid West	78,763	7	270,000	9	3.4	7	6.5	4	-3.1	-3
Goldfields	115,356	3	310,000	8	2.7	8	2.7	9	-0.0	+1
West Pilbara	150,359	1	330,500	7	2.2	9	2.2	10	+0.0	+1
East Pilbara	146,342	2	210,000	10	1.4	10	3.2	8	-1.7	-2
WA excluding Perth	85,610		320,000		3.7		5.0		-1.3	

Notes: Sales price is the 2018Q1-4 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 2016 and uprated to 2018Q4 dollars..
Source: BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2016.

Table 10 Lower-quartile price-income ratios for established houses, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	LQ household gross annual income *by sub-region, 2018$*		LQ sales price for residential houses *by sub-region, 2018$*				LQ price-to-income ratio *by sub-region*			
Sub-region	h/h income		LQ sales price		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Cottesloe - Claremont	84,335	1	1,185,000	1	14.1	1	19.9	1	-5.8	
South Perth	63,372	3	740,000	3	11.7	2	13.7	4	-2.0	+2
Perth City	70,176	2	810,000	2	11.5	3	13.4	5	-1.9	+2
Melville	61,045	5	647,000	4	10.6	4	14.5	3	-3.9	-1
Fremantle	59,967	6	620,000	5	10.3	5	16.0	2	-5.7	-3
Bayswater - Bassendean	51,798	13	440,000	7	8.5	6	12.6	7	-4.1	+1
Canning	50,784	16	430,000	8	8.5	7	11.2	9	-2.8	+2
Belmont - Victoria Park	50,942	15	415,000	11	8.1	8	13.3	6	-5.2	-2
Stirling	54,256	10	430,000	8	7.9	9	11.6	8	-3.7	-1
Cockburn	55,502	8	430,000	8	7.7	10	10.1	10	-2.4	
Mundaring	51,376	14	390,000	13	7.6	11	9.3	12	-1.7	+1
Kalamunda	55,202	9	415,000	11	7.5	12	9.3	11	-1.8	-1
Joondalup	62,565	4	465,000	6	7.4	13	8.6	15	-1.1	+2
Rockingham	46,366	20	309,000	17	6.7	14	8.7	14	-2.0	
Wanneroo	52,410	11	345,000	14	6.6	15	8.2	17	-1.6	+2
Swan	52,372	12	340,000	16	6.5	16	8.8	13	-2.3	-3
Gosnells	47,967	18	300,000	18	6.3	17	8.6	16	-2.3	-1
Serpentine - Jarrahdale	57,158	7	342,000	15	6.0	18	7.5	19	-1.6	+1
Armadale	49,784	17	275,000	19	5.5	19	7.8	18	-2.3	-1
Kwinana	46,892	19	250,000	20	5.3	20	7.3	20	-1.9	
Greater Perth	54,518		387,500		7.1		9.6			
Kimberley	41,139	9	417,000	1	10.1	1	8.4	6	+1.8	+5
Augusta - Margaret River - Busselton	43,729	6	402,250	2	9.2	2	12.7	2	-3.5	
Albany	42,754	7	313,000	3	7.3	3	10.1	3	-2.7	
Mandurah	39,816	10	290,000	4	7.3	4	12.9	1	-5.6	-3
Bunbury	43,914	5	280,000	5	6.4	5	9.1	5	-2.7	
Esperance	49,766	4	265,000	7	5.3	6	7.5	7	-2.2	+1
Mid West	41,408	8	175,000	9	4.2	7	9.6	4	-5.3	-3
Goldfields	61,469	3	236,000	8	3.8	8	3.8	9	+0.1	+1
West Pilbara	102,886	1	270,000	6	2.6	9	2.6	10	-0.0	+1
East Pilbara	91,030	2	169,000	10	1.9	10	4.1	8	-2.2	-2
WA excluding Perth	44,157		215,000		4.9		7.4		-1.3	

Notes: Sales price is the 2018Q1-4 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 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | REIWA, ABS Census 2016.

To gain a better insight into the affordability challenges faced by low income households, Table 10 presents a more relevant series of price-income ratios that compare the lower quartile price of established houses with the lower quartile of household incomes for each sub-regional area.

The relative ranking of areas according these lower quartile price-income ratios are closely matched to the earlier rankings of median multiples. Cottesloe-Claremont, South Perth and Perth City showing as the least affordable areas for lower income families in 2018 along with Melville and Fremantle, while Kwinana, Armadale and Serpentine-Jarrahdale are shown to be the most affordable.

The cost burden of owning a home is significantly higher for households on lower quartile incomes, even when house prices are drawn from the lower end of the market.

But a comparison of Table 10 with Table 9 shows the cost burden of owning a home is significantly higher for households on lower quartile incomes, even when house prices are drawn from the lower end of the market. As an example, the Fremantle area shows a median price-income ratio of 6.6, but rises to a 10.3 multiple for lower income earners targeting lower priced houses.

While affordability for lower income earners seems to have improved in most areas of regional WA, the exception is the Kimberley, where lower quartile price-income ratios have risen from 8.4 to 10.8. This is likely a consequence of the pressures placed on the Broome housing market by tourism and limited supply, but signals a note of caution to ensure adequate provision of affordable options for lower income families in the area.

Multi-residential unit sales

Table 11 presents a comparison of price-income ratios for multi-residential units in the Perth metropolitan area and in regional centres for unit sales in 2018 compared to 2015.

While affordability for lower income earners seems to have improved in most areas of regional WA, the exception is the Kimberley, where lower quartile price-income ratios have risen from 8.4 to 10.8.

The overall picture matches that for residential housing sales shown in Table 9. Generally, median multi-residential price-income ratios have fallen over the three years to 2018, reflecting lower transaction values across almost all of Perth's planning regions.

Fremantle emerges as the least affordable sub-region, with a price-income multiple of 4.8 when a typical transaction price of $550,000 for units in the area are compared to median household incomes of $114,850. There has been a huge reduction in this ratio over the last three years, but this was driven largely by sales of luxury apartment developments in North Fremantle in 2015. The western suburbs around Cottesloe and Claremont have price-income ratios of 4.1, again falling relative to 2015 but still ranking among the least affordable sub-regions in the Perth area.

At the other end of the price-to-income spectrum are the sub-regions of Kwinana, Serpentine-Jarrahdale, Armadale and Rockingham, with median-priced units of less than $265,000.

Busselton , Margaret River and Mandurah are among the least affordable regional centres for multi-residential units during 2018, with Kimberley again climbing the rankings in terms of the least affordable regional areas in 2018 compared with 2015 for both median and lower quartile price-income ratios (Table 11 and Table 12 respectively).

Table 11 Median price-income ratios for multi-residential units, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	Median household gross annual income *by sub-region, 2018$*		Median sales price for multi-residential units *by sub-region, 2018$*		Median price-to-income ratio *by sub-region*					
Sub-region	h/h income		Median sales price		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Fremantle	114,846	5	550,000	2	4.8	1	8.4	1	-3.7	
Cottesloe - Claremont	170,737	1	697,500	1	4.1	2	4.9	7	-0.8	+5
South Perth	122,419	3	480,000	3	3.9	3	5.7	3	-1.8	
Belmont - Victoria Park	94,111	14	366,000	8	3.9	4	5.8	2	-1.9	-2
Stirling	101,198	8	386,875	6	3.8	5	5.1	5	-1.3	
Melville	117,255	4	441,500	5	3.8	6	4.8	9	-1.0	+3
Canning	91,608	16	327,000	11	3.6	7	5.3	4	-1.7	-3
Perth City	127,237	2	447,250	4	3.5	8	4.5	10	-1.0	+2
Bayswater - Bassendean	95,698	11	325,000	12	3.4	9	4.8	8	-1.4	-1
Kalamunda	98,588	10	329,500	10	3.3	10	5.0	6	-1.7	-4
Joondalup	114,214	6	380,000	7	3.3	11	3.6	15	-0.2	+4
Cockburn	102,830	7	339,500	9	3.3	12	4.0	14	-0.7	+2
Mundaring	95,614	12	305,000	13	3.2	13	nd.			
Gosnells	84,895	20	270,000	14	3.2	14	4.2	12	-1.0	-2
Rockingham	89,686	17	265,000	16	3.0	15	3.5	16	-0.6	+1
Swan	92,980	15	268,000	15	2.9	16	4.0	13	-1.2	-3
Armadale	87,894	18	213,500	17	2.4	17	3.5	17	-1.1	
Serpentine - Jarrahdale	99,366	9	138,000	18	1.4	18	0.0	18	+1.4	
Kwinana	85,130	19	115,000	19	1.4	19	4.4	11	-3.1	-8
Wanneroo	95,075	13	nd.		nd.		nd.			
Greater Perth	100,479		395,000		3.9		4.9			
Augusta - Margaret River - Busselton	78,620	8	380,609	1	4.8	1	7.2	1	-2.3	
Mandurah	72,285	10	277,000	2	3.8	2	6.8	2	-3.0	
Albany	74,950	9	245,000	6	3.3	3	3.6	7	-0.3	+4
Kimberley	86,496	5	275,000	3	3.2	4	3.5	8	-0.4	+4
Bunbury	85,021	6	270,000	4	3.2	5	4.9	4	-1.8	-1
Mid West	78,763	7	230,000	7	2.9	6	4.6	5	-1.7	-1
Esperance	89,299	4	258,500	5	2.9	7	4.3	6	-1.4	-1
Goldfields	115,356	3	199,000	8	1.7	8	1.9	9	-0.2	+1
East Pilbara	146,342	2	152,300	9	1.0	9	5.8	3	-4.7	-6
West Pilbara	150,359	1	129,500	10	0.9	10	0.5	10	+0.3	
WA excluding Perth	85,610		226,000		2.6		4.1			

Notes: Sales price is the 2018Q1-4 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 2016 and uprated to 2018Q4 dollars. nd. denotes no/insufficient data on housing transactions.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Table 12 Lower quartile price-income ratios for multi-residential units, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	LQ household gross annual income *by sub-region, 2018$*		LQ sales price for multi-residential units *by sub-region, 2018$*		LQ price-to-income ratio *by sub-region*					
Sub-region	**h/h income**		**LQ sales price**		**Ratio (2018)**		**Ratio (2015)**		**Difference (2018-2015)**	**Change in ranking**
Fremantle	59,967	6	417,500	2	7.0	1	13.7	1	-6.7	
Melville	61,045	5	370,000	4	6.1	2	9.1	5	-3.1	+3
South Perth	63,372	3	375,000	3	5.9	3	9.0	6	-3.1	+3
Belmont - Victoria Park	50,942	15	295,000	9	5.8	4	9.9	2	-4.1	-2
Canning	50,784	16	290,000	10	5.7	5	9.2	4	-3.5	-1
Stirling	54,256	10	300,000	7	5.5	6	9.2	3	-3.7	-3
Cottesloe - Claremont	84,335	1	460,000	1	5.5	7	7.9	9	-2.4	+2
Cockburn	55,502	8	300,000	7	5.4	8	7.2	10	-1.8	+2
Joondalup	62,565	4	320,000	6	5.1	9	6.4	14	-1.3	+5
Bayswater - Bassendean	51,798	13	260,000	11	5.0	10	8.3	7	-3.3	-3
Perth City	70,176	2	350,000	5	5.0	11	6.9	11	-1.9	
Gosnells	47,967	18	230,000	14	4.8	12	6.7	13	-2.0	+1
Swan	52,372	12	235,000	12	4.5	13	6.8	12	-2.3	-1
Kalamunda	55,202	9	231,000	13	4.2	14	8.2	8	-4.0	-6
Rockingham	46,366	20	189,500	15	4.1	15	6.1	15	-2.0	
Armadale	49,784	17	188,500	16	3.8	16	5.8	16	-2.0	
Mundaring	51,376	14	175,000	17	3.4	17	0.0	18	+3.4	+1
Serpentine - Jarrahdale	57,158	7	138,000	18	2.4	18	0.0	18	+2.4	
Kwinana	46,892	19	110,500	19	2.4	19	5.5	17	-3.1	-2
Wanneroo	52,410	11	nd.		nd.		nd.			
Greater Perth	54,518		300,000		5.5		7.7			
Augusta - Margaret River - Busselton	43,729	6	307,500	1	7.0	1	9.1	3	-2.1	+2
Mandurah	39,816	10	220,000	2	5.5	2	10.5	1	-5.0	-1
Kimberley	41,139	9	214,500	4	5.2	3	3.7	8	+1.5	+5
Bunbury	43,914	5	220,000	2	5.0	4	7.7	5	-2.7	+1
Albany	42,754	7	190,000	5	4.4	5	6.2	7	-1.8	+2
Mid West	41,408	8	162,500	7	3.9	6	7.1	6	-3.2	
Esperance	49,766	4	190,000	5	3.8	7	8.1	4	-4.3	-3
Goldfields	61,469	3	150,000	8	2.4	8	2.4	9	+0.0	+1
East Pilbara	91,030	2	102,000	9	1.1	9	10.0	2	-8.8	-7
West Pilbara	102,886	1	85,000	10	0.8	10	0.6	10	+0.2	
WA excluding Perth	44,157		135,000		3.1		6.8			

Notes: Sales price is the 2018Q1-4 lower quartile 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 2016 and uprated to 2018Q4 dollars. nd. denotes no/insufficient data on housing transactions.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Affordable rentals – a social issue in WA

The private rental sector is a critical component of WA's housing market. For some, the rental market provides short-term or transitional accommodation, while for others, renting is a desirable alternative longer-term accommodation option to home ownership, and suits lifestyle choices. However, renting provides the only feasible accommodation option available to many households on lower incomes or reduced economic or social circumstances.

In this section, we adapt the earlier measurement of housing affordability using REIWA's rental price data from 2018 and the 2016 Australian Census to construct median and lower-quartile rent-to-income ratios for the established housing sector and for multi-residential units in sub-regional areas of Perth and in WA's regional centres.

Established house rental

Rental cost burdens have fallen in the three years since BCEC's last housing affordability report, but there still remain some stark differences in typical rental costs across Perth's suburbs. Fremantle, the Western Suburbs and areas of South Perth around the Swan River remain among the most expensive rental sub-markets for typical (median) families (see Figure 10), as they are for those seeking to buy. A greater share of lower cost house rentals are located to the south east of Perth city, around Gosnells (with a median rental cost of $280 per week) and Armadale ($250), as well as Rockingham to the south ($300).

In Gosnells lower quartile house rental costs in 2018 were $247 per week, compared with a median rent of $280.

Most of Perth's metropolitan areas show a modest fall in rent-to-income ratios for established houses between 2015 and 2018, but the movement has been slight and for many households on lower or falling incomes, the pressures of rental affordability remain acute.

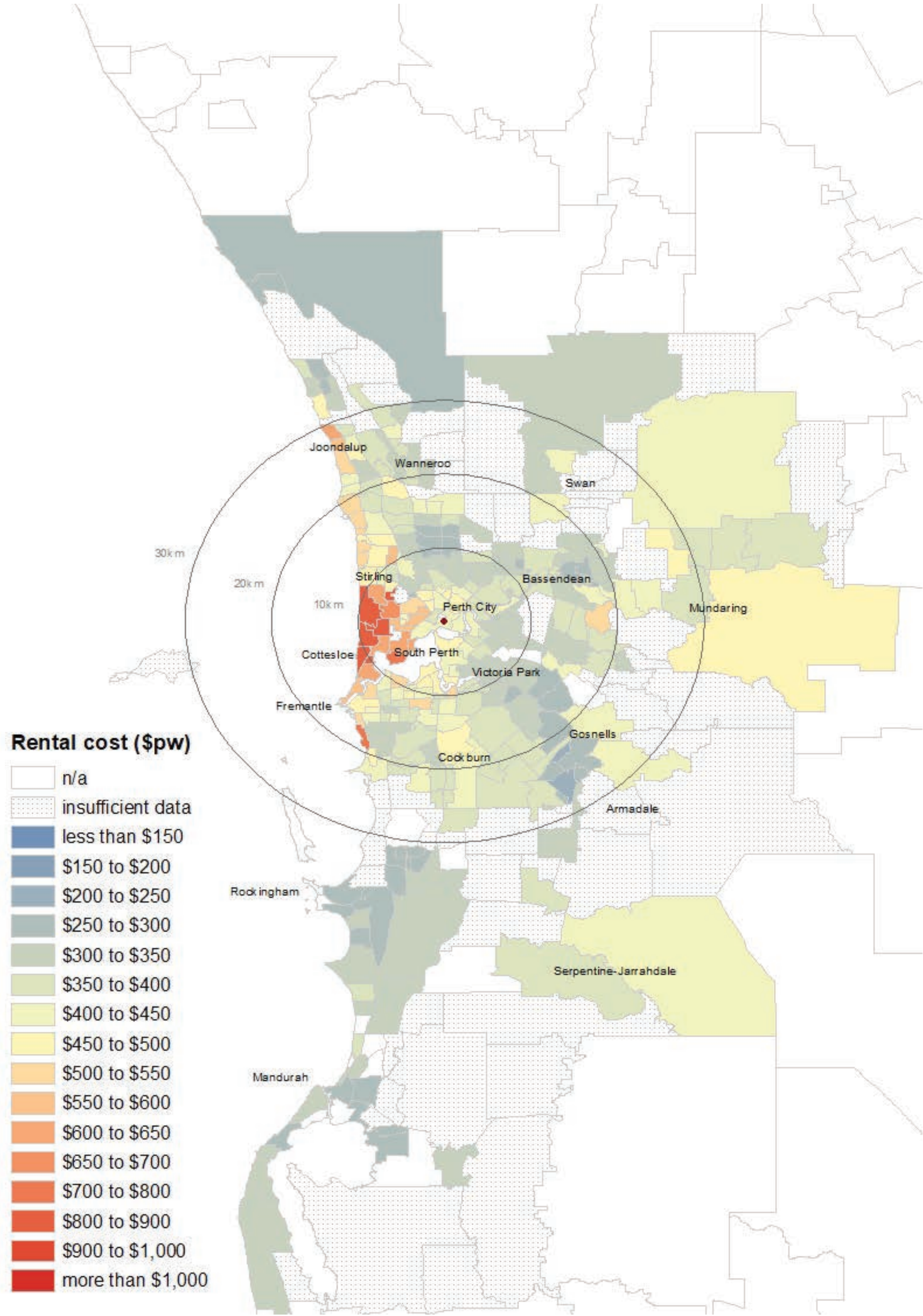
Table 13 shows the rent-to-income ratios for median rental properties across Perth and regional WA for 2018, compared to median household income indexed to the same year. The sub-regional areas to the north around Joondalup and Wanneroo, Armadale to the inner south east, and the south east region of Serpentine-Jarrahdale are the most affordable when it comes to rental costs for established houses. This remains true for both median and lower quartile rent-income ratios at the sub-regional level (the latter shown in Table 14).

Rents in many localities of Perth have not adjusted, and remain rigid in the face of relatively low supply and vacancy.

Interestingly, the rents for established houses at the lower end of the market are only a little different to median rents in most areas of the Perth metropolitan area (Figure 11). For example, in Gosnells lower quartile house rental costs in 2018 were $247 per week, compared with a median rent of $280. In Armadale, lower quartile rental of $220 is only $30 less than the median of $250. This highlights the fact that rents in many localities of Perth have not adjusted, and remain rigid in the face of relatively low supply and vacancy.

The rent-to-income ratio for established housing in regional housing markets associated with the resources sector in 2018 have fallen further compared to those in 2015, particularly in Karratha and Port Hedland. But Broome rents are the least affordable both to typical income families, and to lower income earners seeking established house rentals at the lower end of the market.

Figure 10 Median rents for established houses, by WA suburb, 2018Q1-4



Note: Rental costs are median weekly rental costs for all residential houses for each REIWA regional suburb during 2018Q1-4.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

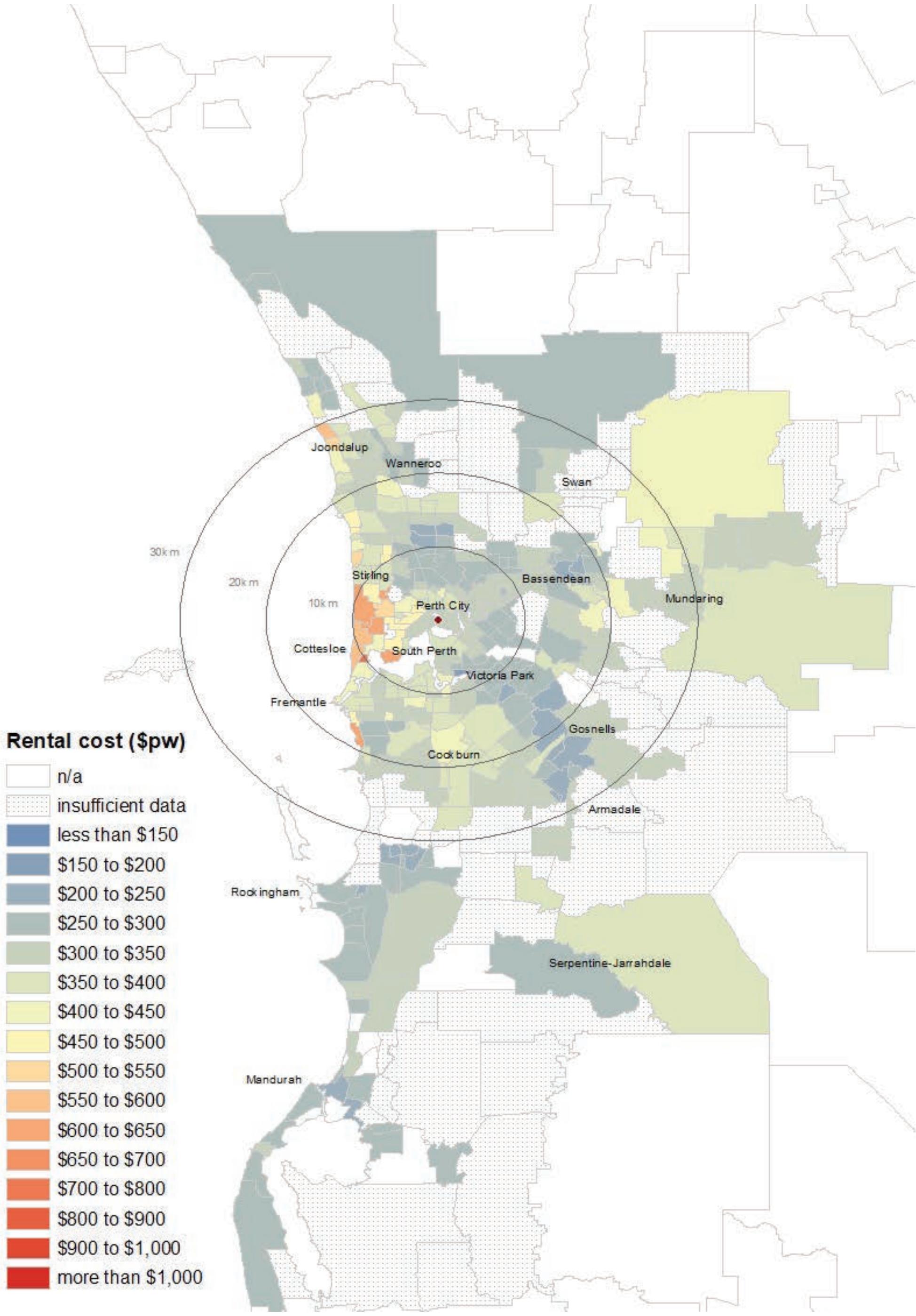
Table 13 Median rent-income ratios for established houses, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	Median household gross annual income *by sub-region, 2018$*		Median rentals for residential houses *by sub-region, 2018$*		Median rent-to-income ratio *by sub-region*					
Sub-region	**h/h income**		**Median rental cost**		**Ratio (2018)**		**Ratio (2015)**		**Difference (2018-2015)**	**Change in ranking**
Cottesloe - Claremont	3,283	1	725	1	0.22	1	0.31	2	-0.09	+1
Fremantle	2,209	5	480	3	0.22	2	0.34	1	-0.13	-1
Canning	1,762	16	365	11	0.21	3	0.27	6	-0.06	+3
Mundaring	1,839	12	378	9	0.21	4	0.25	10	-0.05	+6
Kalamunda	1,896	10	380	7	0.20	5	0.24	16	-0.04	+11
Perth City	2,447	2	490	2	0.20	6	0.24	13	-0.04	+7
Belmont - Victoria Park	1,810	14	350	13	0.19	7	0.28	5	-0.09	-2
Cockburn	1,978	7	380	7	0.19	8	0.24	12	-0.05	+4
Rockingham	1,725	17	330	16	0.19	9	0.23	17	-0.04	+8
South Perth	2,354	3	450	4	0.19	10	0.25	9	-0.06	-1
Melville	2,255	4	430	5	0.19	11	0.26	7	-0.07	-4
Bayswater - Bassendean	1,840	11	350	13	0.19	12	0.28	4	-0.09	-8
Swan	1,788	15	340	15	0.19	13	0.24	14	-0.05	+1
Stirling	1,946	8	370	10	0.19	14	0.28	3	-0.09	-11
Gosnells	1,633	20	310	18	0.19	15	0.24	15	-0.05	
Kwinana	1,637	19	310	18	0.19	16	0.26	8	-0.07	-8
Serpentine - Jarrahdale	1,911	9	360	12	0.19	17	0.22	20	-0.03	+3
Armadale	1,690	18	310	18	0.18	18	0.25	11	-0.07	-7
Joondalup	2,196	6	400	6	0.18	19	0.22	19	-0.04	
Wanneroo	1,828	13	330	16	0.18	20	0.22	18	-0.04	-2
Greater Perth	1,932		350		0.18		0.25			
Kimberley	1,663	5	549	1	0.33	1	0.33	4	-0.00	+3
Augusta - Margaret River - Busselton	1,512	8	400	3	0.26	2	0.36	2	-0.10	
Albany	1,441	9	350	5	0.24	3	0.34	3	-0.10	
Mandurah	1,390	10	320	9	0.23	4	0.40	1	-0.17	-3
Bunbury	1,635	6	330	7	0.20	5	0.27	6	-0.07	+1
Mid West	1,515	7	290	10	0.19	6	0.31	5	-0.12	-1
Esperance	1,717	4	328	8	0.19	7	0.27	7	-0.07	
Goldfields	2,218	3	350	5	0.16	8	0.17	10	-0.01	+2
West Pilbara	2,892	1	450	2	0.16	9	0.24	8	-0.08	-1
East Pilbara	2,814	2	400	3	0.14	10	0.18	9	-0.04	-1
WA excluding Perth	1,646		350		0.21		0.29			

