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BANKWEST CURTIN ECONOMICS CENTRE

HOUSING AFFORDABILITY IN WA

A tale of two tenures

Adam Crowe, Alan Duncan, Amity James and Steven Rowley

Focus on Western Australia Report Series, No.15
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About the Centre

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

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

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

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

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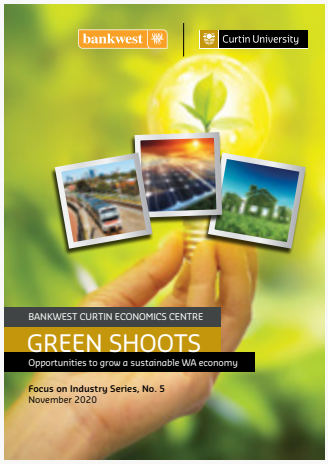

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FOREWORD

The world has faced the most extraordinary upheaval in the two years since the Centre's last Housing Affordability report in 2019.

The COVID-19 pandemic has had profound health, economic and societal consequences across the world, with unprecedented impacts on global markets. Actions to control the spread of the pandemic have necessarily affected economic activity like never before.

The housing industry in Western Australia has had to adapt, and adapt quickly, to meet the unprecedented challenges created by the pandemic.

But how has COVID-19 impacted on the lives and housing experiences of Western Australian families? Has the pandemic changed what people value most from their housing situation, or affected their future housing aspirations?

'Housing Affordability in WA: A tale of two tenures' is the fourth BCEC Housing Affordability report, and the fifteenth in the Focus on WA series.

This latest report offers new insights into housing affordability in Western Australia, and on peoples' housing experiences in Perth and across regional WA. The report includes a special analysis of housing market activity and housing affordability over the course of the pandemic.

Research findings in the report draw extensively from a unique survey of 4,500 home owners and renters in Western Australia, New South Wales and Queensland.

The survey, the fourth to have been collected by the Centre, provides a rich source of information how the experiences of homeowners and renters have changed over the last eight years, and how WA compare with New South Wales and Queensland.

This pandemic has brought into sharp focus the importance of the housing industry to the economic and social health of Western Australia. The housing industry makes a huge contribution to the state's economy, employing 110,000 workers directly within the sector as well as thousands more across the state's broader industry landscape.

But the pandemic also highlights some stark contrasts in peoples' housing experiences, and the severity of pressures housing affordability for many in our state.

A long held perception is that housing affordability in the state has spiralled out of control, with rents along with house prices escalating at a rate that many households find hard to keep pace with.

Our research asks to what extent this is true, and assesses which households are facing the greatest financial pressure from housing costs.

The report invites discussion on how to improve the situation and the policy interventions required to promote greater access to affordable housing in Western Australia.

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

EXECUTIVE SUMMARY

Housing Affordability 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 can feel safe and part of a community, raise families, build memories and dreams, and create a nest egg that can mean the difference between a modest and comfortable retirement.

The Bankwest Curtin Economics Centre has captured new data to understand housing affordability in Western Australia, how it has changed over time and across our suburbs, how it impacts a household's ability to meet every day expenditure and the impact COVID-19 has had on our housing preferences.

The report includes important new findings from **the fourth BCEC Housing Affordability Survey**, collecting data from more than 4,000 households in April 2021 across Western Australia, New South Wales and Queensland.

One of the strongest take-homes from the **2021 BCEC Housing Affordability Survey** is that housing affordability has improved in Western Australia - but this improvement hasn't been evenly spread.

A housing affordability divide between tenures exists – those who own their home or are in the process of buying one, and those who are renting. In fact owner-occupiers are more comfortable now than they have been in some time, whereas those in the private rental market are struggling to make ends meet.

This divide is likely to increase in the coming months as the full impacts of the lifting of the rental moratorium are realised and pressure continues on an already tight rental market.

If rents were to increase by 10 per cent this would have a major impact on the financial wellbeing of over 100,000 renters in WA, disproportionately affecting renters in receipt of rent assistance.

The report highlights key priorities for governments, including the need to increase investment in social housing to deliver 2,000 dwellings per annum; to provide greater financial assistance for low income private renters; and to progress a number of reforms around taxation and stamp duty.

Key Insights

Housing affordability has improved in WA

The last two years have seen big improvements in perceptions of affordability. The proportion of WA households that consider their housing as affordable has risen from 39 per cent in 2015 to 53per cent in 2021.

There has also been an increase in the number of low- and moderate income households that regard their housing as affordable compared to 2019. These trends are partly driven by a much lower mortgage interest rate environment.

Since 2015 there has been a decline in the proportion of households having difficulty meeting housing costs, with the proportion frequently struggling falling from 24 per cent to 11 per cent in 2021.

But many households remain vulnerable particularly single parents

Despite overall improvements in housing affordability, a number of households remain vulnerable or have not seen any improvements in affordability.

Single parent families are one of the most vulnerable groups to housing cost burdens.

1 in 5 single parent family households rate their housing an unaffordable and 40 per cent are paying over 30 per cent of their income in housing costs.

The impact can be severe, with many single parent households having to choose between meeting housing costs and other items of essential expenditure such as food.

Rental affordability is becoming more problematic

Rents in WA have increased by $60 per week on average since September 2020 and are likely to increase further as the moratorium lifts.

Private renters had the most difficulty meeting housing costs with 34per cent regularly struggling compared to 26per cent of those with a mortgage. Currently, over 50,000 renters living in housing they regard as unaffordable.

An increase in rent by 10 per cent would have a major financial impact on 100,000 WA households, disproportionately affecting commonwealth rent assistance tenants with 52 per cent stating it would have a major impact on their financial situation compared to 37 per cent of other renters.

Increased housing stock will eventually ease rental price pressures

The growth in the number of dwellings approved in WA has been exceptional – rising by 118per cent in over the year to April 2021. Nearly 11,000 dwellings were approved in WA between January and April 2021. This compares to under 4,800 approvals over the first four months of 2020. Dwelling approvals are now back to levels last seen in 2014.

Housing loans in WA have reached a historic peak in February 2021, with around $2.4 billion in loans allocated to the housing sector – twice the value of the previous year.

Based on first home buyers applying for HomeBuilder and the Building Bonus scheme alone, there will likely be around 10,000 households leaving the private rental market over the next 6-12 months. This will ease pressure on the rental market, but provides little relief to those currently searching for accommodation or dealing with rent increases.

First home buyers have been the big winners from government assistance

Both Commonwealth and State governments were quick to respond to the COVID-19 pandemic and protect jobs in the housing industry through generous incentives to encourage new house building.

Through a combination of grants and stamp duty relief, first home buyers in WA could access almost $70,000 to buy their first home.

More than 22,000 new housing loans to *first home buyers* in Western Australia were approved in the 10 months between July 2020 and April 2021 - nearly double the number compared to a year earlier.