Notes: Rental value is the 2018Q1-4 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 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Figure 11 Lower quartile rents for established houses, by WA suburb, 2018Q1-4



Note: Rental costs are lower quartile weekly rental costs for all residential houses for each REIWA regional suburb during 2018Q1-4.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Table 14 Lower quartile rent-income ratios for established houses, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	LQ household gross annual income *by sub-region, 2018$*		LQ rentals for residential houses *by sub-region, 2018$*		LQ rent-to-income ratio *by sub-region*					
Sub-region	h/h income		LQ rental price		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Cottesloe - Claremont	1,622	1	550	1	0.34	1	0.49	3	-0.15	+2
Rockingham	892	20	295	17	0.33	2	0.43	8	-0.10	+6
Fremantle	1,153	6	380	3	0.33	3	0.61	1	-0.28	-2
Canning	977	16	320	9	0.33	4	0.46	6	-0.13	+2
Mundaring	988	14	320	9	0.32	5	0.39	14	-0.07	+9
Cockburn	1,067	8	335	7	0.31	6	0.41	10	-0.10	+4
Kwinana	902	19	280	18	0.31	7	0.40	12	-0.09	+5
Belmont - Victoria Park	980	15	300	12	0.31	8	0.51	2	-0.21	-6
Kalamunda	1,062	9	320	9	0.30	9	0.42	9	-0.12	
Bayswater - Bassendean	996	13	300	12	0.30	10	0.47	5	-0.17	-5
Melville	1,174	5	350	4	0.30	11	0.46	7	-0.16	-4
Swan	1,007	12	300	12	0.30	12	0.39	13	-0.10	+1
Wanneroo	1,008	11	300	12	0.30	13	0.36	19	-0.06	+6
Serpentine - Jarrahdale	1,099	7	325	8	0.30	14	0.37	17	-0.07	+3
Gosnells	922	18	270	19	0.29	15	0.38	15	-0.09	
Joondalup	1,203	4	350	4	0.29	16	0.35	20	-0.05	+4
Perth City	1,350	2	390	2	0.29	17	0.36	18	-0.07	+1
Stirling	1,043	10	300	12	0.29	18	0.47	4	-0.19	-14
South Perth	1,219	3	350	4	0.29	19	0.41	11	-0.12	-8
Armadale	957	17	250	20	0.26	20	0.38	16	-0.12	-4
Greater Perth	1,048		300		0.29		0.41			
Kimberley	791	9	450	1	0.57	1	0.51	4	+0.06	+3
Augusta - Margaret River - Busselton	841	6	350	2	0.42	2	0.60	2	-0.18	
Albany	822	7	315	4	0.38	3	0.56	3	-0.18	
Mandurah	766	10	280	8	0.37	4	0.62	1	-0.25	-3
Bunbury	845	5	290	6	0.34	5	0.46	6	-0.12	+1
Mid West	796	8	230	10	0.29	6	0.48	5	-0.19	-1
Esperance	957	4	270	9	0.28	7	0.42	7	-0.14	
Goldfields	1,182	3	290	6	0.25	8	0.22	9	+0.03	+1
West Pilbara	1,979	1	350	2	0.18	9	0.23	8	-0.05	-1
East Pilbara	1,751	2	300	5	0.17	10	0.20	10	-0.03	
WA excluding Perth	849		290		0.34		0.43			

Notes: Rental value is the 2018Q1-4 lower quartile 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 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Multi-residential unit rental

The general picture is of a relatively tight spread of rental costs for multi-residential units in most sub-regional areas of Perth.

Most of the rental activity for multi-residential units in 2018 took place in and around Perth City and South Perth. This reflects the higher volume of existing and new multi-residential unit developments in inner residential areas around the CBD, and matches the sales transactions data for units presented earlier in Figure 7.

Overall, rent-to-income ratios for multi-residential units have decreased only slightly over the three year period from 2015 to 2018. The general picture is of a relatively tight spread of rental costs for multi-residential units in most sub-regional areas of Perth. For example, the median rental transaction for units in Bassendean in 2018 was $330 (Figure 12) while the lower quartile unit rental was $300 (Figure 13). In Mirrabooka, the median unit rental transaction over the course of 2018 was $240, compared to a lower quartile rent of $220 – a gap of only $20.

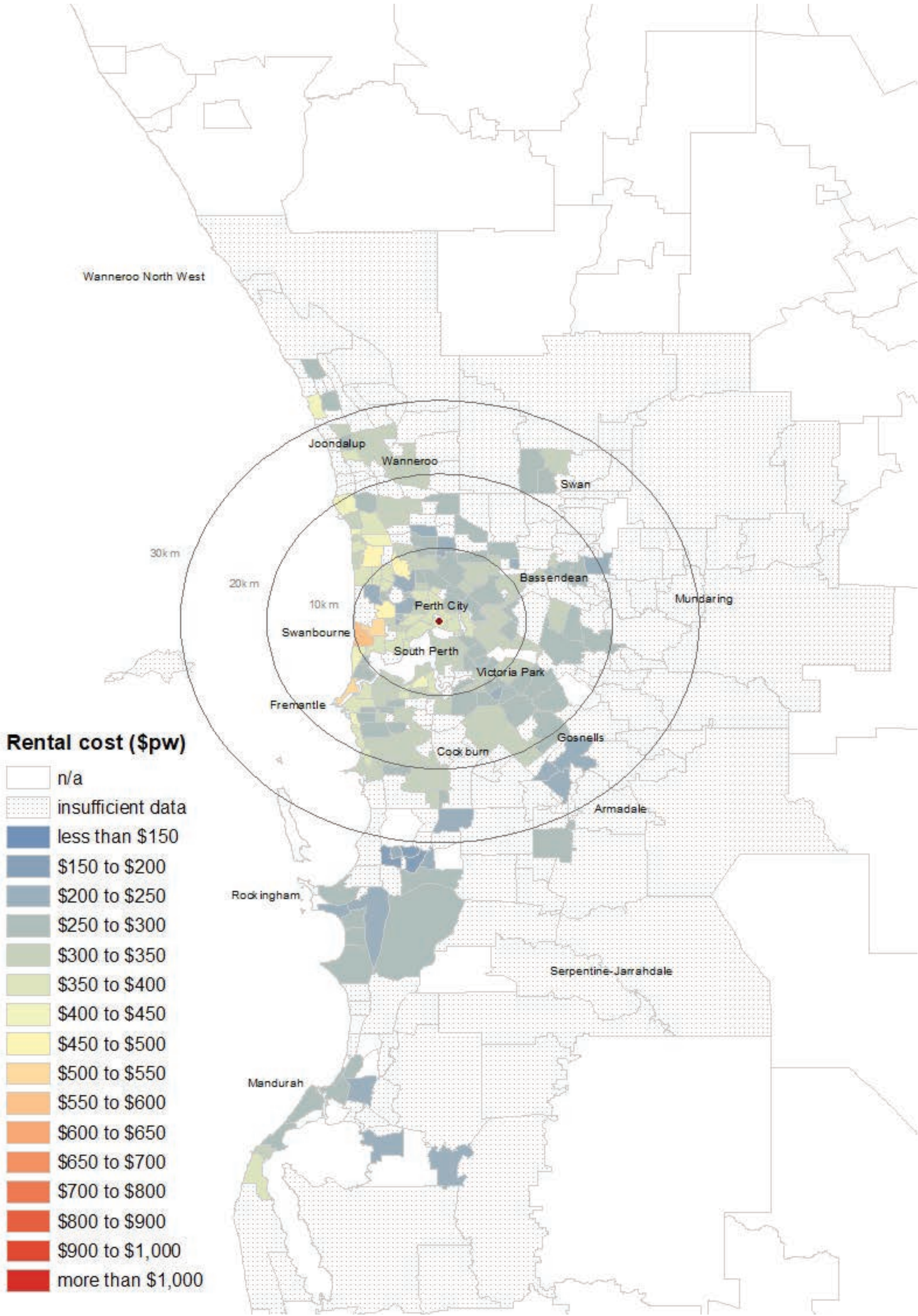
But the tight spread of rents imposes disproportionate housing cost stress for lower income families who then need to commit a relatively high share of their income to cover their rents. These pressures are highlighted by comparing the median rent-income ratios across Perth's sub-regional areas in Table 15 with the lower quartile ratios in Table 16. For example, the sub-market of Wanneroo shows a median rent-income ratio for units of 18% (Table 15), but a lower quartile ratio which nearly doubles, at some 32% (Table 16). This means that a typical family renting a mid-priced unit in Wanneroo would need to commit just under a fifth of their income in rent costs, but a lower income family would need to spend a third of their income on rent to afford even a lower-priced unit.

A lower income family would need to spend a third of their income on rent to afford even a lower-priced unit.

Median rental costs for units in most of the suburbs to the south around Rockingham and Mandurah are in the $200 to $300 range, with higher unit rental costs in the coastal suburb of Dawesville to the south of Mandurah.

Kimberley again ranks among the least affordable of WA's regional centres alongside Busselton, while properties in the Pilbara have become more affordable given the slowing pace of the resources sector in Kalgoorlie, Karratha and Port Hedland over the course of 2018.

Figure 12 Median rents for multi-residential units, by WA suburb, 2018Q1-4



Note: Rental costs are median weekly rental costs for all multi-residential units for each REIWA regional suburb during 2018Q1-4.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

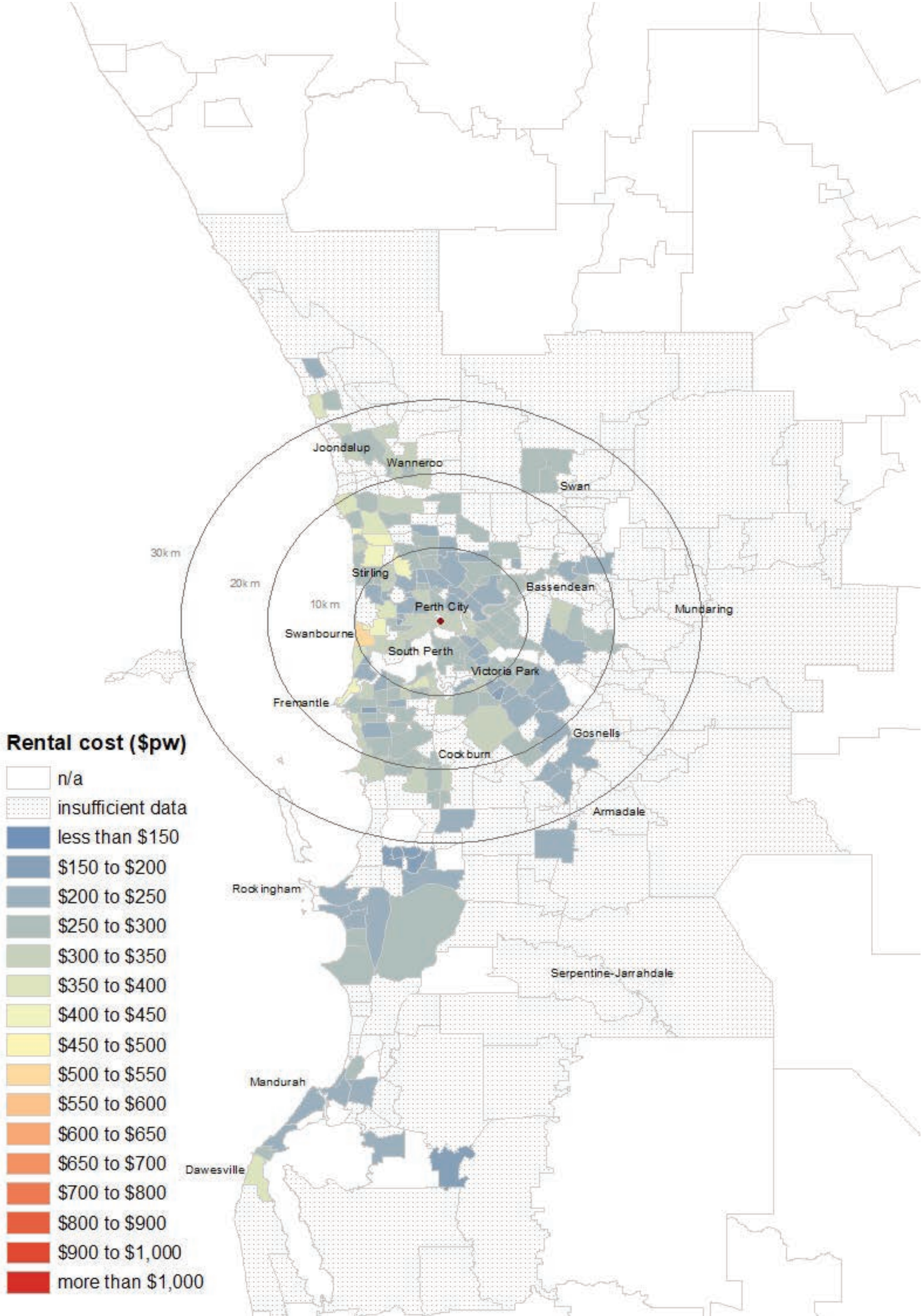
Table 15 Median rent-income ratios for multi-residential units, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	Median household gross annual income *by sub-region, 2018$*		Median rentals for multi-residential unit *by sub-region, 2018$*		Median rent-to-income ratio *by sub-region*					
Sub-region	h/h income		Median rental cost		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Wanneroo	1,828	13	325	7	0.18	1	0.21	10	-0.03	+9
Belmont - Victoria Park	1,810	14	320	8	0.18	2	0.27	2	-0.09	
Fremantle	2,209	5	390	1	0.18	3	0.28	1	-0.10	-2
Canning	1,762	16	310	11	0.18	4	0.24	4	-0.06	
Gosnells	1,633	20	270	15	0.17	5	0.21	12	-0.04	+7
Stirling	1,946	8	320	8	0.16	6	0.26	3	-0.09	-3
Cockburn	1,978	7	320	8	0.16	7	0.22	7	-0.06	
Bayswater - Bassendean	1,840	11	290	14	0.16	8	0.23	5	-0.07	-3
Kalamunda	1,896	10	295	12	0.16	9	0.22	8	-0.06	-1
Serpentine - Jarrahdale	1,911	9	295	12	0.15	10	0.11	20	+0.05	+10
Perth City	2,447	2	370	2	0.15	11	0.22	6	-0.07	-5
Swan	1,788	15	270	15	0.15	12	0.21	11	-0.06	-1
Rockingham	1,725	17	260	18	0.15	13	0.20	15	-0.05	+2
Joondalup	2,196	6	330	6	0.15	14	0.19	17	-0.04	+3
Melville	2,255	4	335	4	0.15	15	0.21	13	-0.06	-2
Armadale	1,690	18	250	19	0.15	16	0.21	14	-0.06	-2
Mundaring	1,839	12	270	15	0.15	17	0.17	19	-0.03	+2
South Perth	2,354	3	335	4	0.14	18	0.21	9	-0.07	-9
Kwinana	1,637	19	220	20	0.13	19	0.19	16	-0.06	-3
Cottesloe - Claremont	3,283	1	360	3	0.11	20	0.18	18	-0.07	-2
Greater Perth	1,932		320		0.17		0.22			
Augusta - Margaret River - Busselton	1,512	8	350	2	0.23	1	0.32	2	-0.09	+1
Kimberley	1,663	5	380	1	0.23	2	0.23	5	-0.01	+3
Albany	1,441	9	295	5	0.20	3	0.29	3	-0.09	
Mandurah	1,390	10	260	8	0.19	4	0.36	1	-0.17	-3
Bunbury	1,635	6	290	6	0.18	5	0.25	4	-0.08	-1
Esperance	1,717	4	250	9	0.15	6	0.19	7	-0.05	+1
Goldfields	2,218	3	280	7	0.13	7	0.14	9	-0.01	+2
Mid West	1,515	7	180	10	0.12	8	0.22	6	-0.10	-2
East Pilbara	2,814	2	300	3	0.11	9	0.12	10	-0.02	+1
West Pilbara	2,892	1	300	3	0.10	10	0.16	8	-0.06	-2
WA excluding Perth	1,646		300		0.18		0.24			

Notes: Rental value is the 2018Q1-4 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 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Figure 13 Lower quartile rents for multi-residential units, by WA suburb, 2018Q1-4



Note: Rental costs are lower quartile weekly rental costs for all multi-residential units for each REIWA regional suburb during 2018Q1-4.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on REIWA data.

Table 16 Lower quartile rent-income ratios for multi-residential units, by WA sub-region, 2018Q1-4

Sub-regional housing *market area* Perth planning region	LQ household gross annual income *by sub-region, 2018$*		LQ rentals for multi-residential units *by sub-region, 2018$*		LQ *rent-to-income ratio by sub-region*					
Sub-region	h/h income		LQ rental cost		Ratio (2018)		Ratio (2015)		Difference (2018-2015)	Change in ranking
Wanneroo	1,008	11	320	1	0.32	1	0.35	10	-0.03	+9
Canning	977	16	280	8	0.29	2	0.42	4	-0.13	+2
Belmont - Victoria Park	980	15	270	10	0.28	3	0.47	1	-0.19	-2
Gosnells	922	18	250	13	0.27	4	0.33	15	-0.06	+11
Cockburn	1,067	8	280	8	0.26	5	0.38	5	-0.12	
Fremantle	1,153	6	300	2	0.26	6	0.44	2	-0.18	-4
Stirling	1,043	10	270	10	0.26	7	0.43	3	-0.17	-4
Rockingham	892	20	225	17	0.25	8	0.34	12	-0.09	+4
Swan	1,007	12	250	13	0.25	9	0.35	11	-0.10	+2
Kalamunda	1,062	9	263	12	0.25	10	0.37	6	-0.12	-4
Melville	1,174	5	288	5	0.24	11	0.36	7	-0.12	-4
Joondalup	1,203	4	290	4	0.24	12	0.30	18	-0.05	+6
Bayswater - Bassendean	996	13	240	15	0.24	13	0.36	8	-0.12	-5
Armadale	957	17	225	17	0.24	14	0.35	9	-0.12	-5
South Perth	1,219	3	285	6	0.23	15	0.34	14	-0.10	-1
Mundaring	988	14	230	16	0.23	16	0.33	16	-0.09	
Kwinana	902	19	200	20	0.22	17	0.32	17	-0.10	
Perth City	1,350	2	295	3	0.22	18	0.34	13	-0.12	-5
Serpentine - Jarrahdale	1,099	7	220	19	0.20	19	0.20	20	-0.00	+1
Cottesloe - Claremont	1,622	1	285	6	0.18	20	0.29	19	-0.12	-1
Greater Perth	1,048		270		0.26		0.35			
Kimberley	791	9	320	1	0.40	1	0.35	5	+0.06	+4
Augusta - Margaret River - Busselton	841	6	300	2	0.36	2	0.55	1	-0.19	-1
Albany	822	7	250	5	0.30	3	0.44	3	-0.14	
Mandurah	766	10	230	8	0.30	4	0.52	2	-0.22	-2
Bunbury	845	5	250	5	0.30	5	0.44	4	-0.14	-1
Esperance	957	4	220	9	0.23	6	0.34	6	-0.11	
Goldfields	1,182	3	250	5	0.21	7	0.18	8	+0.03	+1
Mid West	796	8	160	10	0.20	8	0.33	7	-0.13	-1
East Pilbara	1,751	2	260	4	0.15	9	0.16	10	-0.01	+1
West Pilbara	1,979	1	273	3	0.14	10	0.16	9	-0.02	-1
WA excluding Perth	849		245		0.29		0.36			

Notes: Rental value is the 2018Q1-4 lower quartile 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 2016 and uprated to 2018Q4 dollars.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations based on REIWA (2019) and ABS Census 2016.

Location,

location, location

Location, location, location

As the saying goes, location is one of the key considerations for most families either when purchasing or renting their home. Location has a direct bearing for people's ease of access to place of work and employment opportunities, healthcare, their children's education, local amenities, community engagement and leisure activities. Where you can afford to live is an important trade-off for many, and can condition the type of property they choose.

In this section we repeat the analysis from previous BCEC Housing Affordability reports by asking the question: *What income would a household need to be earning to be able to afford a house priced at the median level in locations across the Perth metropolitan area?*

Capacity to buy, a spatial picture

'Capacity to buy' indicators are generated by imputing the household income that would comfortably service a typical mortgage arrangement for the median house in each suburb of Perth, with repayments set at 30 per cent of the household's income.

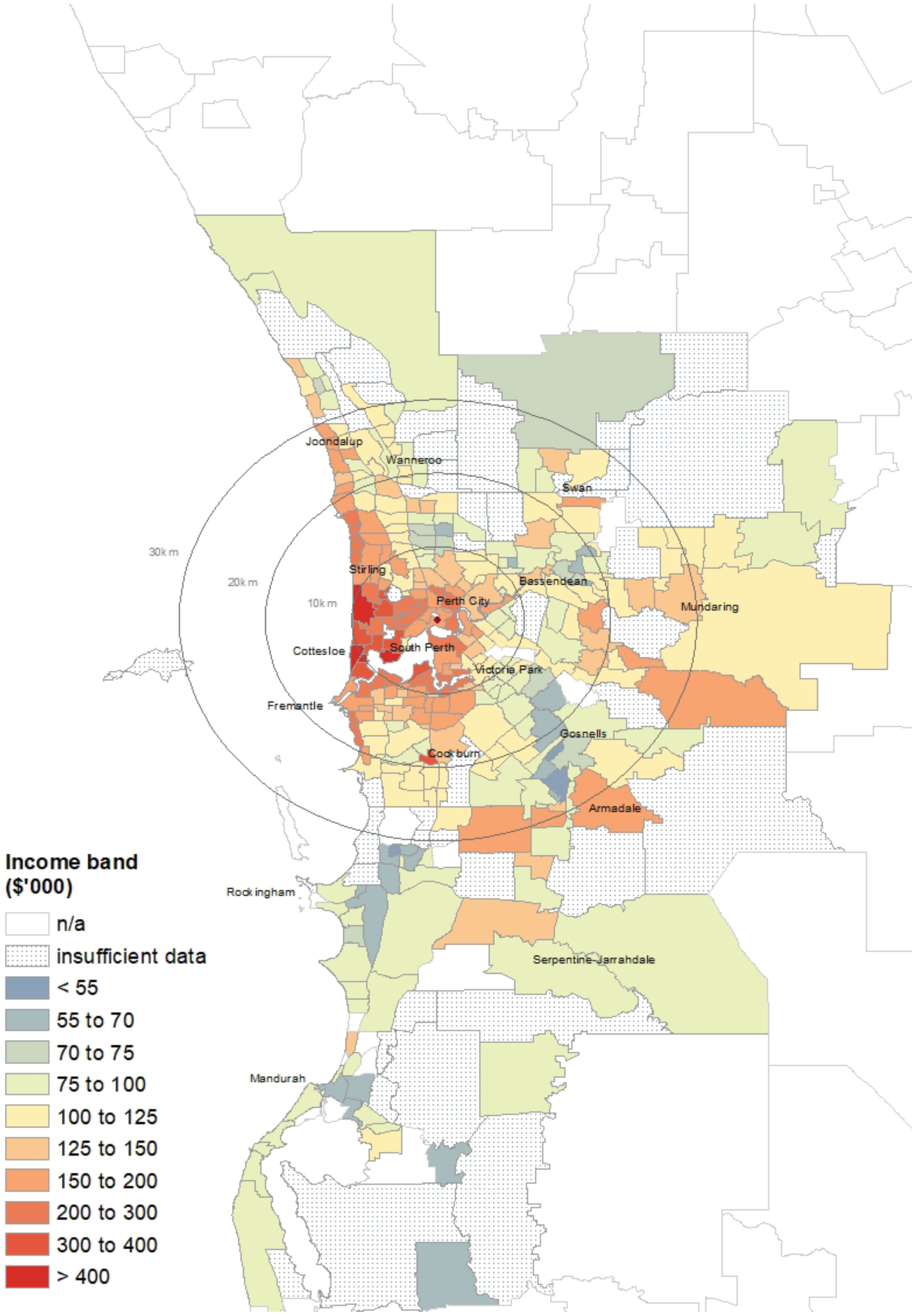
Figure 14 compares the gross family income that would be required to comfortably afford an established house in different suburbs of the Perth metropolitan area, with shades of blue showing the lowest income bands, through mid-range incomes in orange and yellow, to the highest income requirements in progressively darker shades of red.

Families would require an annual income in excess of $400,000 to afford properties in a number of the areas in the western suburbs around the Swan River and on the coast. For example, families seeking to afford an established house in Dalkeith in 2018 would require a combined annual income of around $520,000, while for Cottesloe the figure is around $470,000.

The typical house in Armadale could be serviced comfortably with annual income of $53,700, while suburbs closer to the city centre require more – for example, $106,000 in Bassendean. The amenities afforded by coastal properties towards Joondalup in the north translate into a greater level of required family income, around $178,000 in Burns Beach or $187,000 in Iluka.

Families would require an annual income in excess of $400,000 to afford properties in a number of the areas in the western suburbs around the Swan River and on the coast.

Figure 14 Gross household income to afford median house, by WA metropolitan suburb, 2018Q1-4



Note: 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 | Authors' calculations from ABS Census 2016 and REIWA (2019).

A localised picture of rental cost burdens

We highlighted earlier in this BCEC Housing Affordability report the 'stickiness' of rental costs at the lower end of the market in many areas of Perth and Western Australia. With weekly rents for houses and units spread within only a narrow range, lower income families face greater challenges when seeking to adjust their rents to suit their incomes. As a result, families with limited income either have to bear a greater degree of rental stress, or compromise substantially on location (but where costs associated with travel to work or school might increase, and where amenity may be reduced).

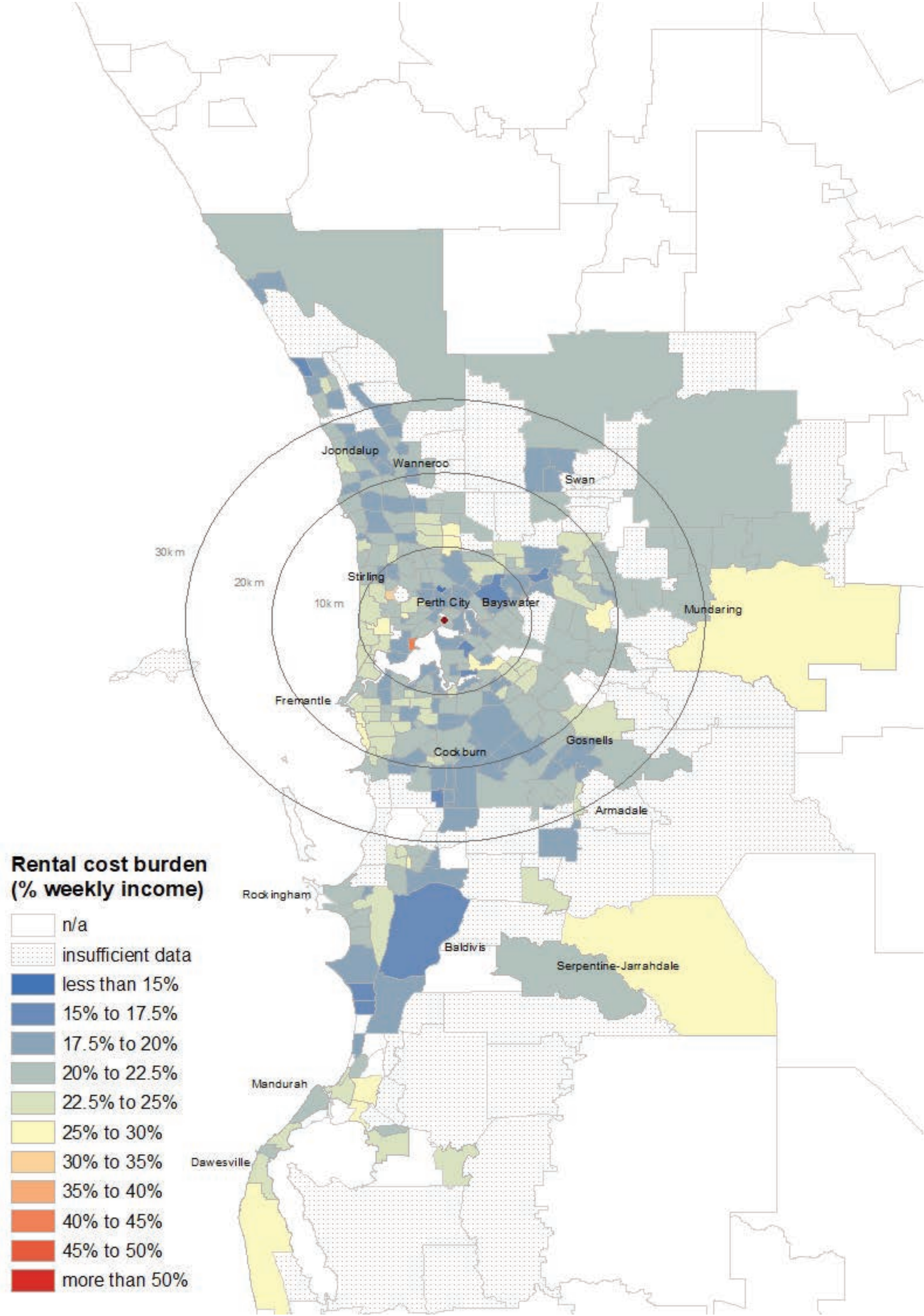
Families with limited income either have to bear a greater degree of rental stress, or compromise substantially on location.

To provide a disaggregated analysis of the degree of rental stress faced across Perth's suburbs, Figure 15 and Figure 16 map the ratios of median rent to median income for each suburb in Perth metropolitan, using a combination of REIWA transactions data for rents and 2016 Census data. The colour scale is set such that yellow shading represents a suburb with a rent-income ratio of around 30% - the standard benchmark for housing affordability - with darkening shades of greens and blues showing suburbs that are progressively more affordable to the local population, and darkening shades of orange and red showing suburbs that are progressively less affordable.

Looking first at measures of rental affordability for the typical family using median rent-income ratio (Figure 15), the predominant picture is one of affordable rents for those families on median incomes across most of Perth metropolitan. This is particularly the case in suburbs around Cockburn, Gosnells to the south of the city, Wanneroo and Joondalup to the north, Bayswater to the east of the city, and further south, in Baldivis to the east of Rockingham. The university suburbs of Bentley and Crawley are relatively unaffordable in terms of median rents compared with surrounding suburbs. For example, the median rent-income ratio is 41% for houses in Crawley compared with ratios below 20% in adjacent suburbs. Similarly, Bentley shows a median rent-income ratio of 30% compared to 20% in East Victoria Park or 21% in Como.

But the picture changes remarkably when looking at the level of rental affordability among families on lower incomes when seeking lower price-point rental properties within their suburbs (Figure 16).

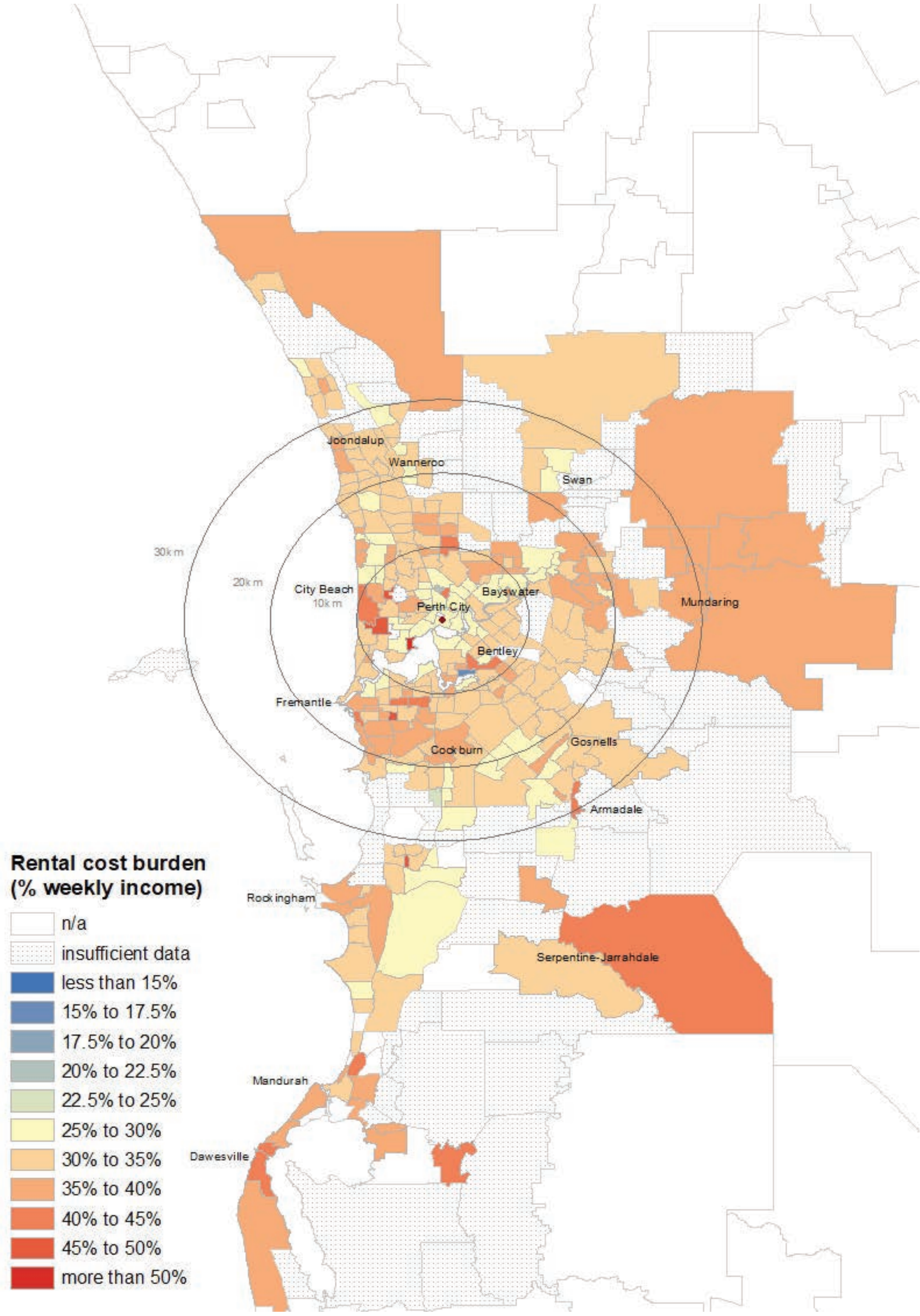
Figure 15 Median rental cost burdens for residential housing, by WA suburb



Note: Median rental costs are based on REIWA (2019) rental listings data for 2018Q1-4. Median household incomes are derived from ABS Census 2016 data, uprated to December 2018 using ABS earnings indices. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of median rental costs to median household income. Sub-regions with fewer than 10 transactions over the period are excluded from analysis.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census 2016 and REIWA (2019).

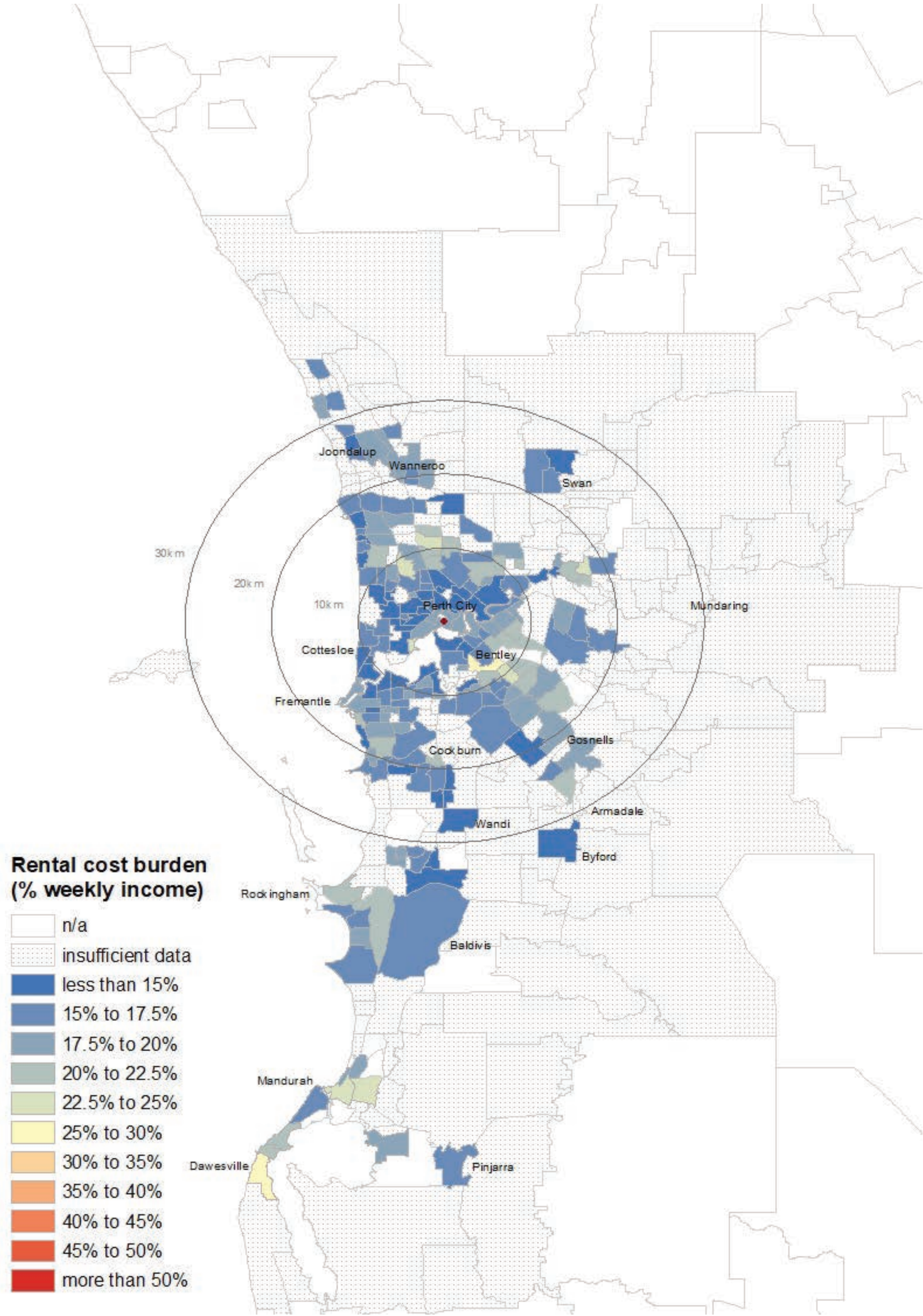
Figure 16 Lower quartile rental cost burdens for residential housing, by WA suburb



Note: LQ rental costs are based on REIWA (2019) rental listings data for 2018Q1-4. LQ household incomes are imputed from ABS Census 2016 data, uprated to December 2018 using ABS earnings indices. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of lower quartile (LQ) rental costs to LQ household income. Sub-regions with fewer than 10 transactions over the period are excluded from analysis.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census 2016 and REIWA (2019).

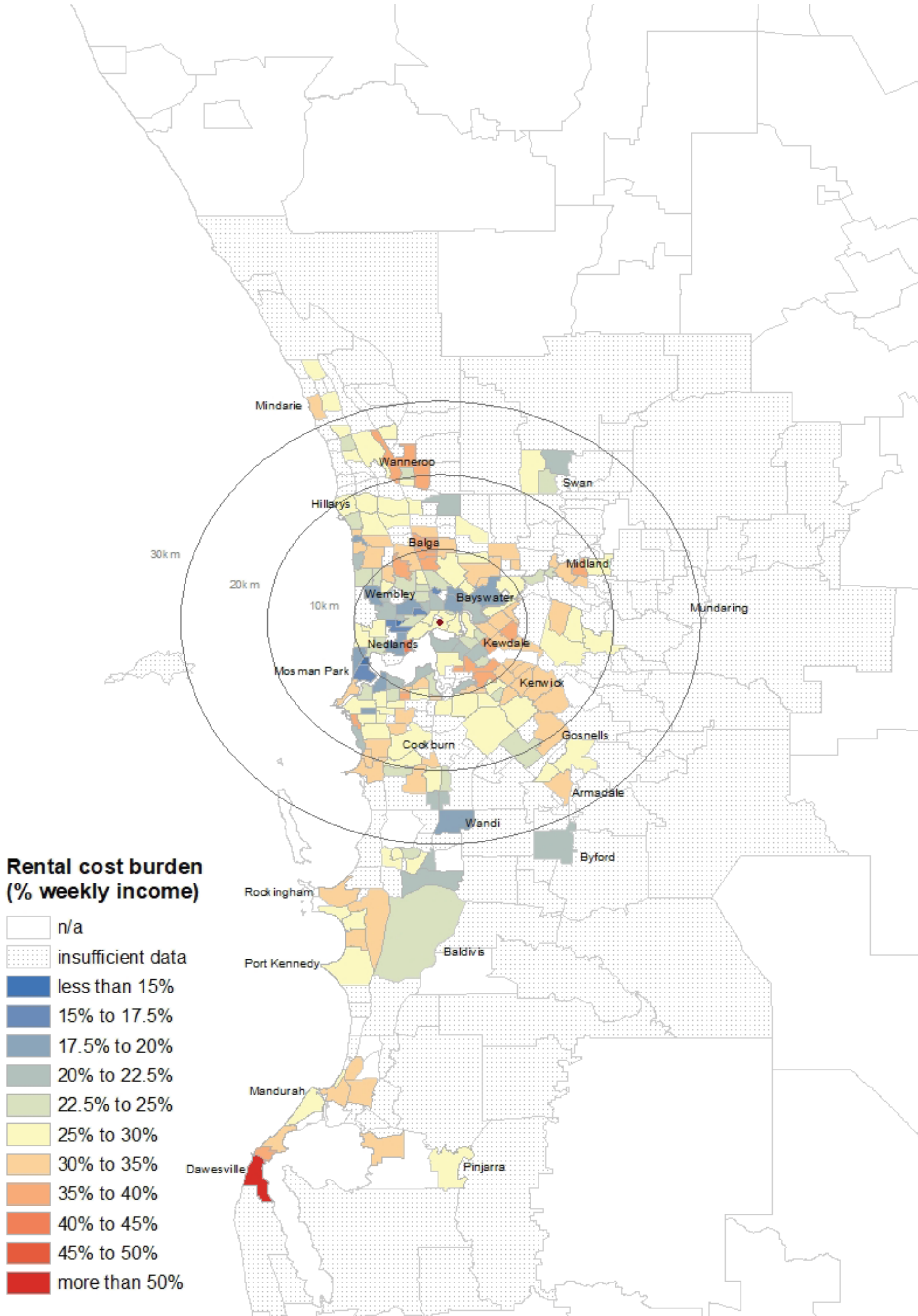
Figure 17 Median rental cost burdens for multi-residential units, by WA suburb



Note: Median rental costs are based on REIWA (2019) rental listings data for 2018Q1-4. Median household incomes are derived from ABS Census 2016 data, uprated to December 2018 using ABS earnings indices. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of median rental costs to median household income. Sub-regions with fewer than 10 transactions over the period are excluded from our analysis.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census 2016 and REIWA (2019).

Figure 18 Lower quartile rental cost burdens for multi-residential units, by WA suburb



Note: LQ rental costs are based on REIWA (2019) rental listings data for 2018Q1-4. LQ household incomes are imputed from ABS Census 2016 data, uprated to December 2018 using ABS earnings indices. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of lower quartile (LQ) rental costs to LQ household income. Sub-regions with fewer than 10 transactions over the period are excluded from our analysis.

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Census 2016 and REIWA (2019).

Very few suburbs are shown with rent-income ratios in the comfortably affordable range (below 30%) for families in the lowest quarter of incomes.

Rent-income ratios for lower income families are well above 30% for suburbs in the fringes of Perth including Armadale, Mundaring and Rockingham.

Very few suburbs are shown with rent-income ratios in the comfortably affordable range (below 30%) for families in the lowest quarter of incomes. Rents for lower income families sit just at the benchmark rent-income ratio of 30% for Perth City, East Perth and Bayswater towards the east of the City, Bicton and East Fremantle toward the west, and Byford to the south.

But rent-income ratios for lower income families are well above 30% for a far greater number of suburbs around Gosnells, Armadale, Fremantle and Hamilton Hill, and beyond 35% in the suburbs of Cockburn Central and Jandakot to the south of the city, in Rockingham and Cooloongup even further west towards Mundaring and Mount Helena.

A very similar pattern emerges when comparing the rental affordability of multi-residential units for typical families (Figure 17) with the rental burden faced by lower income families (Figure 18). The band of apparent rental affordability of lower-priced units for from the inner west and over the top of Perth is more a function of family incomes than low rents, with greater levels of rental stress among lower income families around Rockingham, down to Mandurah and particularly in Dawesville to the south of Mandurah.

The BCEC

Housing Affordability Survey 2019:

Key findings from WA

The Bankwest Curtin Economics Centre Housing Affordability Survey

In 2013, the Bankwest Curtin Economics Centre commissioned its first Housing Affordability Survey. The Survey was specifically designed to explore the wider effects of housing costs in WA, and to learn from the personal housing stories of West Australian families (see Cassells *et al* 2014).

Having established this baseline survey, the Centre committed to a series of further data collection exercises at two year intervals to capture the degree to which housing affordability experiences have changed in WA since 2013. Importantly, each BCEC Housing Affordability Survey conducted since 2015 has been expanded to include data from Queensland and New South Wales alongside WA, permitting comparisons of the affordability position of West Australians relative to two other states.

This report presents the results of the 2019 BCEC Housing Affordability Survey. Data were collected through a panel data company in April 2019, and while this *BCEC Focus on WA* report concentrates on the 2019 survey, it compares results across the three surveys wherever possible.

The 2019 Survey collected 1,200 responses from each state using quotas to ensure respondent profiles were similar across states and broadly representative of the national population. Tables 17, 18 and 19 set out the respondent characteristics across each state. There are only minor differences in the state respondent profiles allowing direct comparisons to be made. At the state level, 1,200 responses delivers a 95 per cent confidence level with a +/- 3 per cent margin of error meaning robust statements can be made about each state. When analysing smaller groups containing few responses, caution should be applied when relying on analysis outcomes.

Profile of survey respondents

The age profile of each state reflects the national profile (see Table 17). Responses were split between metropolitan and regional areas with a target of 25 per cent regional responses achieved in all states. This allows comparisons of metropolitan and regional housing affordability outcomes. Household characteristics are again similar across states, reflecting the national profile with 55 per cent couple households and around 15 per cent one person households. The income profile reflects the problems of collecting responses using panel data sources, with higher income respondents much more difficult to survey (Table 18). Once again, responses are very similar across states allowing comparison of WA households against the other two states.

Responses were split between metropolitan and regional areas with a target of 25% regional responses achieved in all states.

Table 17 **Age and location of survey respondents**

Area	New South Wales	Queensland	Western Australia
		Percentage	
18-24	14.9	15.5	14.9
25-34	18.4	18.1	18.5
35-44	18.4	17.7	18.2
45-54	16.1	16.4	15.5
55-64	15.5	15.4	15.5
65+	16.7	16.9	17.4
Area	**New South Wales**	**Queensland**	**Western Australia**
		Percentage	
Metro	73.8	72.6	74.0
Regional	26.2	27.4	26.0

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Table 18 **Household characteristics of survey respondents**

Household Type	New South Wales	Queensland	Western Australia
		Percentage	
One person household	14.4	13.4	17.0
Living with a friend / in a group household	5.8	7.1	5.6
Couple, no children	25.3	28.5	29.1
Couple with child(ren)	30.3	27.1	25.8
One parent family with child(ren)	6.4	6.8	6.9
Living with parents (in the parental home)	9.8	9.4	9.4
Multi-generational household	4.1	3.3	2.5
Parent living with adult children in the adult childrens' dwelling	1.0	1.4	1.0
Other	2.9	3.0	2.6
Household Type	**New South Wales**	**Queensland**	**Western Australia**
		Percentage	
Under $31,000	14.6	15.8	20.1
$31,000 - $59,999	19.5	20.6	18.6
$60,000 - $89,999	19.2	18.6	22.3
$90,000 - $124,999	18.9	17.8	15.1
$125,000 - $149,999	10.9	11.5	9.8
$150,000 - $174,999	5.7	6.6	5.2
$175,000 - $199,999	5.0	3.3	4.6
$200,000 or over	6.2	5.8	4.3

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

In WA the 4 bedroom house was the most common dwelling type compared to 3 bedrooms in the other two states.