This is the first time we've seen first home buyers receive more new home loans than non-first home buyers since 2009.

Almost half (48 per cent) of those who purchased in the last 6 months said government incentives allowed them to bring forward their decision to purchase and 43 per cent of very recent purchasers stated they would not have been able to buy without the incentives.

House prices have increased in WA but from a low base

One of the main stories to emerge from WA's economic recovery over the course of the COVID-19 pandemic has been the strength of activity in the state's housing market.

The Building Bonus and HomeBuilder measures put in place by State and Federal governments have provided the main stimulus for the growing housing market activity.

Perth now ranks third among states for annual growth in the price of an established house, behind Hobart (+6.6 per cent over the year) and Sydney (+5.3 per cent).

COVID-19 has changed what 1 in 5 households want from their housing

COVID-19 has changed what over 20 per cent of households want from their housing, largely around a desire for additional indoor and outdoor space and access to amenities.

This was higher for those renting, with 1 in 4 wanting a change, with the most sought after goal being home ownership. Around 40 per cent of current renters stated that COVID-19 made them want to own their own home.

A dwelling more suitable for working from home, better internet connectivity, moving to an area with more amenities and moving locations altogether were all common response to how COVID-19 had changed their views on housing options.

Social housing and homelessness

Households unable to obtain secure and affordable rental accommodation are in danger of homelessness.

The supply of social housing is severely limited and crisis accommodation full. WA's current rental market highlights the importance of delivering social housing on a scale that meets need.

Appropriately funding homelessness and other important support services to help those currently without housing, and those in danger of becoming homeless, is critical.

Key Findings

A snapshot of the housing market in Western Australia

- Perth's residential property price index has risen 9.6 per cent to 109.2 between December 2019 and March 2021.
- Perth now ranks third among states for annual growth in the price of established house, behind Hobart and Sydney.
- There were 16,391 new build HomeBuilder applications in WA compared to 16,266 in NSW and 21,871 in QLD, and a further 22,671 WA Building Bonus applications.
- We could see around 10,000 households leaving the private rental market over the next 6-12 months.
- Nearly 11,000 dwellings were approved in WA between January and April 2021. This compares to under 4,800 approvals over the first four months of 2020.
- There is every reason to suppose that completions will continue to rise, and more new dwellings will come on stream, for most of 2022.
- Housing loans in WA reached a historic peak in February 2021, with around $2.4 billion in loans allocated to the housing sector – twice the value of the previous year.
- Housing loans to investors in WA reached $452 million in April 2021- the highest loan commitment to housing investors in WA since 2015.
- More than 22,000 new housing loans to first home buyers (FHB) in WA were approved in the 10 months between July 2020 and April 2021 - nearly double the number compared to the equivalent period a year earlier.
- More housing loans were committed to First Home Buyers than non-FHBs in WA in each month from August 2020 to January 2021.

Housing Affordability in WA: A local area assessment

- Rents in many localities of Perth have appreciated in the wake of the pandemic and in the face of relatively low supply and rental vacancies.
- Transaction volumes have continued to be relatively high in the northern suburbs, with more than 2,000 transactions each in Wanneroo, Stirling and Joondalup.
- Rent to income ratios for lower income families are above 30 per cent in most of Perth's sub-regional areas, and have generally risen since 2018.
- Housing affordability for lower income earners has deteriorated in most areas of regional WA.

Rental Affordability over the course of COVID-19: how does WA compare?

- From a peak of 7.3 per cent in June 2017, the vacancy rate in Perth has fallen dramatically and now sits at 0.9 per cent as at March 2021.
- The median rent for houses in Perth has risen by $20 per week in each of the three quarters from September 2020 to March 2021 – a combined increase of $60 to $430 over nine months.
- Typical rental costs for listings of 3-bedroom houses in Perth have risen by 5.3 per cent over the quarter to March 2021, and by 14.3 per cent over the last year.
- Rent increases weigh heavily on lower income families, many of whom are already in rental stress and facing higher rental cost burdens well in excess of 30 per cent.

The 2021 BCEC Housing Affordability Survey

- The *BCEC Housing Affordability Survey* was conducted in 2015, 2017, 2019 and 2021 across three States, WA, NSW and QLD. This report discusses the results of the 2021 survey and draws comparisons with previous years.

- In 2021, 40% of respondents renting or owning with a mortgage were paying over 30% of their income on housing cost, a drop of 5% on 2019 and 8% on 2015.

- The proportion of households with housing cost burdens over 30% of income is higher for private renters than for those with mortgages. The last two years have seen the proportion remain the same in the rental sector but fall from 46% to 41% for those owning with a mortgage.

- 11% of respondents over 65 are paying over 30% of their income on housing costs and over 40% of one parent families pay more than 30% of their income on housing costs.

- 33% of households paying over 30% of their income in housing costs were forced into this position due to a lack of other available options. This has fallen from 37% in 2019. Low-income households are far more likely to be forced into high cost burdens, while higher income households choose that position.

- A 10% increase in rent would have a major impact on the financial situation of 42% of private renters. This means over 100,000 rental households are vulnerable to rent increases.

- The last two years have seen big improvements in perceptions of affordability. The proportion of WA respondents regarding their housing as affordable has risen from 39% in 2015 to 53% in 2021. This is partly driven by much lower mortgage interest rates.

- For WA, there has been an increase in the number of low- and moderate-income households regarding their housing as affordable compared to 2019.

- 32% of private renters regard their housing as affordable, up 2% on 2019, while the proportion regarding their housing as unaffordable has not changed — at 21% compared to 11% of owners with a mortgage.

- Ratings of affordability deteriorate when over 20% of income is spent on housing costs but it is not until the 40% level that more households rate their housing as unaffordable rather than affordable.

- 92% of households are able to meet essential expenditure, however this varies between 97% of outright owners down to 87% of private renters. Only 45% of private renters are able to save compared to 63% of those owning with a mortgage. The inability to save is strongly linked to high housing cost burdens.

- Almost half of respondents rating their financial situation as very poor are living in what they regard as unaffordable housing.

- 2021 results showed big improvements as to how housing costs affect various life domains such as mental and physical health, social life and spending on children. Reasons for this are unclear but it could be related to JobKeeper and JobSeeker payments.

- However, despite improvements around 40% of respondents stated that high housing costs affect their mental health and 54% their ability to go on holiday.

- Since 2015 there has been a decline in the proportion of households having difficulty meeting housing costs, with the proportion frequently struggling falling from 24% to 11% in 2021.

- Private renters had the most difficulty meeting housing costs with 34% regularly struggling compared to 26% of those with a mortgage.

- One parent families and multi-generational households were in the least favourable position with well over 40% regularly struggling to meet housing costs.

- Affordability was reported as the primary decision-making factor in housing choice, closely followed by location.