NSW had twice as many respondents in 2 bedroom apartments when compared to WA.

In terms of dwelling type, the responses reflect differences in the characteristics of state housing stock. In WA the four bedroom house was the most common dwelling type compared to three bedrooms in the other two states (see Table 19). NSW had twice as many respondents in two bedroom apartments when compared to WA. WA respondents were the least likely to be in the private rental sector (30.5% compared to 35% in QLD) but most likely to be in social housing (6% compared to 4.2% in QLD).

Table 19 **Dwelling characteristics of survey respondents**

Dwelling Type	New South Wales	Queensland	Western Australia
Three bedroom house	31%	33%	34%
Four bedroom house	26%	32%	37%
Two bedroom apartment	14%	8%	6%
Five (or more) bedroom house	8%	8%	7%
Three bedroom apartment	8%	6%	3%
Two bedroom house	6%	5%	7%
One bedroom apartment	5%	4%	4%
Ancillary dwelling (granny flat)	1%	1%	1%
One bedroom house	1%	2%	1%
None of these	1%	0%	1%
Homeless (no permanent accommodation)	0%	0%	0%
Dwelling Type	**New South Wales**	**Queensland**	**Western Australia**
Owned with a mortgage	29%	30%	31%
Owned outright	25%	23%	23%
Rented from a private landlord (via real estate agent)	21%	22%	17%
Rented from a private landlord (private arrangement)	11%	13%	12%
Living with parents	8%	8%	9%
Rented from state housing authority or community housing provider	5%	4%	6%
Other rental (e.g. employer subsidised)	1%	1%	2%
Shared equity (shared ownership with state government or not for profit provider)	0%	0%	1%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

The rest of this report examines, first, housing affordability outcomes in WA, second, comparisons of WA outcomes with the two other states and finally examines housing policy settings.

The BCEC

housing affordability picture in WA

The housing affordability picture in WA

The survey analysis begins by examining the current picture of housing affordability in WA, using data collected in April 2019. Two previous BCEC housing affordability reports are available, based on survey data collected in 2013 (Cassells *et al* 2014) and 2015 (Duncan *et al* 2016). A further housing affordability survey conducted in 2017 formed the basis of the BCEC *Feature* report into the private rental sector (Rowley and James 2018).

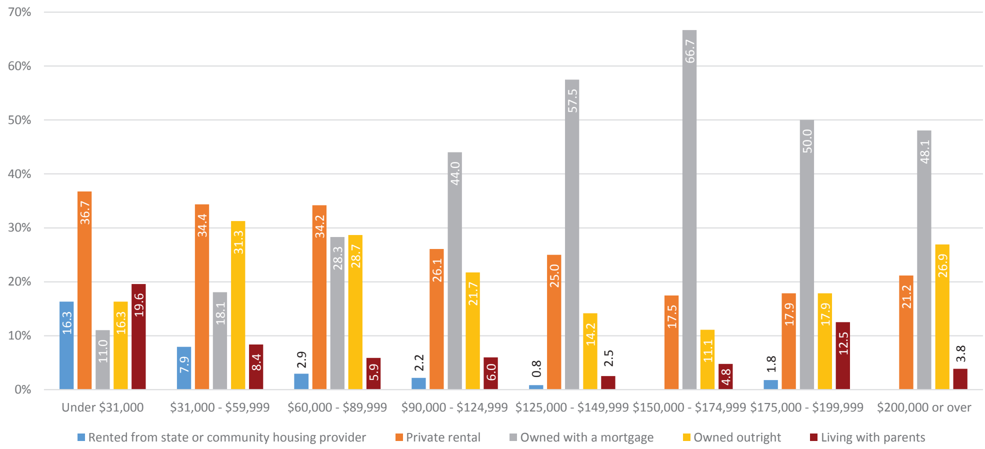
The 2013 survey data focussed on WA only, and were collected using a different sampling technique. This limits a direct comparison with the latter three surveys. For this reason, this latest report in the BCEC housing affordability report series compares survey data across the 2015, 2017 and 2019 wherever possible, noting some questions changed over the three surveys in response to different research priorities and policy settings.

Demographic profile of WA respondents

Figure 19 examines the household/individual incomes of respondents across five tenures. As would be expected, ownership is concentrated in households earning above $90,000. Just over 20 per cent of households earning above $200,000 are private renters with a third of respondents in this tenure earning below $90,000. Outright owners are common in the lower income groups, reflecting older households. There seem to be large numbers of high income earners still living with their parents.

Just over 20% of households earning above $200,000 are private renters.

Figure 19 WA Household income by tenure



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Table 20 Dwelling types and income

	Four or more bedroom house	Three bedroom house	Two bedroom house	Three bedroom apartment	Two bedroom apartment	One bedroom apartment
Under $31,000	27%	36%	9%	2%	9%	9%
$31,000 - $59,999	37%	38%	10%	2%	8%	2%
$60,000 - $89,999	43%	39%	6%	2%	5%	4%
$90,000 - $124,999	46%	39%	3%	4%	5%	1%
$125,000 - $149,999	58%	23%	9%	3%	5%	2%
$150,000 - $174,999	57%	30%	5%	5%	2%	0%
$175,000 - $199,999	75%	13%	4%	4%	2%	4%
$200,000 or over	67%	23%	2%	6%	0%	2%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Higher income households are far more likely to be living in larger dwellings with double the proportion of lower income households residing in apartments.

Table 20 shows a clear relationship between dwelling type and income. Higher income households are far more likely to be living in larger dwellings with double the proportion of lower income households residing in apartments. There are exceptions with a small number of higher income earners choosing a one bedroom apartment. However, it is far more likely higher income households have made a choice to live in a one bedroom dwelling while low income households are forced into this position given affordability constraints. Examining housing cost burdens, under a quarter of those living in one bedroom apartments were paying more than 30 per cent of their income in housing costs, the lowest of any dwelling type. The equivalent figure was 34 per cent for four bedroom dwellings.

Almost half of all part time workers reported wanting more hours but those hours were not available.

Questions were asked about the employment circumstances of couple households and individuals living on their own and within other household types. Around half of all households contained at least one full time worker and 28 per cent contained someone who worked part time. 15 per cent of households were retired. Employment is an essential component of housing affordability given the requirement to service regular mortgage or rental payments and part time workers may sometimes struggle to get the number of working hours necessary to sustain housing costs. Indeed, almost half of all part time workers reported wanting more hours but those hours were not available. Such additional hours could make a major difference to the financial position of households struggling to make ends meet. Sixty per cent of those respondents wanting more part time hours regarded their financial position as poor or very poor and over half did not have enough money left over for non-essential expenditure after paying housing costs.

Housing costs and household wellbeing in Western Australia

Figure 20 shows the self-assessed housing cost burdens of WA respondents who were asked to estimate the proportion of their gross income spent on mortgage or rent payments. The figure compares the outcomes across three BCEC Housing Affordability Surveys and only includes those households that pay housing costs, excluding those households that report living mortgage/rent free. When taking into account the significant proportion of households living rent free the situation looks rather different (Figure 21).

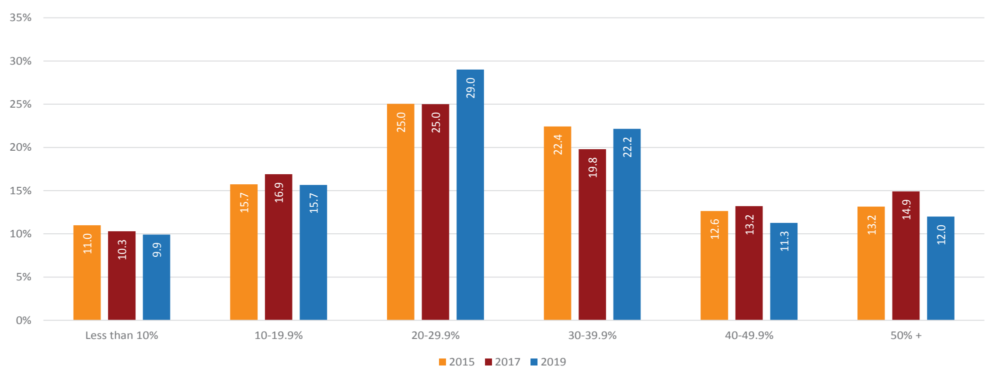
In 2019 just over 45 per cent of respondents renting or owning with a mortgage were paying over 30 per cent of their income in housing costs. This was down from 48 per cent in 2017 and 49 per cent in 2015. However, a greater proportion of households are now paying between 20 and 29 per cent in housing costs with fewer paying 10-19 per cent compared to 2017. There is no simple explanation for this given rents have been falling and mortgage payments stable. Encouragingly, there has been a reduction in the proportion of households paying excessive housing costs defined as being above 40 per cent of income.

Figure 21 takes into account those households living rent free or with no mortgage including them in the "less than 10 per cent" category. The majority of these are outright owners including many retired households or at the opposite end of the age spectrum; young people living with their parents. The proportion of all households paying above 30 per cent of their income in housing costs now falls to a third taking into account all households living cost free, down very slightly on 2017.

In 2019 just over 45% of respondents renting or owning with a mortgage were paying over 30% of their income in housing costs.

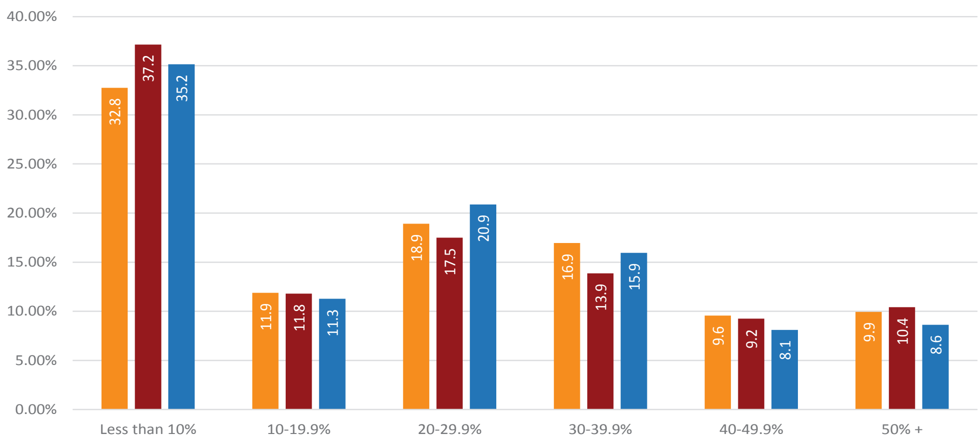
The proportion of all households paying above 30% of their income in housing costs falls to a third taking into account all households living cost free.

Figure 20 Self-assessed housing cost burdens, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017, 2019.

Figure 21 Self-assessed housing cost burdens, all respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017, 2019.

Housing cost burdens are very similar in the two main tenures; owned with a mortgage and renting in the private rental sector. Table 21 shows 46 per cent of respondents in both tenures pay over 30 per cent of their income in housing costs, however, as shown later, these higher housing cost burdens tend to be forced in the private rental sector and taken on by choice by those in owner occupation. Two thirds of those respondents living with their parents lived rent free while 15 per cent were asked to pay over 30 per cent of their income. In the social housing sector a quarter reported paying more than 30 per cent of their income but the sector, outside those living with parents, certainly had the highest proportion of respondents paying less than 30 per cent at almost three quarters.

In Western Australia, 13% of older respondents are paying between 20-29.9% towards their housing costs.

When housing cost burdens are examined by age, it is evident that while many older people aged 55 years or older live rent and mortgage free (66%), there are a proportion of older respondents who are paying over 30 per cent of their income towards housing costs. In Western Australia, 13 per cent of older respondents are paying between 20-29.9 per cent towards their housing costs and, for a further 13 per cent, housing costs consume more than a third of their income. Although the proportion of older people with high housing cost burdens is less than for younger age groups, this cohort from a policy perspective, are expected to have completely or substantially paid off their housing costs by this stage of life (Ong, Wood *et al.* 2015), however, this is not the case for all older people. Around 13 per cent of Australians aged 55 years or older living in the private rental sector experience a gap between the aged pension and market rents (Hodgson, James *et al.* 2018).

Over 42% of one parent families and individuals living with a friend in a group households pay more than 30% of their income in housing costs.

Examining cost burdens by housing type across the survey sample, over 42 per cent of one parent families and individuals living with a friend in a group households pay more than 30 per cent of their income in housing costs. The one parent family is a very vulnerable group and a drop in income will put major pressure on their ability to meet housing costs. The group with the lowest cost burdens are individuals living with their parents (16%) while couples with no children fare considerably better than those with children (24% compared to 37% paying over 30% of income in housing costs).

Table 21 Housing cost burden, by tenure

Housing cost burden	Rent from public or community housing provider	Rented in the private sector	Owned with a mortgage	Living with parents
Less than 10%	2%	8%	9%	3%
10-19.9%	28%	13%	14%	7%
20-29.9%	43%	29%	27%	7%
30-39.9%	14%	22%	23%	5%
40-49.9%	5%	11%	12%	5%
50% +	5%	14%	11%	5%
Live mortgage/rent free	3%	3%	4%	66%
Over 30%	24%	46%	46%	16%

Note: Numbers may not total due to rounding.
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Table 22 links housing cost burdens with self-assessed perceptions of financial wellbeing. Housing costs are certainly not the only determinant of financial health as just 11 per cent of those living rent free or with no mortgage regarded themselves as prosperous while a fifth thought they were poor or very poor. Conversely a tenth of those paying over 50 per cent thought themselves as prosperous but 59 per cent reported a poor or very poor financial situation. There is a significant relationship between housing costs and financial wellbeing with the proportion of poor or worse financial situations rising with higher housing costs. While a strong relationship, it should be recognised that many of those paying above 30 per cent of their income in housing costs are doing so by choice, for example to access a certain tenure or location. Concerns are with the 30 per cent of households forced into such a position due to a lack of alternative options. (Figure 22).

Just 11% of those living rent free or with no mortgage regarded themselves as prosperous while a fifth thought they were poor or very poor.

Table 22 **Housing cost burden and self-assessed financial situation, WA respondents**

	Financial situation				
Share of income	Very Prosperous	Prosperous	Comfortable	Poor	Very poor
Live mortgage/rent free	2%	9%	69%	17%	3%
Less than 10%	10%	6%	63%	17%	4%
10-19.9%	3%	9%	71%	11%	6%
20-29.9%	2%	8%	62%	22%	7%
30-39.9%	1%	4%	60%	27%	8%
40-49.9%	1%	7%	53%	33%	7%
50% +	8%	2%	31%	39%	20%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

There are some key differences when comparing reasons for spending 30 per cent or more of income across the three surveys. First, a greater proportion of respondents report being forced to spend more than 30 per cent of their income because there were no other options available. Given prices and rents have fallen over the four years in between the first and last survey it suggests things are not getting any better for those on the lowest incomes and such changes are driven by incomes rather than housing costs. Positively, there are fewer respondents now forced into such high expenditure to access a suitable location or house type and respondents are finding it easier to get onto the housing ladder with fewer forced to spend over 30 per cent to break into the market.

A greater proportion of respondents report being forced to spend more than 30% of their income because there were no other options available.

The balance between choosing to spend more than 30 per cent of income on housing costs or being forced varied by household type, tenure and income. While 62 per cent of couples with children chose to take on high cost burdens, 55 per cent of one person families were forced to do so. The balance for other household types was around 50:50. While 71 per cent of households earning below $31,000 were forced to take on 30 per cent or more, 69 per cent of those in the $125,000-$150,000 chose to do so. 58 per cent of the lowest income group were forced into their position due to no other options. Finally for tenure, 60 per cent of private renters were forced while 72 per cent of households owning with a mortgage took on high housing cost burdens by choice, either to access a preferred location or house type.

‘The Lyall Family’s’ story

Older couple living in the private rental sector

I am a 68 year old male who lives in a couple household without children. We rent a two bedroom apartment in a metropolitan suburb near the beach from a private landlord and have been here for around 10 to 15 years. While one of us is retired, the other works part time and would like to work more hours a week but they are not available. Our annual income is between $31,000 and $59,999 a year. We are within a 10 to 20 minute drive to work, although I would prefer to be within a shorter drive, maybe no more than 10 minutes. I would like to own a home in the future – my preferred tenure is owner occupation.

Housing attributes

When I think about the housing attributes that are important to me, I realise that I am flexible about the dwelling, the number of bedrooms it has and the other attributes that go with the dwelling. The one housing attribute that I would never compromise on is location. I am flexible about the access I have to public transport, work, health services, shops and entertainment – however, I will not negotiate on the safety and security of the neighbourhood in which I live.

Housing affordability

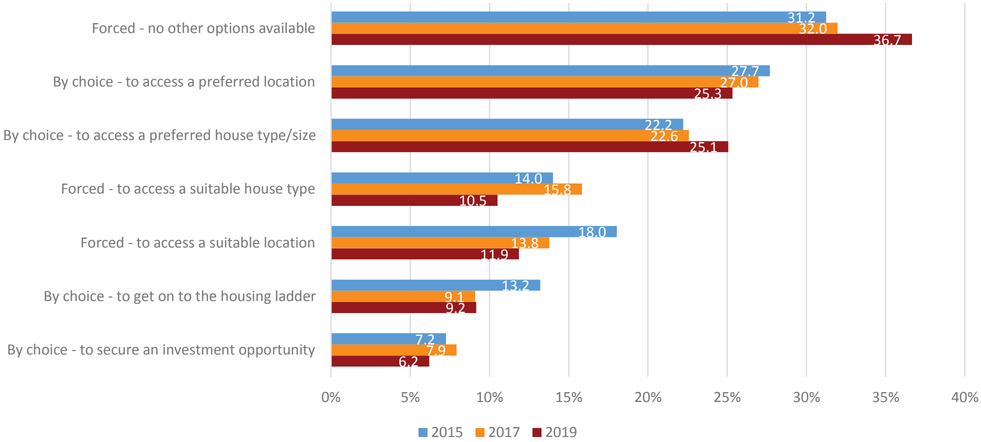
My housing costs are unaffordable. I spend more than half my income on my housing. I would describe my current financial situation as being poor, and arguably worse off than two years ago because my income has fallen. *My reduced income [is] because of age and the prospect of a fixed rental outgoing [as well as the] general cost of living [means that my] social life has evaporated.* At the moment I do not have enough left over after I pay my rent for even the essential items such as food or utility bills. Even though I struggle to pay my housing costs most months of the year, I have never fallen behind in my rent. Sustaining these costs, however, has impacted upon my mental and physical health, my ability to purchase essential items, my capability to socialise or go on holiday as well as affecting my relationships. *My situation has developed through poor investment decisions and reduced opportunity. Previously a home owner, the temptations to improve one’s situation was readily available and without considering other options or consulting financial experts and the lack of guidance has proved a disaster.*

I would like to own a home again in the future. Home ownership would offer me a sense of security and a place to call home. At the moment, I can’t afford the deposit. My current employment is also a barrier to me getting a mortgage and making the repayments. Despite aspiring to home ownership, I’m not sure I will even be able to purchase a dwelling.

Government assistance

I face the prospect of entering retirement without the security of home ownership. Government assistance in the form of a grants to help low income households purchase or even through subsidised rental accommodation to reduce the cost of renting would go some way to assisting me access to home ownership. Lowering the entry cost of housing through low deposit home loans and removing stamp duty would also be useful to people in my situation.

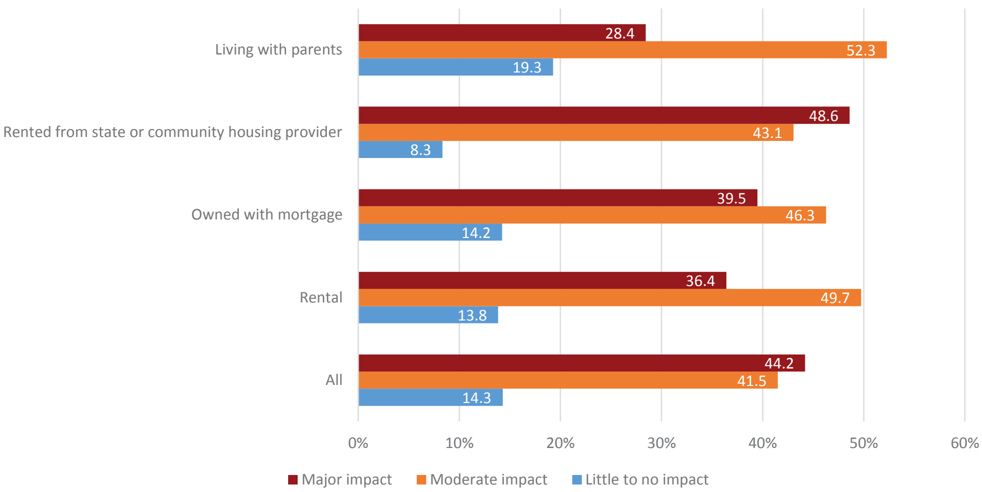
Figure 22 Reasons for spending more than 30 per cent of income on housing costs, WA respondents



Note: Respondents could choose more than one option.
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey, 2015, 2017, 2019.

Given the housing cost burdens identified above, respondents were asked what impact a 10 per cent increase in housing costs would have on their financial situation. Those in social housing would feel the biggest impact and those living with parents the least. Overall, less than 15 per cent would feel little impact of such a rise demonstrating how sensitive households are to changes in housing costs. The impact on private renters and owner occupiers would be broadly similar. The concern is 10 per cent is not a significant increase given the volatile nature of housing markets.

Figure 23 Impact of a 10 per cent increase in housing costs



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019

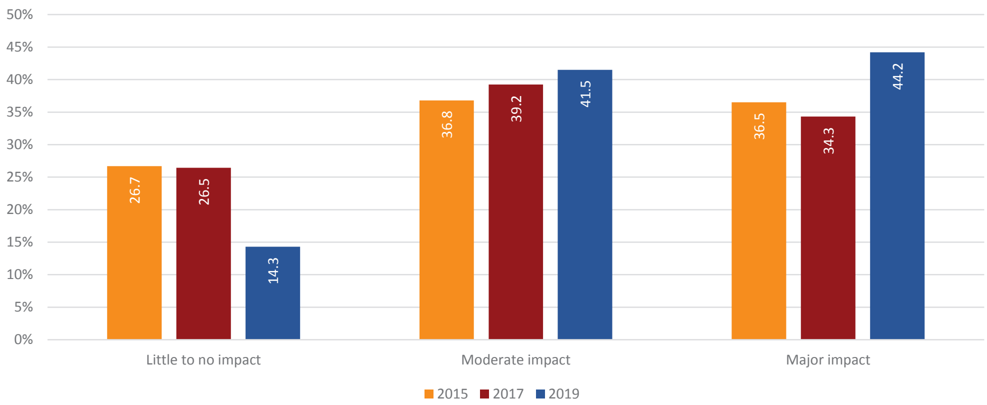
Over half of one parent families thought an increase of 10% to their housing costs would have a major impact on their financial situation.

The proportion of respondents stating an increase in housing costs would not affect their financial position dropped from just over 25% in 2015 and 2017 to 14% in 2019.

Over half of one parent families thought an increase of 10 per cent to their housing costs would have a major impact on their financial situation. Even a third of individuals living with their parents stated a major impact. Once again, couples with children would be more affected than those without. The large proportion citing a major impact shows how sensitive many household are to changing housing costs and the recent stability in mortgage interest rates and rents masks a hidden problem of households on the edge.

Despite asking the same question and using very similar samples there were big differences in the responses to the question across the three surveys. The proportion of respondents stating an increase in housing costs would not affect their financial position dropped from just over 25 per cent in 2015 and 2017 to 14 per cent in 2019. This may reflect stagnant wage growth and general cost of living increases over the last few years. Respondents were much more pessimistic about the impact of housing cost increases with almost an additional 10 per cent of respondents stating it would have a major impact.

Figure 24 Impact of a 10 per cent housing cost increase, 2015, 2017, 2019



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Surveys 2015, 2017, 2019.

‘The Jeffrey’s Family’ story

Couple with young children paying a mortgage

I am a 53 year old male who lives in a four bedroom house in a middle ring suburb in a capital city with my partner and children. We have lived here for around 5 years and own the house with a mortgage. We managed to buy a home in our preferred location although there were a few trade-offs that were made. We bought a dwelling which was smaller than we wanted, are paying more in mortgage repayments than we had planned and have to sacrifice other items of expenditure to afford to live in this location. It takes about 20-30 minutes to drive to work, however, I would prefer to live closer – about 10-20 minutes. The most important factor in deciding on this property was the number of bedrooms. In our household, one of us works full time while the other is a full time carer for our children. We have an annual income of between $60,000 and $89,999.

Housing attributes

While I am mostly flexible about the attributes that I want from my housing, there are a couple on which I would never compromise. The number of bedrooms, living areas and air-conditioning in a dwelling are very important to me and I couldn’t compromise on these, however, I am flexible about the type of dwelling my family and I live in. The safety and security of the neighbourhood is very important and an attribute that I couldn’t compromise upon. Similarly, I would not trade off easy access to shops, a walkable neighbourhood, access to high speed internet services or close proximity to schools/child care. I am, however, flexible about access to public transport, major roads, work and health services.

Housing affordability

My housing is very unaffordable. More than half my income is spent on my housing costs. This is by choice so that we could access our preferred location and house type. Despite making the choice to spend more on our housing, sustaining these costs has affected many aspects of my life such as my mental health, social life, ability to go on holiday and essential expenditure such as food. It has impacted upon my relationships and the time I get to spend with my children. We have difficulty meeting mortgage repayments a few times a year and have fallen behind in the past 12 months. After paying our housing costs we struggle to meet even the essential expenditure necessary for day to day living such as basic food and drink, clothes or transport. Paying other *bills such as utilities have been difficult i.e. gas, electricity, water etc. [and the] children go without to exist.*

Financially I feel that were are in a poor situation, and I do feel less well off than two years ago mainly because the cost of living has risen. Subsequently, any increases in costs would have a major impact on our ability to repay our mortgage and should our property need urgent maintenance, I could not afford to cover the costs at the moment. I expect that I will be even worse off in two years’ time, mainly because of increasing costs of living and possible increases in mortgage costs.

Government assistance

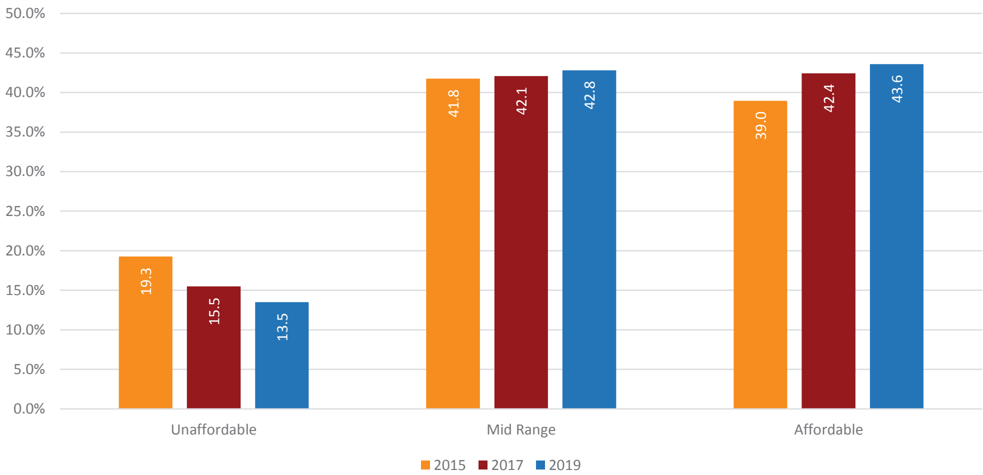
To make housing more affordable, I believe that the government could implement a grants scheme to help low income households purchase their own homes or offer low deposit home loans to lower the entry cost of housing.

Perceptions of housing affordability

The proportion of households rating their housing as unaffordable has dropped from 19% to 13.5% in 4 years.

While standardised measures of housing affordability based on household incomes and housing costs are useful, different households have different capacities and methods of adjusting expenditure to meet costs. Therefore, the same calculated measure for two households may reflect very different positions within those households. One may have very different expenditure patterns to the other and a different household structure. One household may just be better at budgeting. Measures such as housing stress are not very good at examining individual household circumstances. This survey is different in that it asks respondents to rate how affordable their housing is to them. While different households will rate similar circumstances differently, collapsing ratings on a 10 point scale into 3 broad measures should capture households in similar circumstances. Figure 25 describes the housing affordability perceptions of households across the three surveys. The chart shows slight improvements to affordability over time, in line with easing rents, house prices and sustained low mortgage interest rates. The proportion of households rating their housing as unaffordable has dropped from 19 per cent to 13.5 per cent in four years.

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

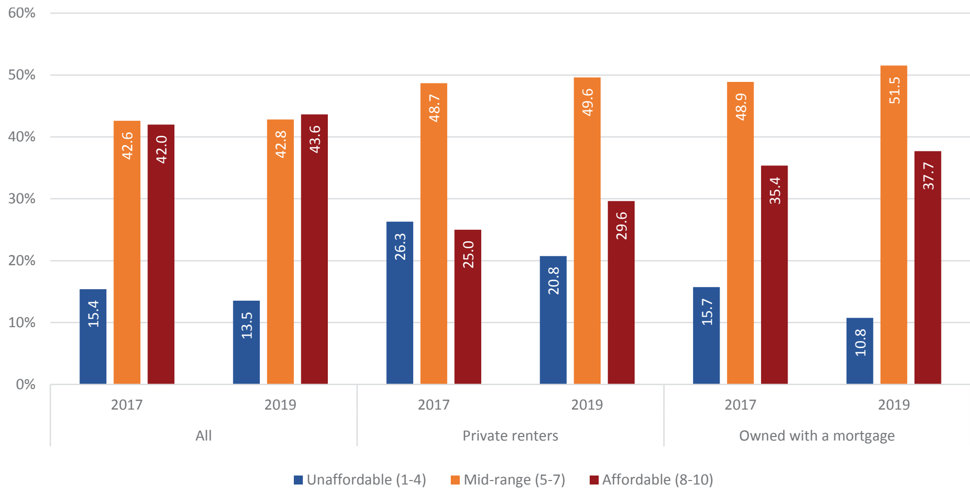


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Surveys 2015, 2017, 2019.

Falling house prices do not seem to have had any impact on perceptions of affordability for those with mortgages.

Examining by tenure, shows similar improvements over time. The high affordable figure for all households reflects the large number of outright owners and those living with their parents who regard their housing as affordable. Private renting appears to have become more affordable over time with similar patterns for those in ownership. Falling house prices do not seem to have had any impact on perceptions of affordability for those with mortgages.

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



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Surveys 2015, 2017, 2019.

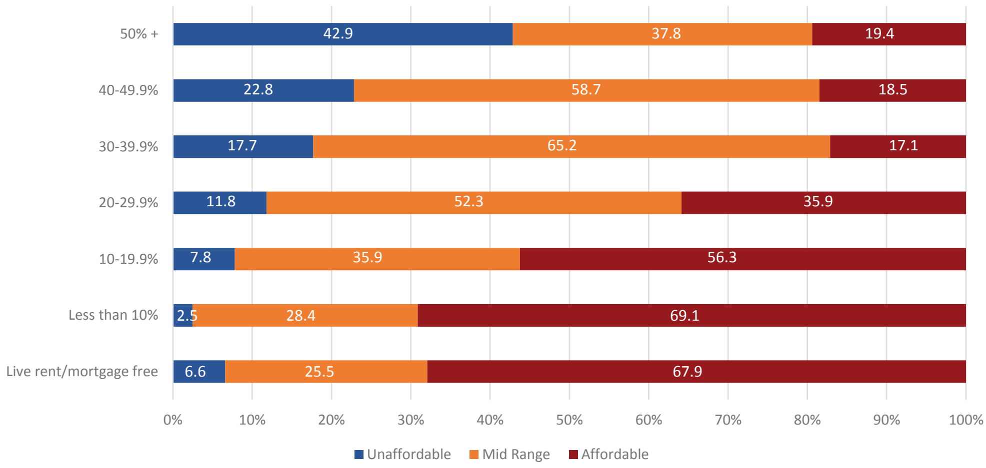
The 2019 BCEC Housing Affordability Survey shows a very strong link between perceptions of affordability and housing cost burdens (Figure 27). Those that live rent/mortgage free and those paying less than 10 per cent of their income on housing costs deliver very similar patterns. Of course, housing affordability is more than just housing costs, encompassing maintenance, running costs and commuting costs for many as this survey respondent explains:

> *"Utility prices affect us a lot. So many fees for this and that make any pay rises worthless when it gets taken away with things such as service charges on electricity/gas, exorbitant car registration costs and even just to own a pet. It's out of control."* (55 year old male in a couple household with children who co-owns the house with a mortgage).

So it is not surprising there are households on low incomes that struggle with housing costs, however, the vast majority with low housing cost burdens rate their housing as affordable.

Ratings of affordability deteriorate when over 20 per cent of income is spent on costs but it is not until the 40 per cent level that more households rate their housing as unaffordable compared to affordable. At the three highest cost burdens there are around 20 per cent of households who still regard their housing as affordable demonstrating a choice, and capacity, to take on such housing costs. For those forced into a position of high housing cost burdens they are simply not sustainable.

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

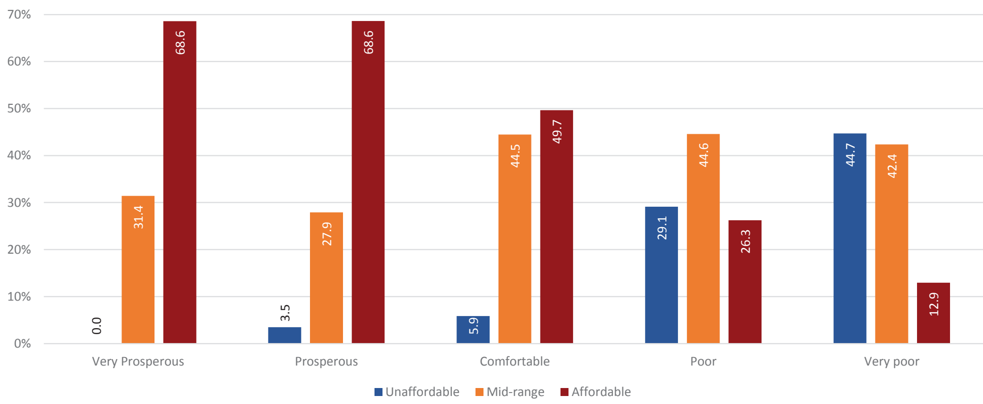


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

> 45% of households rating their financial position as poor ranked their housing as unaffordable.

There is also a very strong relationship between perceptions of housing affordability and financial wellbeing. 45 per cent of households rating their financial position as poor ranked their housing as unaffordable, this drops sharply to 29 per cent for "poor" households and just 6 per cent for "comfortable" households. On the flip side, a quarter of "poor" households rate their housing as affordable. The 2019 figures show slight falls in the percentage of "poor" and "very poor" households rating their housing as unaffordable, down 1 per cent and 4 per cent respectively on 2017 and 2015.

Figure 28 Housing affordability perceptions by self-assessed financial situation, all respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

In terms of perceptions of affordability by income, unsurprisingly a greater proportion of households on low incomes describe their housing as unaffordable but overall, in all income categories, more households describe their housing as affordable than unaffordable. Patterns are almost identical to 2017 data with slightly more households in the affordable category compared to 2015. For household types, around a quarter of one parent households rated their housing as unaffordable in 2019, well above the average for all households. Couples without children were the least likely to rate their housing an unaffordable, which is probably more to do with disposable income than housing costs directly.

Overall, in all income categories, more households describe their housing as affordable than unaffordable.

Table 23 **Perceptions of housing affordability, by income group, WA respondents**

Household/individual income	Unaffordable	Mid-range	Affordable
Under $31,000	22%	43%	35%
$31,000 to $69,999	15%	40%	44%
$70,000 to $89,999	12%	44%	44%
$90,000 to $124,999	11%	50%	39%
$125,000 to $149,999	9%	43%	48%
$150,000 to $174,999	14%	33%	52%
$175,000 to $199,999	4%	32%	64%
$200,000 or over	6%	42%	52%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

An additional question was added in the 2019 survey as a further check on a household's financial status after paying housing costs. Respondents were asked if, after paying the direct costs of housing (rent or mortgage), they could afford essential expenditure such as food and utility bills; non-essential expenditure such as social activities, holidays and pay TV and then, finally, savings and investments. Table 24 presents the results for selected groups.

Overall 87 per cent of respondents had enough money left over after paying direct housing costs to pay for essential expenditure. This dropped to 61 per cent for non-essential expenditure and 49 per cent for savings and investment. Just 35 per cent of households classifying themselves as very poor and 71 per cent of those with a gross income of less than $31,000 could meet essential expenditure after paying direct housing costs. This highlights that while housing affordability may have improved for some, those on the lowest incomes and in the worst financial position continue to struggle on a daily basis. Only 77 per cent of one person families could meet essential expenditure and just 35 per cent could save.

Just 35% of households classifying themselves as very poor could meet essential expenditure after paying direct housing costs.

For those households looking to access home ownership, the ability to save for a deposit is critical. Those unable to save after paying housing costs will struggle to ever raise a traditional 20 per cent deposit which is why low deposit ownership products are essential.

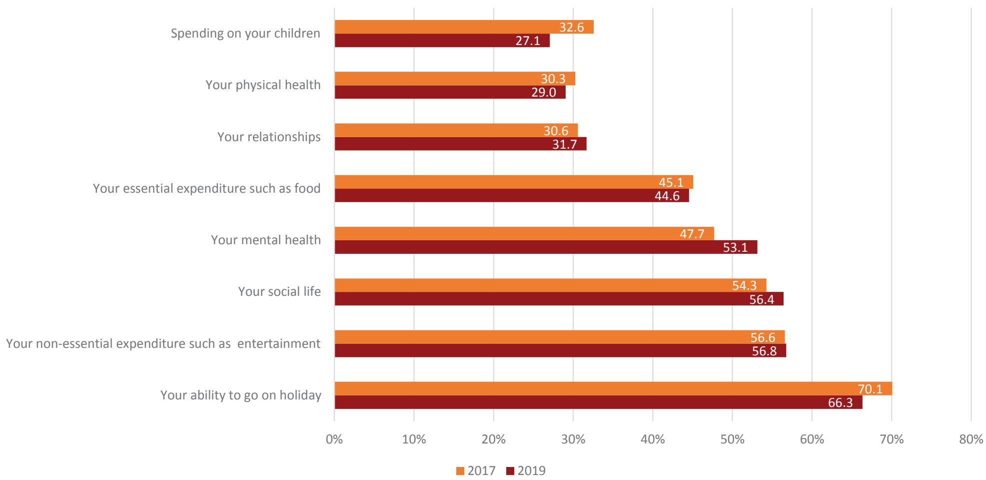
Table 24 Expenditure after housing costs

	Essential Expenditure	Non-essential Expenditure	Savings and Investment
WA	87%	61%	49%
Very Poor	35%	12%	7%
One parent household	77%	48%	35%
Under $31,000	71%	39%	31%
Public and community housing	71%	47%	40%
Living with parents	73%	49%	46%
Poor	78%	27%	18%
Private Renters	80%	50%	42%
One person household	84%	62%	49%
$31,000 - $59,999	83%	53%	44%
Mid-Range	87%	55%	41%
Unaffordable	87%	55%	41%
$60,000 - $89,999	89%	64%	47%
Couple with children	89%	62%	45%
Owned with a mortgage	93%	66%	49%
Comfortable	95%	76%	59%
$90,000 - $124,999	95%	66%	49%
Affordable	96%	80%	67%
Outright owners	96%	78%	61%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

The impact of high housing costs is severe. 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. Figure 29 presents the results for 2017 and 2019 which show largely similar patterns but now over 50 per cent of respondents in unaffordable housing stated it affects their mental health. Confirming the results from above, non-essential expenditure suffers for over half while around 30 per cent report problems around spending on children, physical health and relationships.

Figure 29 Life domains affected by having to sustain high housing costs, WA respondents



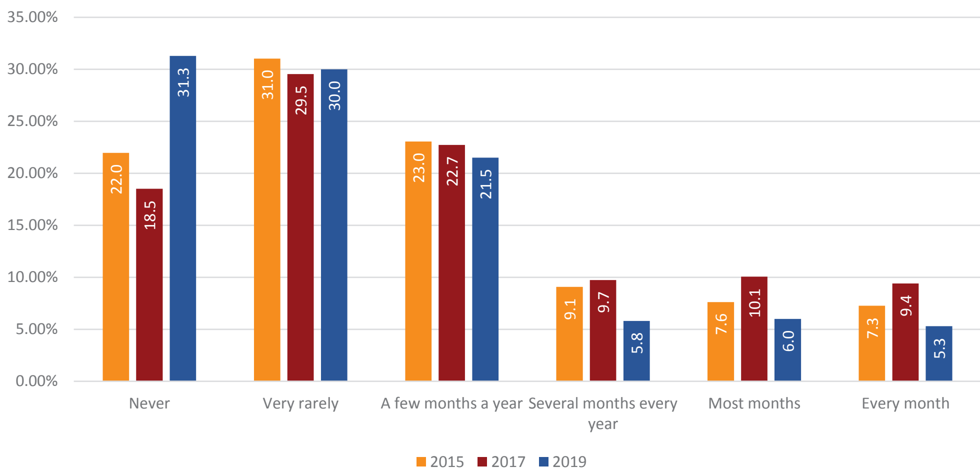
Note: Respondents could choose more than one option.
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2017, 2019.

High housing costs often result in difficulties for households meeting such costs. There have been big improvements since 2015 with the proportion frequently struggling to meet housing costs falling from 15 per cent to 11 per cent, with even greater falls from 2017 to 2019. Private renters had the most difficulty meeting housing costs in 2019 with 52 per cent regularly struggling compared to 38 per cent of those with a mortgage. Even 22 per cent of outright owners had difficulty meeting their housing costs (maintenance, running costs etc.) on a regular basis. Such struggles are certainly a function of income with over 40 per cent of the lowest 3 income groups (all households with an income below $90,000) reporting regular difficulty meeting housing costs. For higher income groups (those above $150,000) the proportion struggling to meet costs fell to around 30 per cent. One parent families were, once again, the household type in the least favourable position with 56 per cent frequently struggling to meet housing costs. More than half of those living in a group household also struggled. For many struggling households it comes down to a choice between meeting housing costs and other items of essential expenditure such as food. Couples without children were the least likely to have difficulties meeting costs.

Private renters had the most difficulty meeting housing costs in 2019 with 52% regularly struggling compared to 38% of those with a mortgage.

For many struggling households it comes down to a choice between meeting housing costs and other items of essential expenditure such as food.

Figure 30 **Difficulty meeting housing costs, WA respondents**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017, 2019.

'Emily's' story

Living in a group household in the private rental sector

I am a 20 year old female living in a regional urban centre. I am currently studying full time. I live in a three bedroom house in a group household. We rent our property from a private landlord through a real estate agent and I have been here for less than a year. I was forced to move from my previous home due to circumstances beyond my control. Renting is my preferred tenure for my current stage in life however, I am living about 15km away from my ideal location because it was the only way I could afford the type and size of house that I wanted.

Housing attributes

I have never owned a property before. When I thought about what I want from my dwelling, I realised that I am quite flexible about the type of dwelling I live in and the available parking and that attributes such as living room space and air-conditioning are not important. Factors which I could not compromise on, however, include the number of bedrooms, the safety and security of the neighbourhood, the easy access to public transport, the walkable nature of the neighbourhood and access to high speed internet.

I do want to buy a house sometime in the future. I want a place to call home. I have started looking for a property but haven't found anything suitable in my price range. I'm unsure if I will ever be able to purchase a dwelling. I know that if I do buy a property, I will have to move around 5 or 10km away from my preferred location, but I am prepared to do that.

Housing affordability

Financially I feel very poor. As the cost of living has risen, I feel worse off now than two years ago. Looking forward, I anticipate that my financial situation will only be worse in the next two years.

I consider my housing to be very unaffordable. At the moment, I spend 50% or more of my income on my housing costs. I am forced to do this being no other options available. While I have trouble every month meeting my housing costs, I have never fallen behind. Sustaining these costs though has had an impact on my mental and physical health, my relationships, social life, my ability to go on holiday as well as impacting on my essential expenditures such as food. After paying my housing costs I don't have enough to put away in savings. The cost of my housing has a huge impact on my day to day life, for example, *I got paid today, $550 for the fortnight. After rent, I have $220. It impacts everything. Everything.*

Government assistance

Government incentives aimed at helping me secure a deposit for a home loan are very important to me ranging from financial assistance towards the deposit or assistance in saving for a deposit. Being exempt from stamp duty as a first home buyer is also very important. To make housing more affordable I think that the government could provide grants to help low income households purchase or reduce the cost of renting by subsidising our rental accommodation. Also, the government could make the private sector include affordable housing in every development.

Housing costs, choice and trade-offs

Households make important housing related decisions, not least choosing a house in the first place. Different households make different decisions but as Table 25 shows, decisions are primarily based around location and affordability, although the order changed in 2019 with affordability now being the primary decision-making factor. All other issues are far less important.

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

Factor	Relative ranking 2019	Relative ranking 2017	Relative ranking 2015
Location (for example, easy access to work, schools, friends, family)	0.78	1.00	1.00
Affordability	1.00	0.83	0.83
Neighbourhood characteristics (e.g. amenities, safety and security)	0.40	0.44	0.38
It was the best option available at short notice	0.28	0.18	0.24
Size (number of bedrooms for example)	0.30	0.16	0.13
Space (large rural lot for example)	0.15	0.13	0.09
Specific features (such as appearance or energy efficiency)	0.14	0.06	0.08
Other (please specify)	0.15	0.10	0.07

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017 & 2019.

There is ongoing debate in WA around housing diversity, density and choice. In order for the private sector to deliver such choice there needs to be demand for a range of different housing products. There is a perception in WA that the four bedroom, two bathroom house is the product households desire yet it is clear from Table 25 that consumers rate location and affordability as far more important than the characteristics of the dwelling itself. To explore in more detail how flexible consumers are when it comes to dwelling and location characteristics, the survey respondents were asked to select, for a range of housing related attributes, whether they would be prepared to compromise on this attribute or it was an essential component of any housing decision. The results are presented in Table 26 starting with the attribute on which households were least willing to compromise.

Safety and security tops the list well ahead of air conditioning, where 55 per cent of respondents stated they were unwilling to compromise on the presence of this feature. As well as a safe and secure location, over half of respondents wanted a walkable neighbourhood and adequate parking. For the remainder of the attributes, more households were willing to compromise than were not. This suggests that households were prepared to compromise on the dwelling itself; size, number of bedrooms and even dwelling type, in order to access a preferred location.

Table 26 Respondents willingness to compromise on housing attributes, WA respondents

Dwelling	I would never compromise on this attribute	This attribute is not important to me
Safety and security	73%	3%
Air conditioning	55%	8%
A walkable neighbourhood	53%	7%
Adequate parking	52%	10%
Access to high speed internet services	49%	6%
Dwelling type (separate house, apartment, townhouse etc)	43%	8%
Easy access to shops	39%	5%
Easy access to health services	38%	8%
Easy access to public transport	36%	17%
Easy access to local open space	29%	12%
Number of bedrooms	26%	5%
Easy access to work	25%	23%
Building materials	23%	14%
Solar panels	22%	20%
Size of the lot	22%	13%
Easy access to a major road	22%	15%
Universal design (i.e. dwelling suitable for all ages and physical requirements)	21%	18%
Close proximity to family/friends	21%	16%
Close proximity to schools/child care	21%	43%
Number of living areas	20%	9%
Easy access to entertainment (cafes, bars, restaurants etc.)	18%	20%

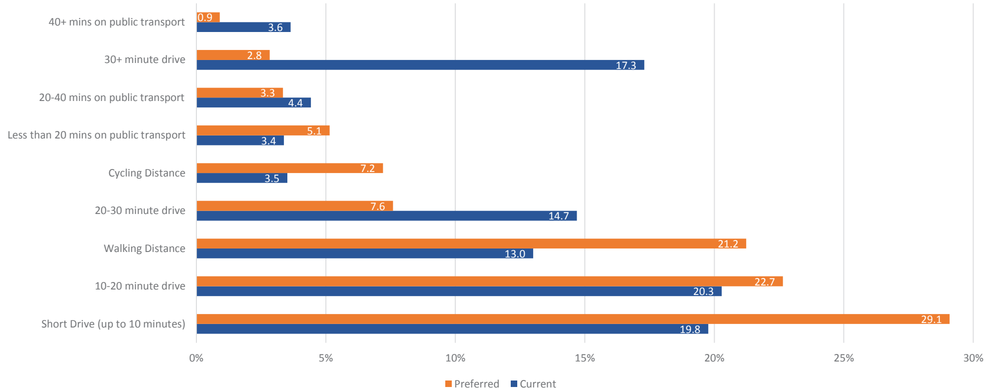
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Long public transport journeys are the least preferred mode of transport.

Most are happy with a short drive (74%) while satisfaction with driving drops off quickly with distance.

Location decisions, for those employed, result in journeys to work. Figure 31 compares the current and preferred modes of transport in 2019. 72 per cent of respondents drive to work while it is the preference of just 62 per cent. The difference between the numbers currently spending over 30 minutes in the car compared to those that want to is stark; over 5 times as many. Commuters want to reduce their drive and many more would prefer to be walking or cycling. Long public transport journeys are the least preferred mode of transport. Table 27 compares individual respondent's current and preferred modes of transport and picks out some of the key findings. 79 per cent of those currently walking are happy doing so while 12 per cent of all respondents would prefer to be walking. Most are happy with a short drive (74 per cent) while satisfaction with driving drops off quickly with distance. Only 14 per cent of those with a 30+ minute drive are happy with that commute. Only 10 per cent of current drivers would like to switch to public transport and 15 per cent of those on public transport would prefer to be walking. Half of those currently on public transport are happy with their current journey.