- 52% of all part time workers reported wanting more employment hours, a slight increase on 2019. 40% of this cohort regarded their financial position as poor or very poor and just under half did not have enough money left over for non-essential expenditure after paying housing costs.

Regional WA

- The proportion of households in regional WA paying over 30% of their income on housing rose from 34% in 2019 to 42% in 2021.

- In 2015, almost a quarter of all regional respondents rated their housing as unaffordable compared to just 14% in 2019 and 10% in 2021.

- The ability to meet essential and non-essential expenditure was very similar across metropolitan and regional locations.

- Regional households were slightly more likely to be regularly unable to meet housing costs, 26% compared to 23% of their metropolitan counterparts.

State comparisons of affordability

- Affordability has improved in all three States over the four BCEC surveys. QLD respondents rated their housing as the most unaffordable at 13% compared to 11% in WA and 10% in NSW.

- In 2015 WA was rated as the most unaffordable of the three States but is now rated as more affordable than QLD and almost on par with NSW.

- Regional WA has seen the biggest drop in the number of respondents regarding their housing as unaffordable, down 13%, and regional QLD the least, down 4%. Improvements in the metropolitan locations are very similar.

- Housing cost burdens are similar by State, despite different median rents and prices. Of those households paying rent or servicing mortgages in Perth, 40% pay more than 30% of their income in housing costs, with the equivalent figure being 45% in Sydney, 42% in Brisbane.

- Of those 423 respondents in the survey receiving CRA, 22% rated their housing as unaffordable compared to 18% of the 975 renters who did not receive the benefit. However, a greater proportion of CRA recipients rated their housing as affordable (38% compared to 31% respectively).

- CRA recipients are also paying a much higher proportion of their income on housing with 52% paying over 30% compared to 35% of other renters and just 22% of those in other tenures.

- A 10% increase in housing costs would have a major impact on 37% of households in WA compared to 38% in NSW and QLD, a slight improvement on 2019.

- Fewer Western Australian households have difficulty frequently meeting their housing costs (24% compared to 30% in NSW and 29% in QLD), while 11% of WA households have fallen behind on their mortgage compared to 12.5% in QLD and 16% in NSW.

- Almost 10% of WA homeowners could not afford to cover any maintenance, the highest of the three States, while 16% could afford up to $2,000 and a further 23% between $2,000 and $5,000. This means almost half of homeowners could not afford maintenance of over $5,000. The figures were very similar across the other two States.

- The proportion of respondents rating owner occupation as their preferred tenure rose dramatically in the last two years, up 18% in WA, 11% in NSW and 12% in QLD. In WA, 45% of current renters want to move into ownership compared to 35% in QLD and 31% in NSW.

- WA households are generally less willing to compromise on housing attributes, particularly when it comes to specific dwelling features.

Gender and household type

- Excluding couple households from analysis, there are significant differences in affordability outcomes between men and women, with women coming out worse under almost every measure.

- Compared to men, a greater proportion of women spent over 30% of their income on housing costs, women were less likely to be able to meet non-essential expenditure and save, were more were unable to meet housing costs and to have fallen behind in their mortgage/rent.

- Women were much more likely to have been forced into paying over 30% of their income on housing costs because there were no other options available (42% compared to just 34% for men).

- One parent family households are much more likely than other household types to have poor affordability outcomes. 1 in 5 one parent family households rate their housing an unaffordable and 40% are paying over 30% of their income on housing costs.

First home buyers

- First home buyers as a proportion of all new loan commitments are higher in WA than NSW and QLD, at over 40% for much of the last 10 years.

- The main barrier to home ownership is the deposit, with 70% of potential purchasers within the sample group citing this as the biggest issue.

- The main reasons for home purchase revolve less around financial issues and more around a sense of home, although there are differences depending upon when the household was purchased. New households (purchased in the last two years) were slightly more likely to have been bought as an investment (8% compared to 5%), more likely to have been bought because it was considered a better option than renting (24% compared to 18%) but far less likely to have been bought as a place to call home (18% compared to 27%).

- First home buyer grants were the most well-known incentive amongst all first home buyers, partly because they are one of the longest running incentives. Recent buyers were also aware of stamp duty relief, but a surprisingly small number considering the scale of the benefit. Less than a third of recent buyers were aware of more recent government incentives such as the First Home Super Savers Scheme (FHSS).

- Around half of first home buyers in the sample viewed the First Home Owner Grant (FHOG) as important in their purchasing decision.

- 48% of those who purchased in the last 6 months said government incentives allowed them to bring forward their decision to purchase, this compares to around 26% for those buying more than 5 years ago. 43% of very recent purchasers stated they would not have been able to buy without the incentives.

- A greater proportion of respondents favoured the current system of stamp duty over an annual land tax (33% compared to 12%) while by far the most popular option was the ability to choose either method of tax (55%).

- First home buyers were asked what they wished they had known before buying. Common responses included more knowledge about mortgage products, an understanding of the true costs of purchasing and running a dwelling as well as factoring into their decision changing household circumstances over time.

The private rental sector

- According to REIWA, median rents have increased around 15% between March 2020 and March 2021. In the survey over 40% of renters said a 10% increase in rent would have a major impact on their financial position. That would equate to over 100,000 households potentially vulnerable to sharp increases in rents.

- The proportion of private renters rating their housing as unaffordable has fallen from 30% in 2015 to 21% in 2021. There is no change on the 2019 figure. This means well over 50,000 private rental households are in what they regard as unaffordable housing and with rents currently rising, this figure could increase rapidly.

- In the survey, 45% of private renters had an income below $60k. Of these renters, 50% were paying over 30% of their income on housing costs so can be considered, using the traditional measure, to be in rental stress. Applying these figures to WA would mean around 55,000 households in rental stress.

- We asked all 1,333 private renters in the survey if COVID-19 made them feel less secure in their homes. 34% stated yes, ranging from 38% in QLD to 30% in WA. When asked if the rental moratorium made them feel more secure in their dwelling, 23% in WA, 20% in NSW and 17% in QLD stated it did.

The impact of COVID-19

- 20% of all respondents stated COVID-19 has changed what they want from their dwelling, ranging from 17% in WA up to 23% in NSW, with QLD in between the other two States.

- Multi-generational households were most likely to answer COVID-19 had changed what they want, with child-rearing couples the next most likely, followed by one parent families. Couples with no children were least likely.

- Only 4% of those over 65, and 8.5% of those 55-64, stated the pandemic had changed what they want from a dwelling. However, 30% of 35-44 and 29% of 25-34 answered yes, with these groups linked to child-rearing households.

- It was the higher income groups most likely to answer yes to the question with 30% of those earning over $175k, dropping steadily to just 14% for those earning under $31k.

- Over 40% of renters wanted to own their own place as a result of their COVID-19 experiences, while 40% of owners and a third of renters wanted more outdoor space. 30% of owners and 27% of renters wanted more indoor space.