Figure 31 Current and preferred journey to work modes, WA respondents



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Table 27 Comparison of current commuting patterns with preferences

	Percentage
Happy walking	79%
Would prefer to be walking	12%
Happy with a short drive (up to 10 mins)	74%
Happy with a 10-20min drive	53%
Happy with a 20-30 min drive	26%
Happy with a 30+ minute drive	14%
Happy with a public transport	52%
Proportion using public transport that would rather be driving	15%
Proportion driving that would rather use public transport	10%
Happy with current drive time	44%
Would like a shorter drive	47%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Those respondents who moved within the last three years were asked whether they managed to get a dwelling in their first-choice location or whether they made a location trade-off. Almost 65 per cent of WA respondents claimed they secured a dwelling in their first-choice location with 6 per cent living more than 10 kilometres away. Those living with their parents were most likely to be more than 10 kilometres from their preferred location (9%) and public and community housing renters are least likely to be in their first choice location (57%). The higher the household income the more likely it was for the household to be in their first choice location (64% for the lowest income group and 80% for the highest). Around 8 per cent of those earning less than $90,000 were living more than 10 kilometres from their preferred location.

Public and community housing renters are least likely to be in their first choice location (57%).

‘The Brown Family’s’ story

Family with children who own their home outright

I am a 38 year old male who lives in an outer suburb of a capital city. My wife, child and I live in a three bedroom house which we own outright. While this is not the first home I have bought in Australia, the purchase was assisted by parents/grandparents who gave us a cash gift to help with the deposit. I work full time while my wife is a full time carer and we have a household income of $90,000 to $124,999 a year. We have been living in this house for around 4 years. The location is not our preferred location, in fact we are around 10-20km away from where we would like to be. The main reasons we chose this location was because of land availability. *It was the only location where I could afford the size of lot I wanted*. I am currently located between 20 and 40 minutes from my workplace, but I would much prefer to be within a short drive to work - up to 10 minutes would be ideal.

Housing attributes

There are a number of housing attributes that I couldn’t compromise. For example, the type of dwelling that I live in is very important to me, as is the available parking and size of the lot. I am flexible about the number of bedrooms and living areas though. The safety and security of the neighbourhood is another attribute that I wouldn’t negotiate on and easy access to public transport and a major road is very important as well.

Housing affordability

We own the home outright and therefore feel that our housing costs are very affordable. I regard my financial situation as being prosperous. We can pay for essential and non-essential items and also put money towards savings and investment. If urgent repairs need to be made on the property, I could raise more than $10,000 to cover expenses. I feel that we are financially better off now than two years ago and I anticipate I will be in the same position in two years’ time. Even though the housing costs are low and manageable, there is an affordability cost to my day to day life. I have a long commute to work and I spend less time with my baby. *My wife is doing housework and looking after baby for 12 hours by herself with no family in the State to help.*

Government assistance

In my situation, I believe that the government should remove incentives for investors such as negative gearing and capital gain tax discounts as well as stamp duty to make housing more affordable.

Housing affordability in regional WA

The survey collected 317 responses from regional WA (including Peel), representing around 25 per cent of the overall WA sample. The majority came from Peel and the South West, reflecting their relative share of the population. With small sample sizes for other areas of regional WA, the results of the analysis should be treated with some caution.

Table 28 Geographic distribution of respondents in regional WA

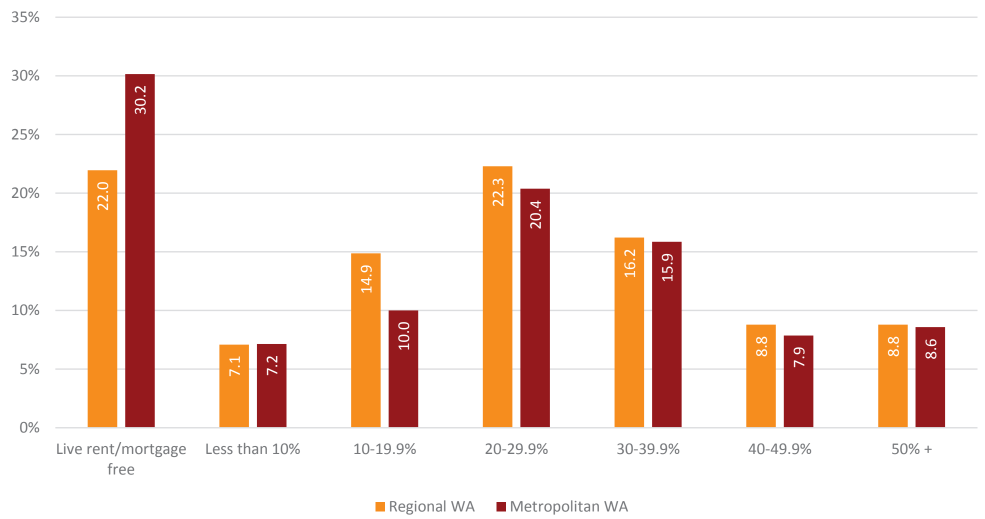
Regions	Percentage
Gascoyne	1%
Goldfields	5%
Great Southern	8%
Kimberley	4%
Mid West	9%
Pilbra	5%
South West	26%
Wheatbelt	11%
Peel	30%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Self-reported housing cost burdens of those living in regional and metropolitan WA are compared in Figure 32. It seems far more households in metropolitan WA live rent or mortgage free. Otherwise regional WA households pay slightly less in housing costs, with the greater share paying between 10 and 30 per cent of their income in direct housing costs. The share of households paying above 30 per cent in housing costs are now very similar between WA's metropolitan and regional areas. The proportion of households in regional WA paying over 30 per cent of their income fell sharply from 44 per cent in 2015 to 34 per cent in 2019 as a result of big falls in prices and rents, particularly in the mining towns.

Regional WA households pay slightly less in housing costs, with the greater share paying between 10 and 30% of their income in direct housing costs.

Figure 32 Self-assessed housing cost burdens, regional versus metropolitan WA

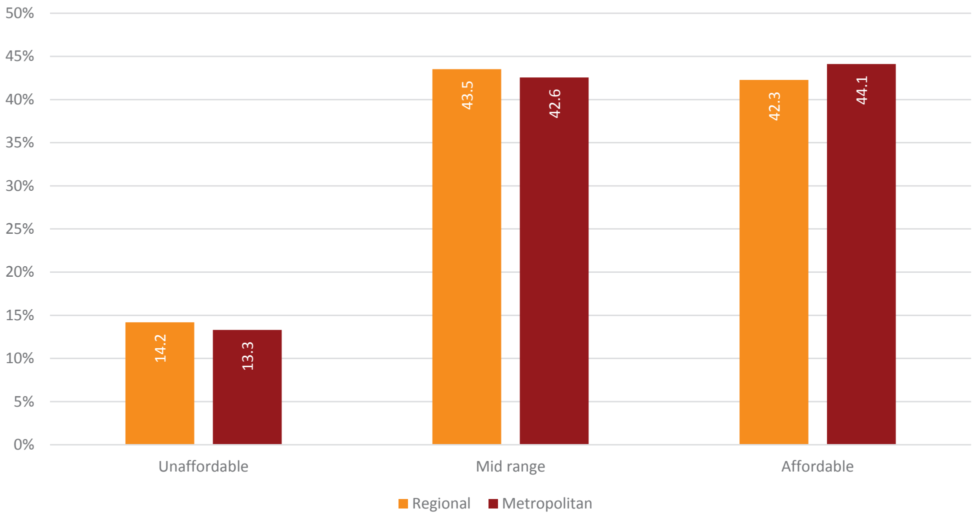


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Perceptions of affordability are very similar at 14% for regional WA and 13% for metropolitan Perth.

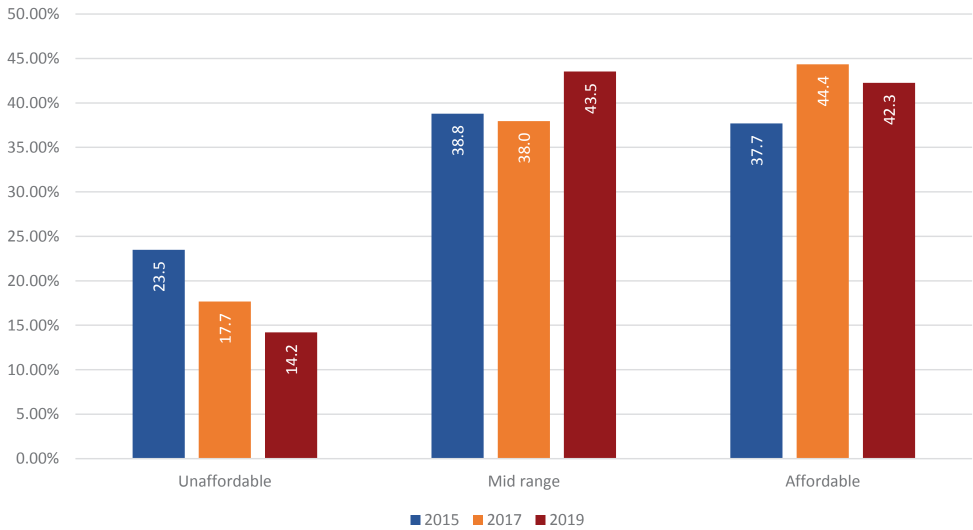
Perceptions of affordability are very similar at 14 per cent for regional WA and 13 per cent for metropolitan Perth. House prices and rent falls have certainly fed through into a reduction in the overall number of regional households regarding their housing as unaffordable (Figure 34). In 2015 almost a quarter of all regional respondents, from a very similar sample, rated their housing as unaffordable compared to just 14 per cent in 2019. Given very little wage growth over this four year period the reductions must be on the housing cost rather than income side for most households.

Figure 33 Perceptions of housing affordability, regional versus metropolitan WA



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

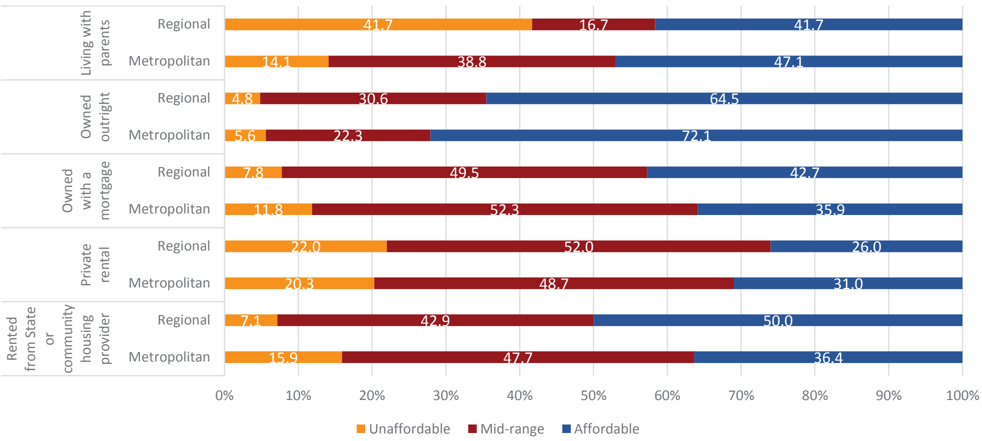
Figure 34 Perceptions of housing affordability in regional WA



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017, 2019.

When comparing affordability across tenure there are some differences between regional and metropolitan areas, notably those households living with their parents. Perhaps regional parents are charging the children higher rents in comparison to income. Other tenures are very similar except a slightly greater proportion of regional households rating public and community housing as unaffordable.

Figure 35 Comparison of affordability perceptions by tenure

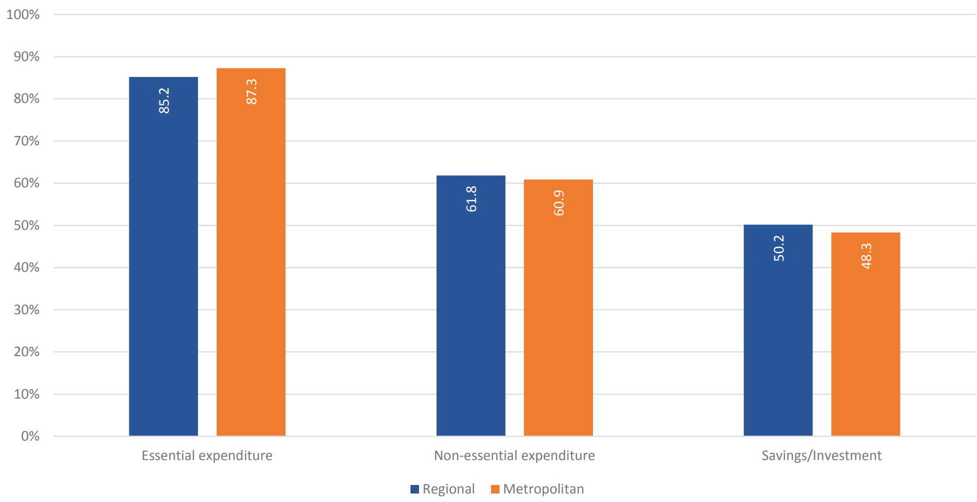


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

A regional households' ability to pay for essential and non-essential expenditure was very similar to metropolitan equivalents as can be seen from Figure 36. Patterns were also very similar when it comes to difficulties meeting housing costs, with the exception being slightly more regional households struggling to meet costs most or every month; that is those with the most serious housing affordability issues. 43 per cent of those households regularly struggling to meet housing costs are in the private rental sector and a similar proportion moved house in the last 3 years. 51 per cent earn less than $60,000.

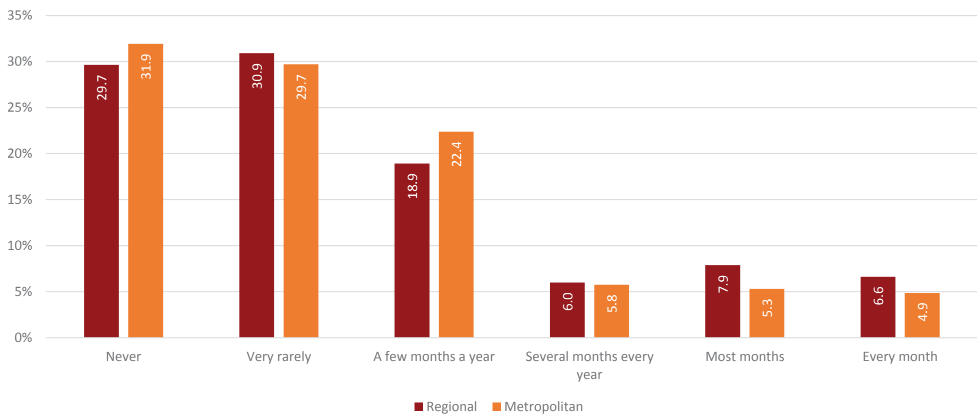
43% of those households regularly struggling to meet housing costs are in the private rental sector.

Figure 36 Capacity to meet expenditure after housing costs



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Figure 37 Difficulty meeting housing costs, regional and metropolitan comparisons



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Slightly greater proportions of regional households rate their housing as unaffordable and slightly more households struggle to meet housing costs most or every month.

In summary, housing affordability outcomes are similar in regional and metropolitan WA. Affordability has improved, largely as a result of falling rents and house prices. Slightly greater proportions of regional households rate their housing as unaffordable and slightly more households struggle to meet housing costs most or every month, indicating a need for further intervention to deliver affordable housing options.

'Katherine's' story

Daughter and parent renting in a regional location

I am a 23 year old female, living in a two bedroom house in a regional location. One of my parents lives with me and we have rented our house from a private landlord for around two years. I work part time but my parent is not employed. Our household income is less than $31,000 a year. I would like to work more hours a week but they are not available. Our last move was prompted by the need to access better employment options and the most important factor in deciding to live in this house was affordability. We are not in our preferred location and have compromised slightly on the neighbourhood and the type of dwelling that we wanted.

Nevertheless, we are living within a short drive to work which is my preference. My ideal tenure is owner occupation however, while I am renting, it's my preference to have a month to month lease.

Housing affordability

We spend between 20-29.9 per cent of our income on our housing costs. While this is not affordable, I don't regard it as been extremely unaffordable either. Financially, however, I feel poor and worse off than two years ago, which is mainly because the cost of living has risen. I expect that in another two years I will feel like I'm in a financially better position than now. At the moment, a 10 per cent increase in my rent would have a major impact on my financial wellbeing. I struggle most months to pay my rent but haven't fallen behind in the last 12 months. Sustaining housing costs is already impacting upon my mental and physical health. *The rent impacts me day to day by having little to no money for entertainment like going to movies or even to go driving to sightsee or to drive 3hrs away to go to the beach. I don't stay after work for a couple of drinks with my colleagues, I don't go out to socialise and I have no savings at all other than what little superannuation I've accrued.*

I would like to be able to enter the home ownership market because I want a place to call home. I would like to have somewhere to bring up a family, be independent and have somewhere to be myself. At the moment there are a number of things which are preventing me from buying my own home. These range from not having a deposit to my employment not being stable enough to be able to get a mortgage. In addition, I can't afford to live in my preferred location or have the house that I would like as there is not anything suitable in my price range. I think I will have to move more than 30km away from my ideal location to be able to access home ownership, but I am prepared to do that.

Government assistance

There are a number of government policies I think could help low income households like mine such as subsidised rental accommodation to reduce the cost of renting, a greater supply of affordable housing delivered through the public and private sector and the availability of more diverse market housing products.

The BCEC

Housing Affordability Survey 2019:
State comparisons of housing affordability

State comparisons of housing affordability

The very similar age, income, gender and location characteristics of respondents from each of the three states allows direct comparison to be drawn between WA, QLD and NSW. 1,200 respondents were collected from each state and identical questions asked. This section reports results from the 2019 BCEC Housing Affordability Survey and, where possible, compares outcomes with the 2017 and 2015 surveys to track changes over time.

Prices, rents and perceptions of housing affordability

The three states have very different price and rent levels (Table 29 and Table 30). While the median house price in Sydney is over $900,000 it is just $230,000 for attached dwellings in regional WA. Sydney houses command a rent of $540 per week compared to $300 for Perth units. Sydney prices have fallen almost 10 per cent from their 2016 peak while house prices in Brisbane have risen by $73,000 in four years.

Sydney houses command a rent of $540 per week compared to $300 for Perth units.

Table 29 Dwelling prices by location

	Established House Prices	Attached Dwelling Prices[1]	Established House Prices	Attached Dwelling Prices	Established House Prices	Attached Dwelling Prices
	2018		2016		2015	
Perth	$490,000	$385,000	$525,000	$410,000	$531,000	$445,000
Rest of WA	$320,000	$230,000	$345,000	$289,000	$380,000	$320,000
Sydney	$910,000	$720,000	$990,000	$735,000	$816,000	$650,000
Rest of NSW	$461,100	$405,000	$445,000	$380,000	$380,000	$333,000
Brisbane	$540,000	$395,000	$515,000	$410,000	$467,000	$420,000
Rest of QLD	$430,000	$358,300	$439,000	$375,000	$405,000	$340,000

Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' calculations from ABS Cat No. 6416, 2018: Median Price and Number of Transfers - Capital City and Rest of State (Tables 4 and 5). December quarter.

Table 30 Median rents by capital city, final quarter of 2015

	2019		2017		2015	
	Houses	Units	Houses	Units	Houses	Units
Perth	$365	$300	$350	$300	$403	$342
Sydney	$540	$530	$550	$545	$571	$594
Brisbane	$410	$380	$400	$370	$400	$365

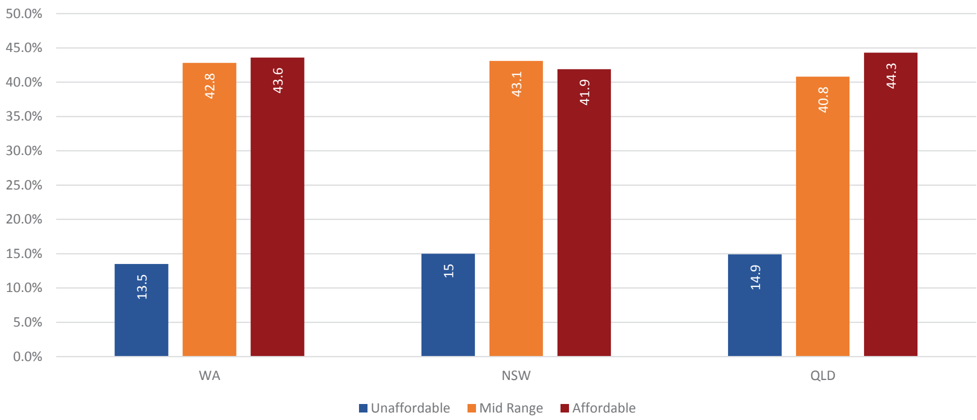
Source: BANKWEST CURTIN ECONOMICS CENTRE | https://www.domain.com.au/product/domain-house-price-report-december-2019/ https://www.domain.com.au/research/rental-report/march-2019/

[1] Attached dwellings are dwellings which share a structural component with one or more other buildings. This may include walls, ceiling, floor or roofing. Examples of attached dwellings include flats, units and apartments and semi-detached, row and terrace houses.

15% of respondents in NSW and QLD regard their housing as unaffordable compared to 13.5% in WA.

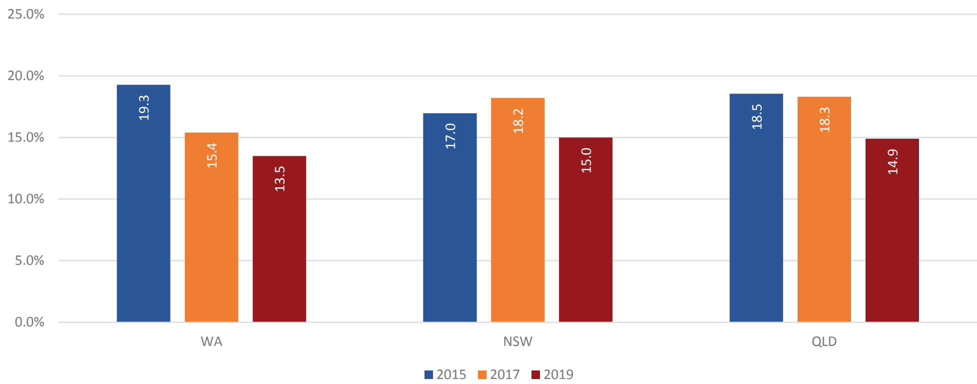
Despite very different house prices and rents, perceptions of affordability are very similar across the three states. 15 per cent of respondents in NSW and QLD regard their housing as unaffordable compared to 13.5 per cent in WA. Perceptions of affordability have changed across the three surveys with big improvements in NSW and QLD from 2017 to 2019. Figure 40 shows the changes in perceptions by regional and metropolitan location from 2017-2019.

Figure 38 **Housing affordability perceptions, by state**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Figure 39 **Proportion of respondents regarding their housing as unaffordable**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2017, 2019.

Figure 40 Change in proportion regarding their housing as unaffordable, 2015 to 2019

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2019.

Regional WA shows the biggest drop in the number of households rating their housing as unaffordable followed by Brisbane, then Perth and Sydney. The only two locations with an increase in the number of unaffordable ratings and regional NSW and QLD. In regional NSW this is certainly the result of increasing housing cost burdens (Figure 42).

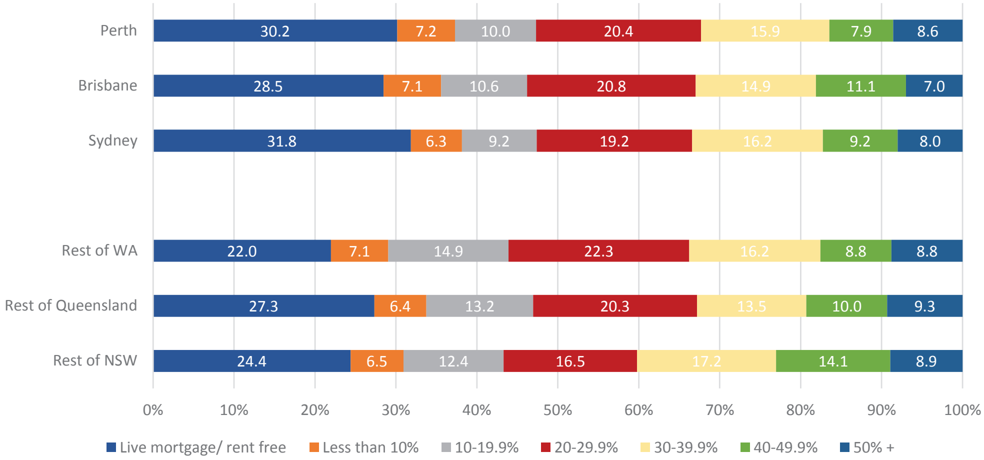
There is a strong relationship between the duration a household has lived in a dwelling and affordability ratings. 60 per cent of those living in a dwelling for more than 15 years rated it is affordable compared to just 30 per cent of those that had been in a dwelling for less than a year. For households that had recently moved (within 3 years) the primary reason varied by tenure. For private renters, a quarter were forced to move due to circumstances beyond their control while for owners it was to move to a dwelling more suitable for household needs. These reasons were similar across states. Other factors driving a move included improved affordability and access to a better quality area.