- The survey asked respondents whether the pandemic had changed the way that they worked and almost 42% replied yes. By State, the yes answer ranged from 47.5% in NSW down to 35% in WA, with QLD once again in the middle. The most common change was reported as working from home more often (47%).

Policy discussion

- State government should increase investment in social housing to deliver at least 2,000 dwellings per annum to address existing and future housing need. Social housing development will also support the housing industry which might be necessary when the impact of COVID-19 housing stimulus measures comes to an end.

- State government should provide financial support to private renters struggling to maintain their existing tenancies and fund the delivery of temporary private rental accommodation, especially in regional areas, to support local households, businesses and communities.

- State government should increase funding support for private sector and not-for-profit organisations delivering small scale affordable housing opportunities for low-income households. It should also increase funding for initiatives to tackle homelessness such as housing first projects.

- The Commonwealth and State governments should implement tax reform to create the conditions for large scale 'build to rent' developments, ideally in partnership with government and the community housing sector in order to secure an element of affordable rental housing within such developments. Stamp duty reform is also necessary to increase household mobility and improve upfront affordability.

- The Commonwealth government should deliver CRA and income support reform to lift households in the private rental sector out of housing stress and reduce pressure on social housing and homelessness services.

- The Western Australian government should continue planning reform and guidance to encourage more dwelling diversity across the State, delivering housing options for households across the income spectrum. Design guidelines, such as the medium density design codes, while recognising the importance of good quality design must also factor in design flexibility for lower value areas to enable the delivery of quality, but affordable dwellings.

- Following Victoria's lead, the State government should carefully design a system to generate community benefit from any windfall gains resulting from re-zoning. These gains should be carefully and transparently directed to deliver a range of affordable housing products including social housing, key worker housing and discounted market rental dwellings.

INTRODUCTION

The COVID-19 pandemic has had profound health, economic and societal consequences across the world, with unprecedented impacts on global markets.

The actions taken in response to a health crisis of an extraordinary scale, with lockdowns put in place to control the spread of the pandemic, have necessarily affected economic activity like never before.

Economic markets moved into uncharted territories as a result of the pandemic, and the need for radical and substantial stimulus became very quickly evident to governments around the world.

The housing market is no exception, with state and Federal governments putting measures in place to stimulate construction and housing market activity, and to support jobs within and outside the building and construction sectors.

This latest report in the Bankwest Curtin Economics Centre's Focus on Western Australia report series explores the real costs of housing in Western Australia, including a special analysis of housing market activity and housing affordability over the course of the pandemic.

Using the latest available data, this report seeks to identify and explain recent trends in the state's housing market.

It shows how affordable housing options vary spatially, and examines the degree to which the housing market in the state is meeting the aspirations of West Australian households on different incomes, and with different characteristics and needs.

The report includes findings from the fourth BCEC Housing Affordability survey that sheds new light on the trade-offs WA householders have made to afford their current home.

A long held perception is that housing affordability in the state has spiralled out of control, with rents along with house prices escalating at a rate that many households find hard to keep pace with.

Our research asks to what extent this is true, and assesses which households feel the greatest financial pressure from housing costs.

And the report looks specifically at the degree to which housing market outcomes have changed in light of the significant government support and stimulus in the housing sector.

How has housing construction and supply held up over the course of the pandemic? Are there more or fewer first home buyers entering the market?

And has COVID-19 changed what people want from their housing choices?

The report invites discussion on how to improve the situation and the policy interventions required to promote greater access to affordable housing in Western Australia.

"ONE OF THE MAIN STORIES TO EMERGE FROM WA'S ECONOMIC RECOVERY OVER THE COURSE OF THE COVID-19 PANDEMIC HAS BEEN **THE STRENGTH OF ACTIVITY IN THE STATE'S HOUSING MARKET**, AND ESPECIALLY IN THE GROWTH IN DEMAND FOR DWELLING PURCHASES OVER THE LAST YEAR."

A SNAPSHOT OF THE HOUSING MARKET IN WESTERN AUSTRALIA

INTRODUCTION

One of the main stories to emerge from WA's economic recovery over the course of the COVID-19 pandemic has been the strength of activity in the state's housing market, and especially in the growth in demand for dwelling purchases over the last year.

These trends have been driven in part by a growing confidence among home buyers and investors, supported by low interest rates and an improving labour market.

But the Building Bonus and HomeBuilder measures put in place by State and Federal govenments from the latter half of 2020 have provided the main stimulus for the growing housing market activity we've seen in WA.

This financial support has encouraged both existing owners and first home buyers to consider new dwelling purchases. However, a tight rental market with historically low vacancy rates have put pressure on rental costs, at least over the short-term before new housing supply comes on stream.

These issues are examined in detail later in this report, but beforehand, we look at some broad indictors that capture recent trends in WA's housing market activity.

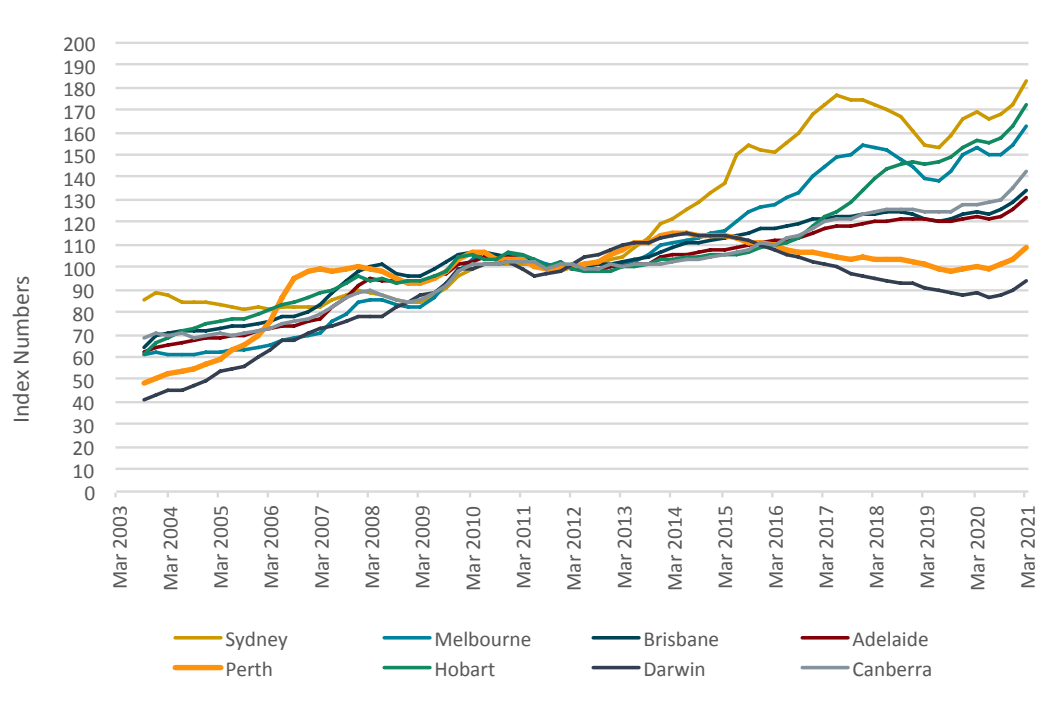
HOUSING AFFORDABILITY IN WESTERN AUSTRALIA

To start this section, we look at how property prices compare over time in WA and across Australia, using the ABS Residential Property Price Index (RPPI).

This ABS index aggregates price changes for established houses and attached dwellings, and is scaled to 100 in 2012 for each jurisdiction, and so does not allow for *absolute* comparisons of prices across states. However, the RPPI does provide a useful comparison of *relative* changes in property prices over time.

FIGURE 1

Residential Property Price Index by state and territory: WA and Australia, 2003 to 2021



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Residential Property Price Index Cat 6416, Table 1.

Perth's residential property price index has risen 9.6 per cent between December 2019 and March 2021.

Perth now ranks third among states for annual growth in the price of established house, behind Hobart (+6.6% over the year) and Sydney (+5.3%).

For attached dwellings, the growth in prices over the last year has generally been more modest – around 0.9 per cent in Perth, and 1 per cent in Sydney and Brisbane.

Property prices for Perth have shown a gradual decline between 2014 and 2019 (Figure 1), with the Perth RPPI falling more than 14 per cent from a high of 114.8 in June 2014 to 98.5 in September 2019.

This trend reversed convincingly from the end of 2019 - Perth's residential property price index has risen 9.6 per cent to 109.2 between December 2019 and March 2021.

We noted that the RPPI measure combines price movements for established houses, and for attached or multi-residential dwellings.

To look at how each has contributed to the overall change in property prices across the country, Figure 2 compares the percentage change in price indices for established houses (the LHS panel) and attached dwellings (the RHS panel) in each state and territory.

What's immediately apparent is that recent property price inflation in Perth has been driven more by growth in the price of established houses than attached dwellings, over a longer period.

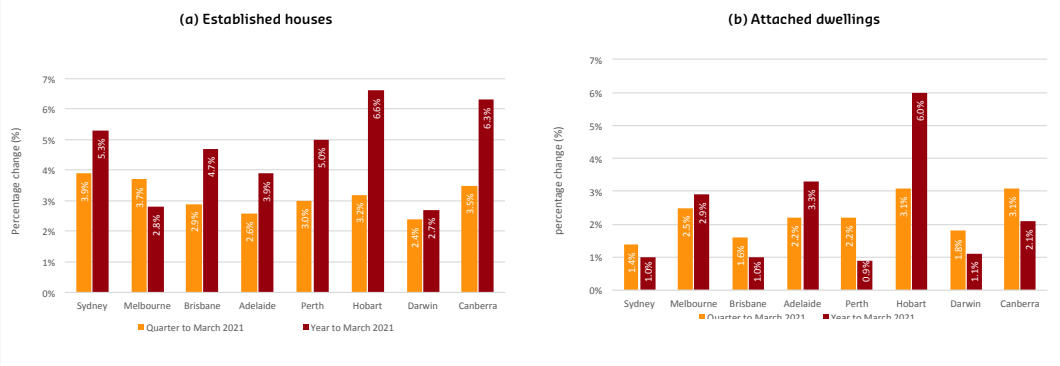
The price index for established houses in Perth rose by 3 per cent over the March 2021 quarter, and by 5 per cent compared to a year ago. Perth now ranks third among states for annual growth in the price of established house, behind Hobart (+6.6% over the year) and Sydney (+5.3%).

For attached dwellings, the growth in prices over the last year has generally been more modest – around 0.9 per cent in Perth, and 1 per cent in Sydney and Brisbane.

Hobart has seen prices for attached dwellings grow far more substantially, by 6 per cent over the year. And Melbourne prices over the year have risen 2.9 per cent, with most of the growth in the Victorian capital taking place in the March 2021 quarter as lockdown measures eased.

FIGURE 2

Change in price of established housing and attached dwelling by state and territory: Quarter and year to March 2021



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Residential Property Price Index Cat 6416, Tables 2 and 3.

TRENDS IN HOUSING MARKET ACTIVITY

Recent price and rent rises are a function of substantial population growth from people returning to WA from interstate and overseas as a result of COVID-19, but also pent up demand from households that have waited for prices to rise before making a purchase decision, together with a lower interest rate environment.

A lack of new supply, with dwelling completions having dropped dramatically from their 2015 peak (Figure 1), and a shortage of listings on the established market have also contributed to price and rent rises.

The HomeBuilder and Building Bonus programs have stimulated new supply, in the detached dwelling market at least, and dwelling commencements have jumped dramatically as a result, back to levels reflecting the 10-year average.

This will feed through into completions over the next 12-18 months adding new housing supply (HIFG 2021). The extent to which this new supply eases pressure on the private rental market is uncertain as it depends just how many households that have taken advantage of grants to build a new dwelling are currently in the private rental sector.

There were 16,391 new build HomeBuilder applications in WA compared to 16,266 in NSW and 21,871 in QLD[1] and a further 22,671 WA Building Bonus applications[2].

If half of these applications are from households in the private rental sector, and assuming an overlap of HomeBuilder and Building Bonus applications, there could be around 10,000 households leaving the private rental market over the next 6-12 months. This will certainly ease pressure on what is a very tight rental market, but this will only happen gradually, providing little relief to those tenants currently searching for accommodation or dealing with rent increases.

The impact will also be nowhere near uniform. Much of the new stock will be delivered in outer areas and while some tenants will move from inner areas to their new home, freeing existing stock, it is more likely more rental stock will be released closer to where the buyers live, given traditional, localised moving patterns.

The extent of the impact of HomeBuilder on the private rental market will also depend on population growth going forward and also the extent to which the multi-residential market recovers to deliver new supply into the market.

Conditions in the rental market will also depend upon the decisions of existing landlords. Given returns have been poor for the last five years, many landlords may take the opportunity to divest of their assets in a time of rising prices. This will not make a difference to the rental stock if the dwelling is purchased by a current renter or an investor, but if it is purchased by an owner occupier who is not a current renter it will remove a rental property from the stock.

There were 16,391 new build HomeBuilder applications in WA compared to 16,266 in NSW and 21,871 in QLD and a further 22,671 WA Building Bonus applications.

Assuming an overlap of HomeBuilder and Building Bonus applications, there could be around 10,000 households leaving the private rental market over the next 6-12 months.

1 https://treasury.gov.au/coronavirus/homebuilder.