Housing cost burdens are similar by state, despite different median rents and prices. Around a third of households in regional and metropolitan locations pay more than 30 per cent of gross income in housing costs, the exception being regional NSW where the figure rises to 40 per cent. Households appear to take on housing costs they can manage, evident in the similar perceptions of affordability, adjusting location and quality to keep cost burdens down. Where few options exist, more households are forced to take on higher cost burdens which is one reason why regional locations tend to have higher cost burdens and more respondents rate housing as unaffordable.

60 per cent of those living in a dwelling for more than 15 years rated it is affordable compared to just 30% of those that had been in a dwelling for less than a year.

Around a third of households in regional and metropolitan locations pay more than 30% of gross income in housing costs.

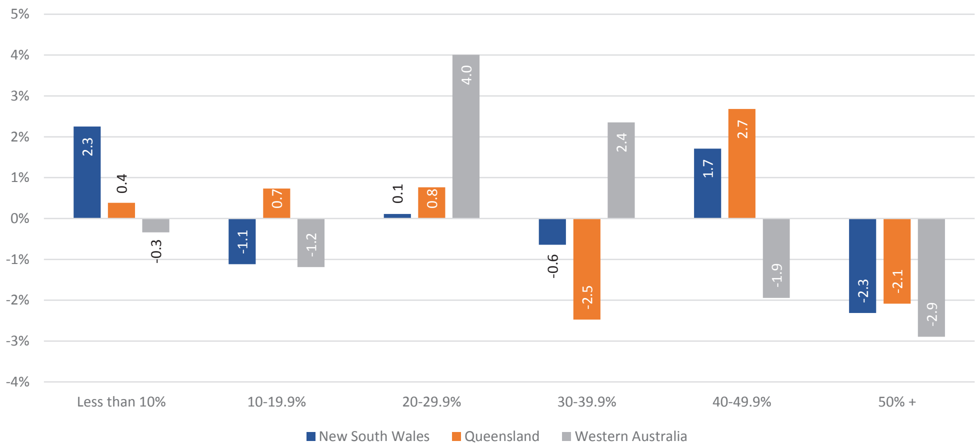
Figure 41 Self assessed housing cost burdens, by location



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2019.

The housing cost burdens have changed over time and Figure 42 displays the changes between 2017 and 2019 for each state. There have been falls in all states at the 50 per cent plus burden although increases in the 40-49 per cent category outside WA. Overall WA has seen the greatest shift from high to mid cost burdens.

Figure 42 Change in self-assessed housing cost burdens, 2017 to 2019



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2015, 2019.

Table 31 compares households' ability to meet expenditure after housing costs across states. There are only small variations. WA households are the least likely to be able to meet non-essential expenditure after paying housing costs at 61 per cent compared to 64 per cent and 66 per cent in NSW and QLD respectively.

WA households are the least likely to be able to meet non-essential expenditure after paying housing costs.

Table 31 **Ability to meet expenditure after housing costs, by state**

	Western Australia	New South Wales	Queensland
Essential expenditure	87%	88%	89%
Non-essential expenditure	61%	64%	66%
Savings / investment	49%	49%	48%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Further state comparisons across financial questions reveal only minor differences between WA, NSW and QLD. A 10 per cent increase in housing costs would have a major impact on 39.5 per cent of households in WA compared to 42 per cent in QLD and 40 per cent in NSW. A 3 per cent increase in mortgage interest rates would impact on WA households hardest with 51 per cent reporting a major impact compared to around 47 per cent in the other two states. 55 per cent of WA mortgage holders reported being ahead on their mortgage payments compared to 51 per cent in NSW and 54 per cent in QLD. When asked how much maintenance they could afford, 12 per cent of WA households stated none, with the equivalent figures being 9 per cent and 11 per cent in QLD and NSW respectively.

A 3% increase in mortgage interest rates would impact on WA households hardest.

Table 32 **Financial situation, by state**

Current financial situation	Very prosperous	Prosperous	Comfortable	Poor	Very poor
New South Wales	3%	9%	62%	20%	6%
Queensland	5%	8%	61%	21%	5%
Western Australia	3%	7%	60%	23%	7%

Better off than 2 years ago?	Yes	No, I feel worse off	About the same
New South Wales	34%	33%	32%
Queensland	35%	33%	32%
Western Australia	30%	37%	33%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Thirty per cent of WA respondents regarded themselves as poor or very poor in 2019, the highest of the three states. Despite the highest house prices, and steep declines over the last couple of years NSW respondents were on a par with QLD at 26 per cent. The WA figure has fallen from 33.5 per cent in 2017 but risen from 28.2 in 2015. The proportion of poor or worse off in NSW and QLD has fallen slightly from 2015 levels.

30% of WA respondents regarded themselves as poor or very poor in 2019, the highest of the three states.

WA households were the most pessimistic with the highest number of households feeling worse off than 2 years ago.

WA households were the most pessimistic with the highest number of households feeling worse off than 2 years ago, down from 41 per cent in 2017 but slightly higher than 2015. WA has consistently been the state with the highest proportions feeling worse off than two years ago across the three surveys.

Across the three states, of the 1,200 respondents feeling worse off than 2 years ago, those earning below $60,000 were far more likely to be worse off than any other group.

Table 33 Reasons for feeling worse off than 2 years ago

	Western Australia	New South Wales	Queensland
Because house prices are falling	6%	3%	2%
Because my mortgage/rent has increased	5%	7%	7%
Because my income has fallen	38%	28%	28%
Because the cost of living has risen	35%	50%	49%
General feeling of economic uncertainty	6%	4%	7%
Other	10%	6%	6%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

In the 2019 survey, respondents were asked to explain why they felt worse off than two years ago. In WA responses were split between a fall in income and increases in the cost of living whereas in the other two states respondents were far more likely to blame the cost of living. Falling house prices were cited by very few respondents.

‘Geraldine’s’ story

Home owner in a single person household

I am a 49 year old female living in the metropolitan area of a capital city. I have a postgraduate qualification and work part-time but would like to work more hours a week however, they are not available. My annual income is less than $31,000 a year. I have been living in my four bedroom house which I inherited and own outright, for more than 15 years. The dwelling is not in my preferred location, which is about 5km away. I can’t live in my preferred location because I can’t afford a dwelling there. My usual journey to work takes about 40 minutes on public transport, it would be preferable to live within a distance of 20-40 minutes on public transport instead. I think that the government could make housing more affordable by removing stamp duty.

Housing attributes

The location of a dwelling is much more important to me than the dwelling itself. I am flexible about features such as the dwelling type, number of bedrooms or living areas. While I will compromise elements such as the safety and security of a neighbourhood and easy access to health services. There are a number of other locational aspects that I won’t trade-off. For example, I couldn’t compromise on easy access to public transport, major roads, shops or to work. Nor could I live in a neighbourhood that wasn’t walkable or have access to high speed internet services. There are, however, many attributes that are unimportant to me such as adequate parking, air conditioning, solar panels, universal/adaptable design, access to entertainment or public open space or being within close proximity to family/friends.

Housing affordability

I feel very poor financially and certainly worse off now than two years ago as my income has fallen. In another two years I anticipate that I will be in a worse financial situation than now because I *can’t get a full time job!* While I do not have a mortgage, I regard my housing costs to be unaffordable. Maintaining my housing costs has affected my mental health, relationships, ability to go on holiday as well as my day-today living expenditure such as food. I struggle every month to pay the bills and don’t have enough money left over for non-essential expenses. If urgent repairs were suddenly required on my property, I could not afford any maintenance. *After paying water, electricity rates, [there is] no money left for a bus fare to go to religious services or shops that are not within walking distance. If I had a full time paid job then I would have enough for basic living expenses.*

Housing and location choices

There is a clear preference among those in the private rental sector for longer term leases.

There are significant differences between states when it comes to preferred tenure (Table 34) with a stronger preference for owner occupation in WA than either of the other two states. In WA the preference for owner occupation has fallen from 64 per cent in 2015 to 57 per cent in 2019. The other two states have remained fairly constant across the four years although there was an increase in NSW from 2017 to 2019, probably reflecting house price falls and a perception ownership is now more achievable. There is a clear preference among those in the private rental sector for longer term leases.

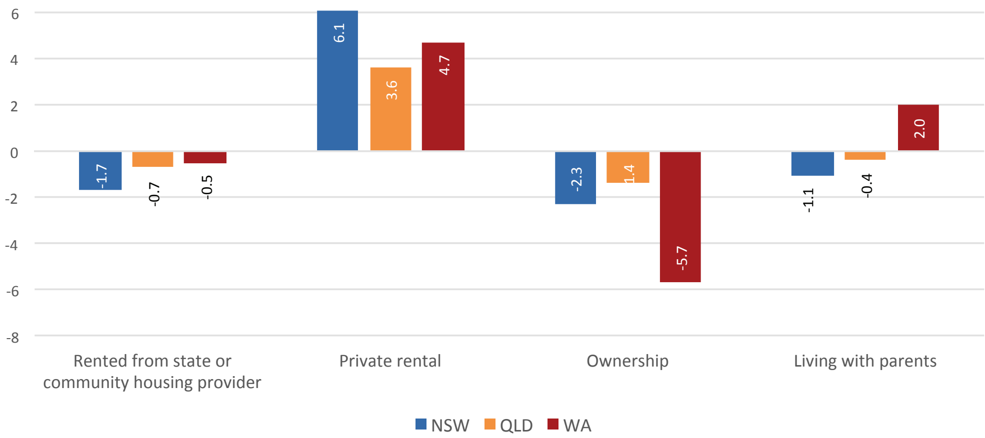
Table 34 **Preferred housing tenure, by state**

	Western Australia	New South Wales	Queensland
Owner occupation	57%	54%	52%
Private rental sector - short term lease up to 12 months	9%	8%	13%
Private rental sector - long term lease, more than 12 months	17%	18%	19%
Shared equity or ownership	2%	2%	1%
Renting from a community housing provider	3%	3%	2%
Renting from the State Government	3%	4%	3%
Living with parents	7%	9%	9%
Joint ownership as part of a co-operative housing group	1%	1%	1%
Other	1%	1%	1%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Figure 43 identifies the gap between respondents' current and preferred tenure. As expected, more respondents want ownership and fewer want to be in the private rental sector. The ownership gap is bigger in WA than elsewhere and it seems respondents living with their parents in the State are keener to leave than in QLD and NSW. Patterns are very similar to 2017 and 2015.

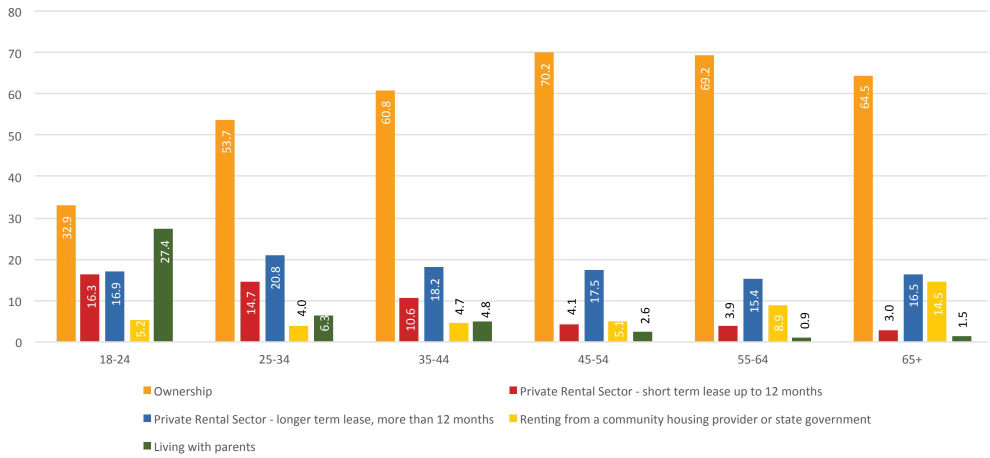
Figure 43 **Difference between current and preferred tenure given current circumstances (percentage of respondents)**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Examining tenure preferences by age group shows how the desire for ownership increases sharply with age, peaking in the 45-54 age category at 70 per cent. In the private rental sector, there is a strong preference for longer term leases as households age. The desire for security is also evident as the preference for state and community housing grows with age, with almost 15 per cent of the 65+ age group wanting to be in this tenure.

Figure 44 **Preferred housing tenure given current circumstances by age group (percentage of respondents)**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

The 2019 survey asked respondents what they want from their dwelling and location. The results for WA were shown in Table 26 but how does WA compare to the other two states?

The differences are highlighted in Table 35, with WA respondents less flexible about dwelling type, air conditioning and solar panels than their NSW counterparts. In terms of neighbourhood attributes, WA respondents were more willing to compromise on the various access measures, perhaps a reflection of the ease at which it is currently possible to travel around Perth and regional towns by car.

Table 35 Proportion of respondents unwilling to compromise on housing attributes, state comparisons

Dwelling	New South Wales	Queensland	Western Australia
Dwelling type (separate house, apartment, townhouse etc)	**36%**	**42%**	**43%**
Number of bedrooms	29%	27%	26%
Number of living areas	20%	19%	20%
Adequate parking	50%	54%	52%
Air conditioning	**47%**	**48%**	**55%**
Solar panels	**14%**	**22%**	**22%**
Universal design (i.e. dwelling suitable for all ages and physical requirements)	18%	22%	21%
Building materials	22%	17%	23%
Size of the lot	20%	18%	22%
Neighbourhood	**New South Wales**	**Queensland**	**Western Australia**
Safety and security	73%	72%	73%
Easy access to public transport	**46%**	**42%**	**36%**
Easy access to a major road	23%	26%	22%
Easy access to work	**32%**	**34%**	**25%**
Easy access to health services	**46%**	**41%**	**38%**
Easy access to shops	**46%**	**45%**	**39%**
Easy access to entertainment (cafes, bars, restaurants etc.)	**22%**	**23%**	**18%**
Close proximity to family/friends	24%	23%	21%
Easy access to local open space	29%	29%	29%
A walkable neighbourhood	**50%**	**51%**	**53%**
Access to high speed internet services	48%	49%	49%
Close proximity to schools/child care	23%	19%	21%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

When it comes to age, using all responses, older respondents were less willing to compromise on attributes such as dwelling type, parking and access to health services and younger groups less interested in solar panels, access to public transport and open space.

Older respondents were less willing to compromise on attributes such as dwelling type, parking and access to health services.

Table 36 **Proportion of respondents unwilling to compromise on housing attributes, age comparisons**

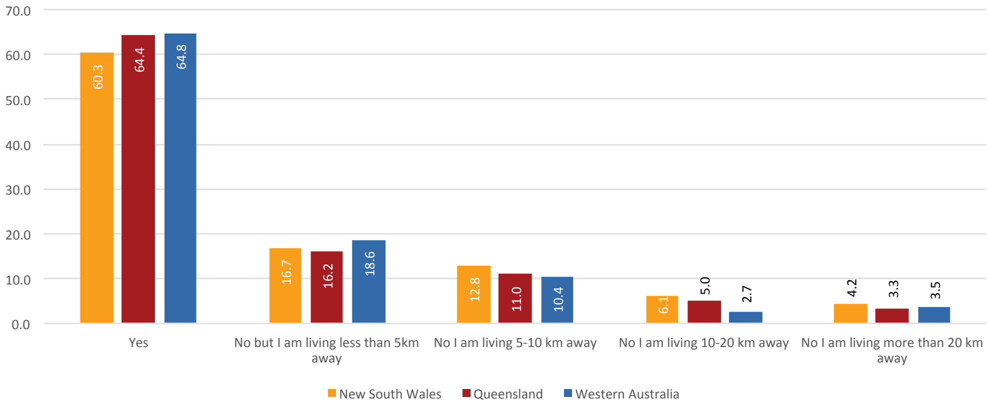
Dwelling	18-24	25-34	35-44	45-54	55-64	65+
Dwelling type (separate house, apartment, townhouse etc)	24%	34%	39%	44%	47%	54%
Number of bedrooms	23%	27%	35%	31%	23%	25%
Number of living areas	14%	19%	21%	22%	18%	24%
Adequate parking	35%	46%	48%	53%	63%	66%
Air conditioning	44%	45%	49%	50%	57%	56%
Solar panels	**14%**	**13%**	**16%**	**16%**	**27%**	**30%**
Universal design	20%	15%	17%	20%	19%	31%
Building materials	18%	21%	20%	18%	20%	26%
Size of the lot	19%	19%	22%	21%	18%	21%
Neighbourhood	18-24	25-34	35-44	45-54	55-64	65+
Safety and security	61%	69%	73%	73%	79%	80%
Easy access to public transport	40%	37%	38%	41%	42%	52%
Easy access to a major road	22%	25%	22%	22%	23%	27%
Easy access to work	41%	36%	35%	37%	24%	10%
Easy access to health services	36%	33%	35%	38%	47%	62%
Easy access to shops	41%	38%	41%	42%	45%	54%
Easy access to entertainment	28%	20%	19%	20%	19%	18%
Close proximity to family/friends	28%	22%	19%	19%	23%	25%
Easy access to local open space	23%	22%	29%	31%	35%	34%
A walkable neighbourhood	42%	43%	49%	57%	61%	59%
Access to high speed internet services	49%	45%	46%	49%	55%	50%
Close proximity to schools/child care	24%	29%	32%	24%	25%	6%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

While affordability was the main factor driving housing decisions in all states at 28 per cent of respondents, the broad location was slightly more important to those in NSW and QLD (25%) compared to WA (22%). While size of dwelling was slightly more important in WA there were no statistically significant differences between the reasons driving location decisions across states.

For households that had moved in the last three years, Figure 45 compares the outcomes across states. WA households are slightly more likely to get their first choice location and those in NSW more likely to be forced to move more than 10 kilometres away.

Figure 45 Location outcomes for households moving in the last 3 years

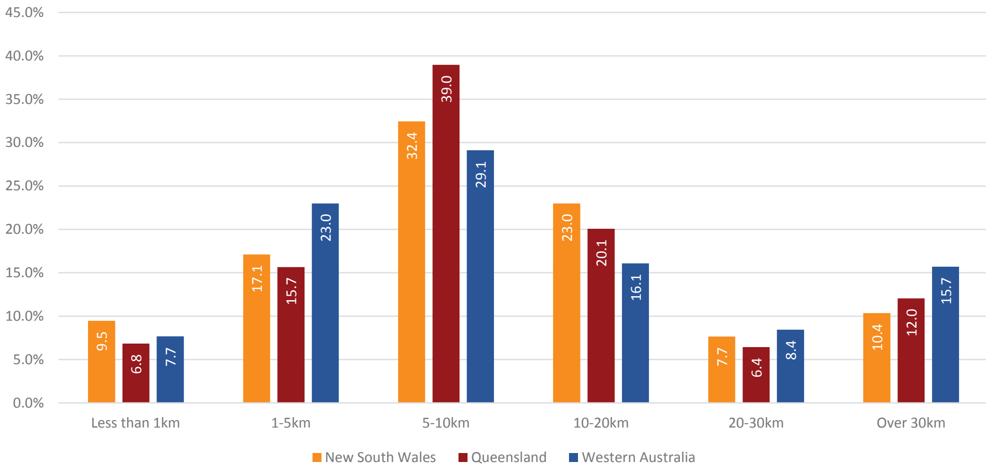


Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Around 60% of respondents in each state were confident they would move within 10km of their ideal location.

Potential purchasers were pessimistic about their ability to access an affordable dwelling suitable for their needs in their first choice location. WA respondents were more likely to report being able to move to within 5 kilometres of their ideal locations but over 15 per cent of them thought they would have to move over 30 kilometres from their ideal location compared to just 10 per cent in NSW. Around 60 per cent of respondents in each state were confident they would move within 10 kilometres of their ideal location.

Figure 46 Perceptions of distance from ideal location in order to afford a suitable dwelling



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Summary

Housing perceptions and outcomes prove to be very similar across WA, NSW and QLD. Despite there being big differences between prices and rents, households seem to adjust to their circumstances and report very similar perceptions of housing affordability. WA respondents regard themselves as financially worse off that the other two states, primarily due to a drop in income, reflecting the weaker economy and less part time work hours available. While there is a slightly stronger preference for home ownership in WA, households want similar dwelling and neighbourhood attributes across states.

Housing

policy settings

Housing policy settings

Housing policy settings aiding first home buyers into ownership or incentivising investors to deliver rental housing supply play a major role in the housing market. This section of the report uses the survey data from the three states to examine a number of housing policy settings around ownership, the findings of which feed into the final chapter of this report.

Access to home ownership

Of the 3,600 respondents to the survey, 1,672 did not own a dwelling. Of these, the majority of whom are in the private rental sector, 76 per cent wanted to own their own dwelling at some point in the future and 3 per cent owned an investment property but not the dwelling they lived in. Asked why they wanted to own, three quarters responded they wanted a place to call home. Investment was a motive for only 16 per cent. Security and independence were other common responses.

Of the 3,600 respondents to the survey, 1,672 did not own a dwelling.

Table 37 Reasons for wanting to own a dwelling

Reasons for ownership	
I want a place to call home	75%
It offers a sense of security	32%
It is a better option than renting	29%
I want to be independent	27%
So I have somewhere to bring up a family	25%
Somewhere to be myself	19%
As an investment	16%
So I have somewhere to entertain and socialise	11%
Society expects it of me	6%

Note: Respondents could choose more than one reason.
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Given such a large proportion of non-owners want to enter ownership, what are the barriers preventing them from doing so?

Table 38 presents the results where respondents could choose more than one option. As per the other BCEC surveys (Cassells *et al* 2014 and Duncan *et al* 2016), the deposit was the main barrier cited as an issue by well over half.

Table 38 Barriers to ownership

Barriers to ownership	
I can't afford the deposit	56%
I'm not in stable employment	28%
I can't afford to live in my preferred location	27%
I can't afford the mortgage payments	25%
I can't afford to live in the type of house I want	19%
I can't get a mortgage	17%
I am looking but haven't found anything suitable yet	11%
I can't find anything suitable in my price range	11%
Nothing, I just don't want to purchase at this stage of my life	10%
I want to build a new house but cannot afford it	10%
I already have an investment property	3%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

The average deposit amount currently saved is a little over $14k while the average amount respondents thought they would need was $64k.

Of those wishing to purchase, only 12 per cent stated they would receive parental help while 22 per cent said they might receive some help. The remaining 66 per cent expected to receive no help at all from their parents to buy a dwelling. For those that did expect help it was most likely to be through a cash gift or loan to help with a deposit.

With the deposit being the biggest barrier to ownership, and where parental help is most expected, the survey asked respondents to record the amount they currently had available for a deposit and the amount they thought they would need. The average deposit amount currently saved is a little over $14,000 while the average amount respondents thought they would need was $64,000, a gap of some $50,000. The most common figure respondents estimated they would need for a deposit was $50,000 which is a 20 per cent deposit on a $400,000 dwelling. Less than a quarter of respondents thought they would need $100,000 or more. It seems respondents significantly underestimate the amount they will need to save to enter the housing market through traditional mortgage products. This raises the issue of improving financial literacy, ensuring households are aware of the fundamentals around home ownership, mortgages and budgeting.

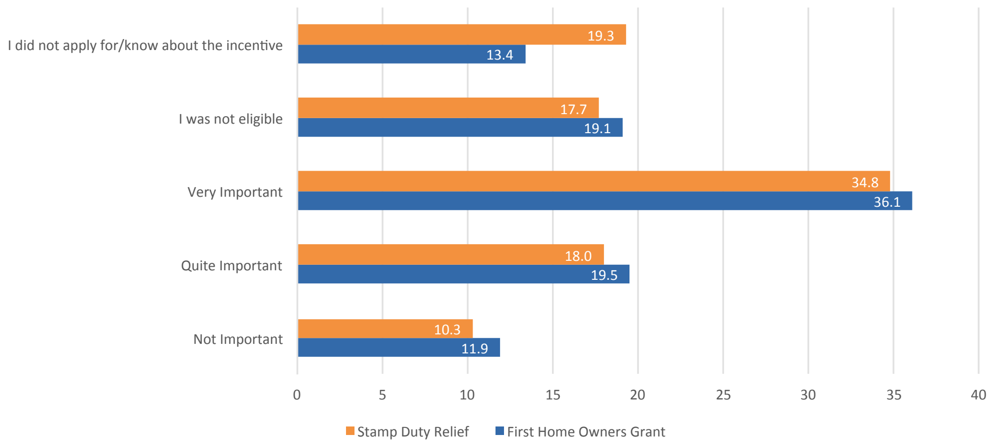
Government assistance to close the deposit gap is therefore essential if more households are to be helped into home ownership.