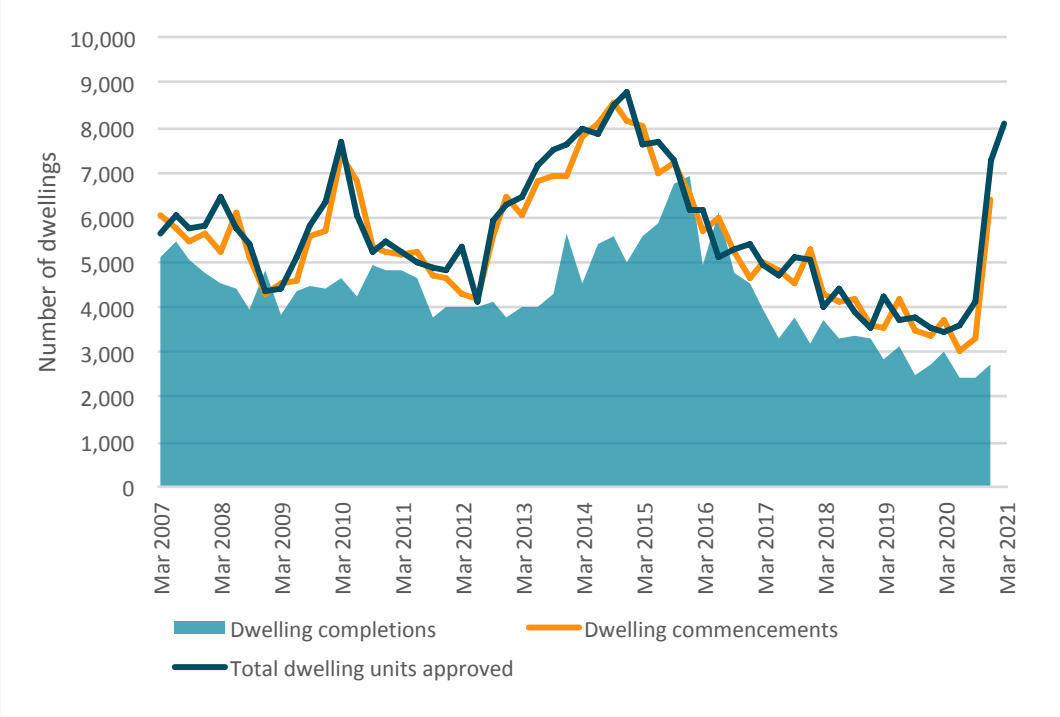
2 https://www.watoday.com.au/national/western-australia/wa-building-watchdog-inundated-with-contract-concerns-in-wake-of-stimulus-fuelled-building-boom-20210419-p57kia.html.

Nearly 11,000 dwellings were approved in WA between January and April 2021. This compares to under 4,800 approvals over the first four months of 2020.

There is every reason to suppose that completions will continue to rise, and more new dwellings will come on stream, for most of 2022.

FIGURE 3

Dwelling approvals, commencements and completions: WA, 2007 to 2021



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Cat. 8752 Building Activity (Table 38).

The growth in the number of dwellings approved in WA has been exceptional – rising by 118 per cent in April 2021 compared to the same month last year, and far exceeding the equivalent national rate.

In fact, nearly 11,000 dwellings were approved in WA between January and April 2021. This compares to under 4,800 approvals over the first four months of 2020.

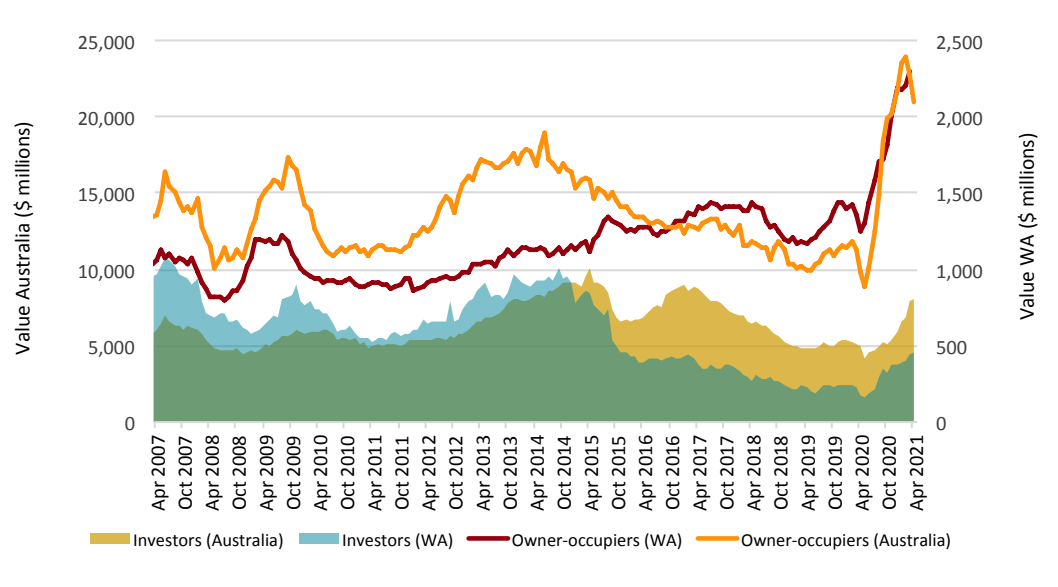
And Figure 3 also provides evidence to support the projection of WA's Housing Industry Forecasting Group (HIFG) that dwelling approvals will take between 12 to 18 months to feed through to completions.

The last sustained period of accelerated growth in approvals peaked at the end of 2014, while the corresponding peak in completions occurred a year later, in the December 2015 quarter.

With a more rapid growth rate in approvals in WA from the end of 2020, and given the more severe pressures that causes the construction sector in meeting this accelerated demand, there is every reason to suppose that completions will continue to rise, and more new dwellings will come on stream, for most of 2022.

FIGURE 4

Value of new housing finance commitments to owner-occupiers and investors: WA and Australia, 2011 to 2021



Source: Bankwest Curtin Economics Centre | Sourced from BCEC Quarterly Economic Commentary (June 2021) using ABS Cat 5601, Tables 4 and 14.

The huge rise in dwelling approvals, driven by housing stimulus measures, has naturally translated into a growth in housing loan commitments as people seek to finance their property purchases.

Housing loans in WA reached a historic peak in February 2021, with around $2.4 billion in loans allocated to the housing sector – twice the value of the previous year (Figure 4).

The value of housing loans to owner-occupiers in WA fell by $123 million in March 2021, and by a further $180 million April 2021 – the first time that housing loans have dropped in value since the HomeBuilder and Building bonus grants schemes were announced.

Nevertheless, monthly housing loan commitments to WA's owner-occupiers are still well ahead of the ten-year average.

Housing investor activity took a significant hit across Australia during the initial phases of the COVID-19 lockdown.

But confidence among prospective housing investors is recovering strongly both in WA and nationally – no doubt bolstered by low interest rates and housing stimulus measures, and particularly in WA because of the state's broader economic recovery.