Government assistance to close the deposit gap is therefore essential if more households are to be helped into home ownership and the recently announced first home buyers scheme along with the first home owners super saver scheme are both policies designed to close that gap. First home owners grants are another policy setting designed to help households overcome that deposit gap while some states, notably WA and SA, have low deposit home loan products of their own.

The 923 recent first home buyers in the survey were asked about the importance of policy settings designed to help them into ownership. Both the first home owners grant and stamp duty relief were regarded as important by well over half of respondents (Figure 47).

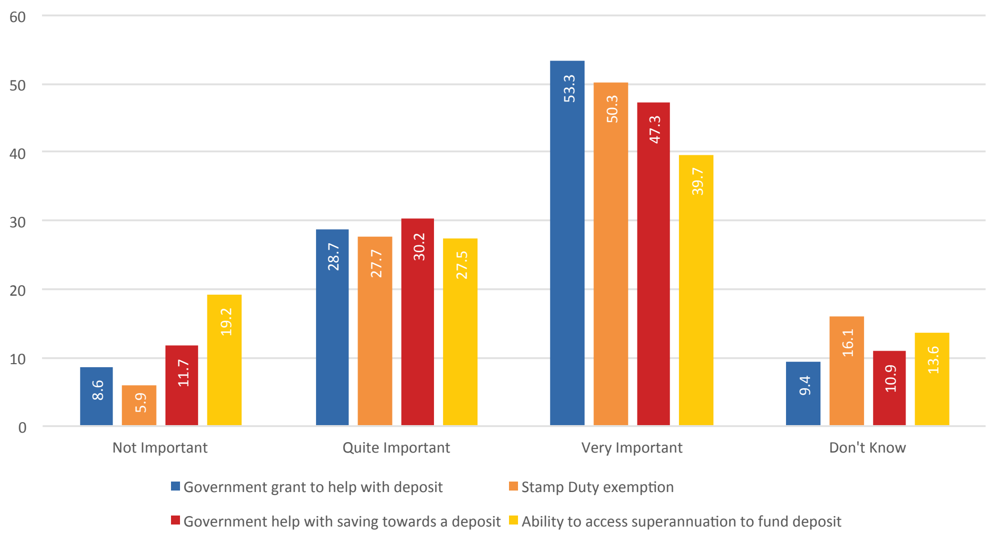
For those yet to purchase, government assistance with the deposit was considered essential by over three quarters of respondents while two thirds thought they would benefit from access to their superannuation to help fund a deposit (Figure 48). It seems, therefore, that government help is becoming increasingly important, especially for those without access to the 'bank of mum and dad'.

Figure 47 **Importance of policy settings for recent homebuyers**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Figure 48 **Importance of policy settings for potential purchasers**



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

‘Heather’s’ story

Single parent in the private rental sector

I am 48 year old single mother living in an outer suburb of the metropolitan area. My children and I live in a two bedroom apartment which we have rented from a private landlord for less than a year. We moved to this house because it was more suitable for our household needs and it was affordable. We are in our preferred location however, I have had to sacrifice other items of expenditure to afford to live here. I have a university undergraduate degree, however, I am currently a full time carer for dependent children. We receive Commonwealth Rent Assistance which subsidises our rent.

Housing attributes

There really aren’t any housing attributes that I won’t compromise on. The type of dwelling itself is not important to me and I am flexible about aspects such as the number of bedrooms, living areas, parking, solar panels and air-conditioning. I am equally as flexible with the location in which I live. For example, I am willing to compromise on the neighbourhood, access to major roads, shops, open space, the walkability of the layout and the high speed internet access.

Housing affordability

Financially, my household is poor. I feel worse off than two years ago, largely because my rent has increased. I am forced to spend half my income on our housing costs to be able to access a suitable location. I regard this as being very unaffordable so, for example, a 10% increase in rent would have a major impact on our financial situation. We have trouble meeting our housing costs several times a year but have not fallen behind. After paying our housing costs, I have enough for essential items such as day to day living costs, utility bills, food and clothing and some non-essential items, but I can’t save. Sustaining my housing costs has had a substantial impact upon me. It has affected my mental health, my ability to go on holiday, buying items for my children, as well as severely reducing my capacity to spend money on non-essential items such as entertainment. The cost of housing also affects my capacity to travel to *certain places as [I] can’t afford petrol*. In addition, *I can’t afford respite for my child*. We expect to be in a better financial position in two years than we are now.

I would like to buy my own home at some point in the future. I believe it would offer my family a sense of security. There are several barriers to me becoming a home owner. Firstly, I’m not in stable employment and cannot make the repayments and I don’t have a sufficient deposit, both of which preclude me from being able to get a mortgage.

Government assistance

Incentives which would be important to me when purchasing a home would include a government grant to help with deposit, help saving towards it or the ability to access my superannuation to fund a deposit and stamp duty exemption. I would be prepared to move 10-20kms away from my preferred location to access home ownership. In reality, I will probably be forced to move further, perhaps between 20-30km away.

I would also benefit from government assistance to reduce the cost of renting, for example subsidised rental accommodation or an increase the supply of affordable housing (public and community housing).

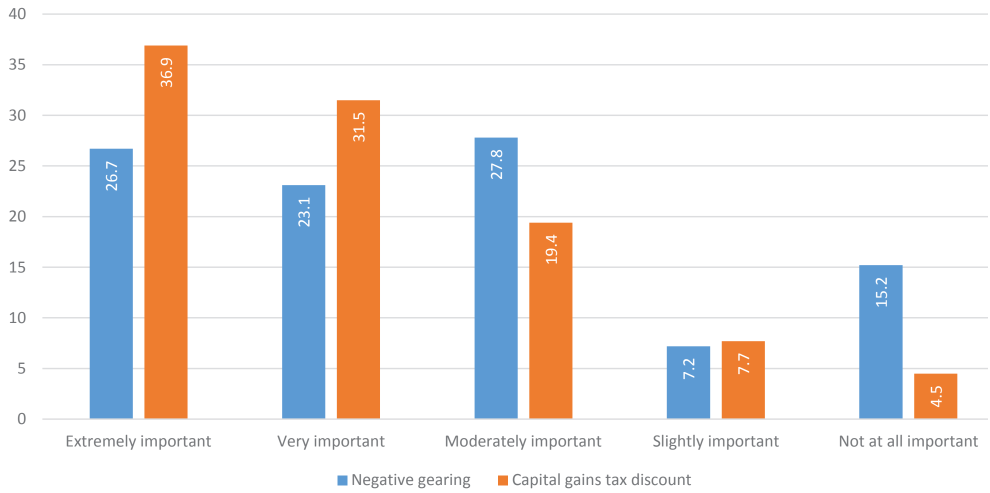
Investors

Within the 2019 survey, respondents were asked whether they owned an investment property. 16 per cent currently owned at least one while a further 10 per cent were seriously thinking about it. Around a quarter of current investors have thought about selling their investment property due to falling house prices.

Respondents were asked about the potential impact of changes to policy settings around negative gearing and the capital gains tax discount. Almost 90 per cent of respondents regarded the capital gains tax as important and only 4.5 per cent not important. While negative gearing was also regarded as important (78 per cent) it was unimportant to 15 per cent. All respondents that ranked negative gearing important believed the capital gains tax discount was also important, however 12 per cent of those rating the capital gains tax discount as important thought negative gearing unimportant. Given the importance of these incentives what impact would changes to these settings have on investment decisions? Table 39 present the results.

Around a quarter of current investors have thought about selling their investment property due to falling house prices.

Figure 49 Importance of tax settings



Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

A quarter of current investors stated if negative gearing was not available and the capital gains tax discount was half its current rate they would not have bought their investment property. 28 per cent of current and potential future investors would not buy an investment property if negative gearing were unavailable. 35 per cent would still buy and the rest were unsure. From this we can conclude the removal of negative gearing would have some impact on the demand for investment properties with the reduction of demand having a modest impact on prices, depending upon the characteristics of the local property market. A market dominated by apartments, for example, would be affected much more than a traditional owner occupier suburb as investors are so important to apartment products. While available on new apartments, the removal of negative gearing would affect the demand for established apartments therefore making it more difficult to realise capital gains.

28% of current and potential future investors would not buy an investment property if negative gearing were unavailable.

45% of respondents stated they would buy a new dwelling rather than an established if it meant access to tax incentives.

In terms of changing investment behaviour, 45 per cent of respondents stated they would buy a new dwelling rather than an established if it meant access to tax incentives and only 14 per cent said they would not, the rest being undecided. It is likely a policy to restrict tax incentives to new dwellings if implemented, which will not now be the case following the outcome of the federal election, would switch investment demand from established dwellings to new dwellings, potentially having a positive impact on new rental supply. However, as noted above, investors might be wary about the ability to on-sell dwellings to investors who would no longer have access to incentives. This would have the impact of making such dwelling cheaper for owner occupiers by removing that layer of demand.

Table 39 Impact of potential tax settings

	Yes	Don't know	No
Would you still have bought your investment property(ies) if negative gearing was not available and the capital gains tax discount was half its current rate?	42%	32%	26%
In the future, would you buy an investment property if negative gearing was not available?	35%	38%	28%
In the future, would you buy a new dwelling rather than an established dwelling as an investment if it meant you could access negative gearing?	45%	41%	14%

Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Table 40 Potential policy settings

Policy setting	Relative ranking
Remove stamp duty	1.00
Provide low deposit home loans to lower the entry cost of housing	0.81
Provide grants to help low income households purchase	0.75
Increase the supply of affordable housing (public and community housing)	0.69
Make the private sector include affordable housing in every development	0.53
Provide subsidised rental accommodation to reduce the cost of renting	0.49
Remove incentives for investors such as negative gearing and capital gain tax discounts	0.46
Increase the supply of diverse market housing products	0.37
Enable the private sector to deliver large scale private rental developments	0.26

Note: Respondents could choose more than one choice.
Source: BANKWEST CURTIN ECONOMICS CENTRE | BCEC Housing Affordability Survey 2019.

Discussion

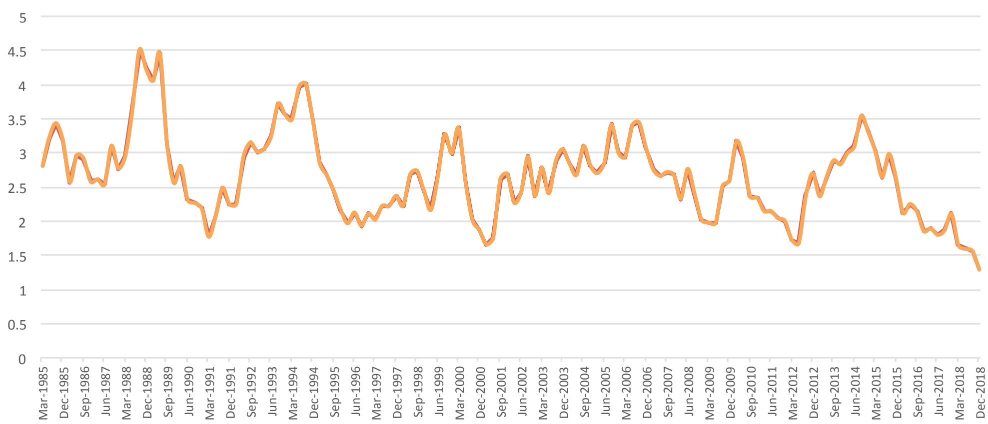
and conclusion

Discussion and conclusion

The results of the 2019 BCEC Housing Affordability Survey show slight improvements on 2015 and 2017 across a range of metrics. While perceptions of affordability have certainly improved in WA and there are fewer households paying more than 30 per cent of their income in housing costs and frequently struggling to meet such costs, there are still large numbers of vulnerable households for which the situation has not improved. Prices and rents have fallen significantly in many parts of WA since the 2015 survey and many moderate and higher income earners in the rental market or entering the ownership market seem to have benefited from such falls. However, low income earners in the private rental market have not seen such benefits. Median rents have been pushed rather than pulled down meaning little improvement at the bottom end of the rental market. Median income earners have moved closer to being able to afford to purchase a median prices dwelling while lower quartile house prices remain well out of research of lower quartile income earners.

Recent BCEC research on the private rental market (Rowley and James 2018, James *et al* 2018) highlighted that while the sector performed quite well for the majority of tenants there were many facing challenges such as affordability, discrimination and ongoing security. Since the reports were published, the vacancy rate in the rental market has fallen from over 7 per cent to less than 3 per cent, largely as a result of supply being withdrawn from the market rather than an increase in listing activity (Housing Industry Forecasting Group 2019). With less stock in the market, an upturn in demand will cause rents to rise and this will prompt many households, deposit and finance permitting, to look towards ownership. Established listing are high and will take time to absorb increases in demand but eventually broad price rises will occur. The unknown is if, and when, demand will pick up to create such flow on effects. That is a function of the economy, population growth and consumer confidence.

Figure 50 Dwelling commencements per 1,000 persons, WA



Source: ABS Building Activity Australia 8752 Table 35.

Figure 50 shows quarterly dwelling commencements per 1,000 persons indicating a steep decline since mid-2014, albeit from a high peak. The current downturn is the most prolonged since data collection began in 1985. This is a concern because a sustained lack of new supply means when demand does recover and excess stock in the established market is absorbed there will be an imbalance between demand and supply and prices will begin to rise. In the rental market, the lack of new rental stock, particularly through a lack of multi-residential development will result in increased rents. So while affordability has improved during the market downturn, this downturn has affected the supply side and if the development industry is unable to keep up with demand, prices and rents could rise quite quickly, a situation seen many times before. The impact will be determined by the speed of any demand increase and the ability of the housing industry to quickly respond through new supply.

Affordability remains an issue for many households, particularly those on low incomes, one person families and couples with children, and has the potential to deteriorate quickly. A range of policies is necessary to ensure a supply of housing affordable to a diverse range of households and this supply needs to be across tenures as well as locations. Western Australia implemented a successful affordable housing strategy back in 2010 (Rowley *et al* 2017) which delivered on its promised 20,000 dwellings by 2020, five years early. This strategy is currently being renewed and many of the policies and strategies that led to its success, such as Keystart, are still relevant while others, such as NRAS and dwellings resulting from the Social Housing Initiative as part of the national stimulus program post GFC are not. Government therefore needs to find new ways of delivering affordable housing and while it has a successful development program it will be a challenge to produce large scale affordable opportunities outside Keystart.

So what can government and industry do to ensure policy settings provide affordable, secure and suitable housing for all? The final section of this report discusses current and potential policy settings under a range of broad headings identified as important within this research.

Overcoming the deposit gap

The deposit gap was identified as the biggest barrier to entering home ownership. This poses the question: what effective policy responses could close this gap?

- Low deposit home loans – Keystart in WA is an example of a very successful scheme which has enabled tens of thousands of Western Australians to enter home ownership with just a 2 per cent deposit. Recent, temporary, changes to the income eligibility limits should increase the number of loans and activity in the lower end of the market, prices being capped at $480,000. The upper price ceiling limits borrowers to certain locations which provide cheaper dwellings or certain products within more expensive locations such as apartments. The challenge moving forward as the WA State Government seeks to deliver more diverse housing products around transport hubs, including Metronet, is to enable Keystart customers to purchase dwellings in these locations, many of which will be above the maximum price limits. There are opportunities to deliver more flexible upper limits tied to key locations to encourage buyers to take advantage of transit orientated development.

- The coalition announced the first home buyer deposit guarantee scheme during the federal election designed to enable access to home ownership for 10,000 households for just a 5 per cent deposit. Price limits were not available at the time of writing. While beneficial for the small proportion of eligible households that would secure the guarantee, a national Keystart style, government-backed scheme could offer assistance on a larger scale.
- The first home buyers super savers account is designed to help first home buyers save for a deposit through tax efficient savings via their superannuation accounts. Up to $30,000 can be accumulated. Such a scheme is certainly welcome as it benefits determined savers. The previous first home savers account was scrapped due to lack of take up. Hopefully this scheme, introduced mid 2017 will prove more effective. There are arguments that buyers should be able to use their superannuation to fund a deposit but the government has ruled this out due to the potential risks associated with reducing future retirement funds.
- Shared equity products are another way of reducing the upfront costs of purchasing. The scheme has proved quite successful in WA where government retains an interest, typically 30 per cent, in a dwelling and the buyer purchases the remaining share. Any capital gains/losses are shared on sale. Given the cost of the dwelling is reduced, so is the deposit requirement. Such schemes have a long history in the UK, with much success. Such products could be delivered by the community housing sector to increase affordable housing supply if the necessary conditions were in place, such as funding.
- First home owner grants are often used to plug deposit gaps. Recent BCEC research identified how such grants certainly increase housing market activity in the short term but have negative longer term impacts (Costello *et al* 2017). Grants also distort the market and are inequitable. Current grants in WA are limited to new dwellings in an attempt to encourage new supply. Increasing the number of potential purchasers eligible for lending through Keystart schemes would be a more sustainable use of funding.
- Stamp duty relief is essential for first home buyers as without the deposit gap would be even larger for households, an insurmountable for many.

Public and community housing

For households unable to afford market housing, a supply of public and community housing is essential. While public housing is expensive to deliver and maintain, a supply is required to meet housing need.

- Funding for public housing needs to increase to deliver housing options for those households in greatest need and to provide a safety net for households falling out of the private rental market.
- Community housing organisations need additional funding to ensure they are able to deliver housing options for households on low incomes that cannot afford to live in the private rental sector. Funding should be tied to robust local housing needs studies to ensure a supply of appropriate housing necessary to meet identified need.

- The National Housing Finance and Investment Corporation (NHFIC) was established in 2018 to help support the delivery of affordable housing, primarily through raising lower costs funds to enable affordable housing delivery through the community housing sector but also to fund affordable housing delivery through other mechanisms. While it is early days, NHFIC has a very important role to play in facilitating affordable housing delivery going forward. In the absence of additional direct funding to the sector, lower cost finance through NHFIC might not be enough on its own to dramatically increase community housing provision but it is a first step in the right direction.
- Public and community housing is a safety net for those falling out of the private rental market and home ownership. Without a sufficient supply of such housing the next step is homelessness. Additional funding and support for homelessness services is essential to deal with an escalating problem (13.7% increase between 2011 and 2016) with numbers very likely to increase further if affordability deteriorates.

Delivering housing choice

There is plenty of debate in the housing industry around delivering a more diverse supply of housing, particularly in infill locations (see Rowley *et al* 2017), offering more housing choice across a range of price points.

- The WA State Government should continue to push for greater diversity and housing choice within existing infill areas and within new greenfield subdivisions. Strong leadership at all levels of government is necessary to deliver on this agenda.
- A precinct level approach to infill development is necessary to deliver the amenity and infrastructure necessary to support quality development. Piecemeal infill delivers more congestion, more parking issues and few of the potential benefits of infill development.
- Metronet offers opportunities for government to deliver best practice examples of diverse development around transport hubs. Planning around Metrohubs needs to embrace market realities identifying the type of dwellings this will and will not work in specific locations.
- The infill debate needs to be framed around choice and diversity and not density and communities need clear communication that such development delivers housing options for households across the age range including young people leaving home and rightsizing. A lack of suitable housing options is one of the main barriers to rightsizing.
- Infill development must be supported with adequate spending on associated infrastructure.
- Landcorp have an important role to play in continuing to driving innovation around infill housing development.
- Continued planning reform and associated design guidance is necessary to support infill development and relevant government bodies should work closely with industry to ensure increased regulatory requirements do not negatively affect dwelling delivery.
- Government should enforce local infill targets to ensure local governments are delivering their fair share of diverse housing opportunities.

Private rental market

The private rental market is becoming increasingly important with around a third of households in this sector and an increasing number will remain tenants through their entire housing career. Rowley and James (2018) set out a number of policy recommendations in a recent BCEC report around tenancy reform.

- Tenancy reform is essential to make the private rental sector more secure and more attractive as a long term tenure. The removal of no grounds eviction, longer term leases and creating conditions which offer tenants a "feeling of home" would make a major difference.
- Built to rent has the potential to deliver long term, stable private rental dwellings if government creates the conditions to encourage private sector investment. State governments can facilitate demonstration schemes to lead the market. Partnerships between state governments, the community housing sector and built to rent providers could offer opportunities to deliver subsidised affordable rental dwellings within larger developments.
- Commonwealth rent assistance needs to be reformed to deliver an adequate, targeted rental subsidy for those households most in need.
- With the National Rental Affordability Scheme (NRAS) winding down, the State will lose a supply of subsidised rental dwellings and many tenants, outside community housing managed properties, may find themselves unable to afford their rent. The WA Government should deliver a replacement for NRAS using investor tax incentives and community housing providers as the delivery mechanism. Without a subsidised private rental market, when rents do start to rise again many households will be forced into financially unsustainable positions and will be looking for state government for a housing solution.
- State governments should continue to explore ways to utilise the private rental market to deliver dwellings for those households that cannot afford market rents. The assisted rental pathways scheme is one such scheme that delivered limited success.

Tax settings

While the result of the recent federal election seems to have put the negative gearing debate to bed for the time being, the door should not be slammed shut as reforms have the potential to improve affordability.

- The results of the BCEC survey highlighted the importance of negative gearing and the capital gains tax (CGT) to investors. Only around a quarter of investors stated they would not have purchased their investment property if the incentives were not available. Removing or reducing access to such incentives would reduce investor demand and potentially have a positive impact on home purchase affordability. The survey provides some evidence that investors who would still buy would switch from established to new dwellings thereby having a positive impact on supply. The impact of negative gearing and CGT changes would vary with the characteristics of the local market. A market dominated by investors would see a much bigger impact on supply and prices than a typical owner occupier suburb which is unlikely to be affected at all. There is little evidence from the survey to suggest the investor market would collapse and the supply of rental dwellings along with it.

- The reform of stamp duty is essential to reduce the costs of purchasing, encourage household mobility and generally create a more efficient market. Replacement with a land tax would be an equitable solution.

Housing costs

Housing affordability is more than just the costs of the mortgage or rent, it incorporates the costs of running a house; maintenance, rates, utility bills etc. and the location decision impacts on travel costs associated with commuting, shopping etc.

- A more diverse housing supply around transport nodes has the potential to reduce travel costs and improve affordability.
- Innovations around power, including electricity sharing and trading, more efficient water usage and more energy efficient homes have the capacity to reduce running costs. The type of innovations incorporated by Landcorp in White Gum Valley, for example, have the potential to make significant improvements to housing affordability and the private sector should be quick to embrace such savings and market to consumers.
- New construction techniques have the potential to deliver lower cost dwellings more quickly and efficiently and with a reduced environmental footprint, requiring less fill on site, for example. Uptake of such technologies have been slow to date and government could do more to support growth in this sector.

Land

Land can deliver the subsidy required for affordable housing under suitable conditions. While the Metropolitan Redevelopment Authority (MRA) have affordable housing targets, government land does not always deliver affordable housing opportunities.

- Government should maximise affordable housing contributions from government owned land wherever possible. A stretch target of 30 per cent affordable housing on all such sites should be implemented.
- The use of value capture through the use of planning policy to deliver affordable housing is not uncommon in Australia (Gurran *et al* 2018) and is a standard requirement in the UK planning system where affordable housing contributions from market developments can reach 40 per cent of total units. Affordable housing contributions, either the direct provision of units on-site or financial contributions *in lieu*, should be required from any development approval that delivers an uplift in land value. This is one way of delivering affordable housing at scale. New policies around inclusionary planning take many years to become embedded in the system and for the market to price affordable housing contributions into land values.
- The ACT land rent scheme has delivered affordable housing opportunities for hundreds of households. Such schemes eliminate the upfront cost of the land and therefore reduce the deposit requirement and level of mortgage payments. Such a scheme could prove effective on specific government sites and for certain groups of consumers. Community land trusts are another model reducing the cost of land.

- Government and industry should explore the potential for community title to deliver affordable housing products.
- Landcorp should be enabled, and required, to deliver affordable housing on all their development sites. Off-sets against the considerable land tax paid by the organisation would be one way to subsidise delivery.

Finance

The ability to access finance is a major barrier for households. While banks make their own lending decisions the housing industry has been frustrated that policy around lending has been based upon market conditions on the East Coast and does not reflect the market conditions in the West.

- Banks should adopt a less centralised approach to lending, with policy reflecting local market conditions, and revert to a more customer-focused rather than data-driven process.
- Government could do more to promote financial literacy to ensure households are able to make informed financial decisions and are aware of their responsibilities when it comes to financial products such as mortgages.
- Innovative lending products are required to facilitative new, collaborative models of development which challenge the traditional way of doing business. For example this would open up opportunities for cooperative style developments for older people.

Glossary

Glossary

Data sources

This report uses five key data sources:

- The ABS Survey of Income and Housing (SIH) for the years 2005-06, 2007-08, 2009-10, 2011-12, 2013-14 and 2015-16. 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 four quarters of 2018. Please refer to the end of this report for further acknowledgement of REIWA for suppying the data.
- The Bankwest Curtin Economics Centre Housing Affordability Surveys for 2013, 2015, 2017 and 2019. The 2015, 2017 and 2019 surveys were 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.

Homeless persons

The ABS categories 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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