Housing loans to investors in WA have progressively increased in value from the second half of 2020, reaching $452 million in April 2021 (the darker area graph in Figure 4). This represents the highest loan commitment to housing investors in WA since 2015.

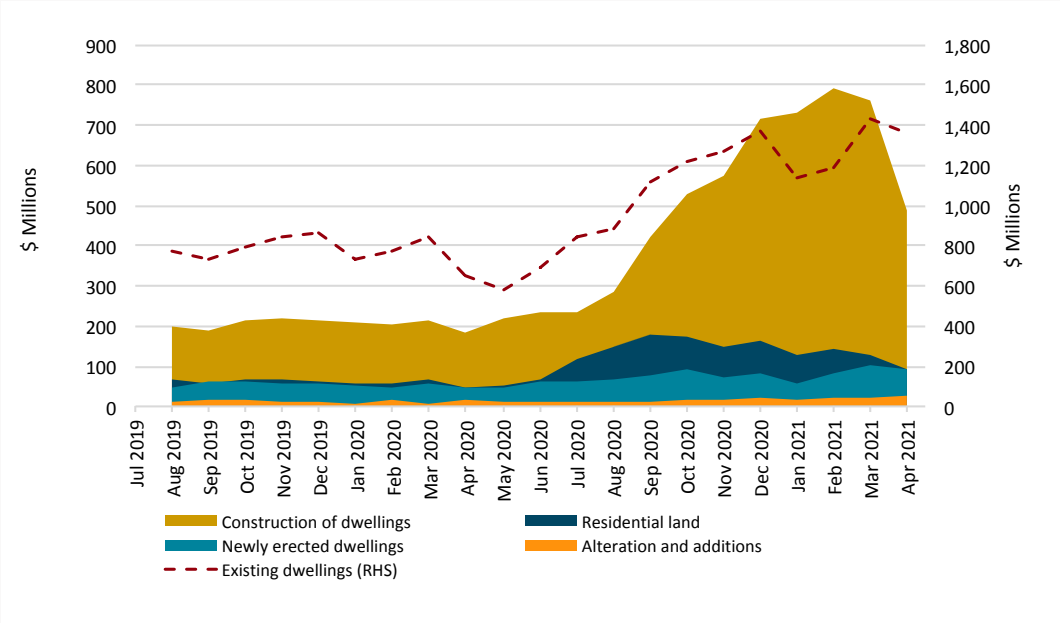
Housing loans in WA reached a historic peak in February 2021, with around $2.4 billion in loans allocated to the housing sector – twice the value of the previous year.

The value of housing loans to owner-occupiers in WA fell by $123 million in March 2021, and by a further $180 million April 2021 – the first time that housing loans have dropped in value since the HomeBuilder and Building bonus grants schemes were announced.

Housing loans to investors in WA have progressively increased in value from the second half of 2020, reaching $452 million in April 2021, the highest loan commitment to housing investors in WA since 2015.

FIGURE 5

Value of new housing finance commitments to WA owner-occupiers: by detailed purpose, 2019 to 2021



Source: Bankwest Curtin Economics Centre | Sourced from BCEC Quarterly Economic Commentary (June 2021) using ABS Cat 5601, Tables 4 and 14.

A breakdown of housing loans to owner-occupiers by purpose (Figure 5) shows the extent to which loan commitments for new dwelling construction have risen in value over the latter half of 2020 and into 2021.

The value of loans for new dwelling construction reached historic monthly highs well in excess of $700 million for each of the four months from December 2020 to March 2021.

But there is also evidence that the huge demand for housing finance is starting to subside, for the first time since the housing stimulus measures were announced.

Loans for new dwelling contruction fell 35 per cent in value to $488 million in April 2021 compared to a month earlier.

Loans for the purchase of residential land topped out at nearly $177 million in September 2020, but have also fallen to around $92 million by April 2021

Despite this, the strong demand for loans among investors, as well as the persistently high demand for existing dwellings, give some encouragement that the growth in housing investment activity in WA will continue throughout 2021 and well into 2022.

THE EFFECTS OF THE COVID-19 STIMULUS ON FIRST HOME BUYERS

Both Commonwealth and State governments were quick to respond to the COVID-19 pandemic and protect jobs in the housing industry through generous incentives to encourage new house building.

Table 1 describes the various consumer-based stimulus measures implemented across the three States covered in this report, and also includes existing purchasing incentives.

Generally, the measures were successful in that they did protect and create jobs, although there was a missed opportunity for large scale investment in social housing (Rowley *et al.*, 2020).

In WA, the State government did commit over $400m through the Social Housing Economic Recovery Program (SHERP) for delivery of up to 250 new dwellings, refurbishment of up to 1,500 existing dwellings and an extensive maintenance program.

The Commonwealth housing contribution was mainly through home ownership incentives, in stark contrast to the Rudd government's $5.64bn Social Housing Initiative in response to the Global Financial Crisis which directly delivered around 20,000 social housing dwellings across the country (Rowley *et al.*, 2020).

TABLE 1

Home ownership incentives: October 2020

	WA	NSW	QLD
	$25,000	$25,000	$25,000
Federal HomeBuilder grant	$20,000	N/A	N/A
Home building boost	$10,000	$10,000	$15-20,000
First-home buyer grant	Yes	Yes	Yes
Stamp duty concession	71	71	67

Source: Bankwest Curtin Economics Centre | Adapted from Rowley *et al.* (2020)

The combined impact of these home ownership incentives is clear to see from pretty much all of the housing market indicators examined in this report.

And the stimulus measures have been far more popular than anticipated.

According to the WA Department of Finance, nearly 25,200 Building Bonus applications had been received as at 29 April 2021. And figures from Commonwealth Treasury report 17,752 HomeBuilder grant applications among prospective WA home buyers to 9 April 2021.

This has created something of a backlog in processing applications, with only 3,944 (15.7%) of Building Bonus applicants having been awarded the $20,000 grants.

The new housing stimulus measures add to existing supports that incentivise new home purchases, with first home buyers in particular benefiting from the increased levels of financial support on offer, and the lower barriers to entry.

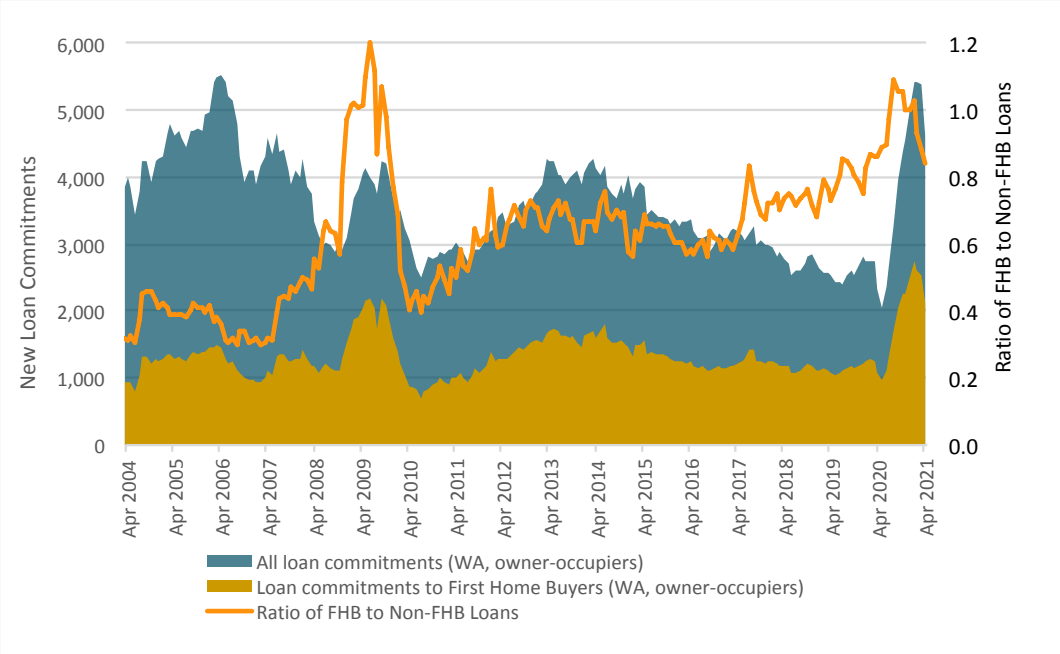
But to what extent have these incentives worked in attracting more first home buyers to enter the housing market?

More than 22,000 new housing loans to first home buyers (FHB) in Western Australia were approved in the 10 months between July 2020 and April 2021 - nearly double the number of FHB housing loans compared to the equivalent period a year earlier.

More housing loans were committed to First Home Buyers than non-FHBs in WA in each month from August 2020 to January 2021.

FIGURE 6

Number and share of new loan commitments to first home buyers: WA, 2004 to 2021



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Cat 5601 Lending Indicators, Tables 9 and 24.

More than 22,000 new housing loans to first home buyers (FHB) in Western Australia were approved in the 10 months between July 2020 and April 2021 - nearly double the number of FHB housing loans compared to the equivalent period a year earlier (Figure 6).

At the height of the demand for finance, more than 2,700 new loans to first home buyers were committed in January 2021, although demand has since dropped off to a degree.

Both the Building Bonus and HomeBuilder grant schemes provide general incentives to prospective home buyers, and neither made specific provisions for first home buyers alone. Nevertheless, when added to the First Home Owners Grant scheme, the combination of supports have proven especially attractive to those entering the housing market for the first time.

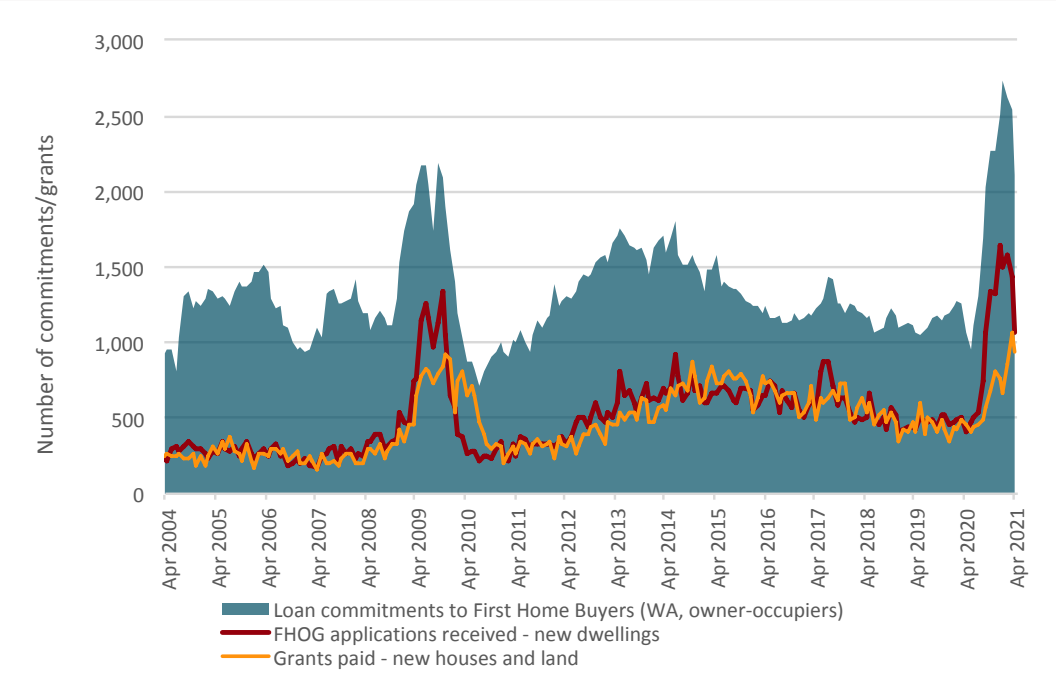
More housing loans were committed to First Home Buyers than non-FHBs in WA in each month from August 2020 to January 2021 (Figure 6).

This is the first time we've seen first home buyers receive a greater share of new home loans since the First Home Owners Boost (FHOB) scheme was made available to prospective home buyers by the Federal Government between 2008 and 2009.[3]

[3] The First Home Owners Boost was introduced by the Federal Government as a stimulus measure to mitigate the effects of the Global Financial Crisis, and made $14,000 available to first time purchasers buying or building a new home, and provided $7,000 towards the price of established houses.

FIGURE 7

Number and share of new loan commitments to first home buyers: WA, 2004 to 2021



Source: Bankwest Curtin Economics Centre | Sourced from WA Department of Treasury – First Home Owner grant data, April 2021.

The number of applications to the WA Government for the First Home Owners Grant (FHOG) scheme more than tripled to 1,585 in February 2021 compared to a year earlier.

The popularity of the Building Bonus and HomeBuilder measures have also led to growth in demand among first home buyers for existing supports.

The number of applications to the WA Government for the First Home Owners Grant (FHOG) scheme more than tripled to 1,585 in February 2021 compared to a year earlier (Figure 7). This broadly matches the trajectory of housing loan commitments.

The number of First Home Owners grants paid has also risen, but not to the same degree. FHOGs awarded in February 2021 came to 854, double the number for February 2020.

This highlights the same challenges being faced in managing the approvals processes for the Building Bonus and HomeBuilder grants.

RENTAL MARKET TRENDS

A long held perception is that rental costs in Western Australia have escalated along with house prices, creating challenges for many households to meet rising rental costs alongside other cost of living pressures.

In this section of the report, we test this perception by examining broad trends in rental costs in Western Australia compared to other jurisdictions around Australia.

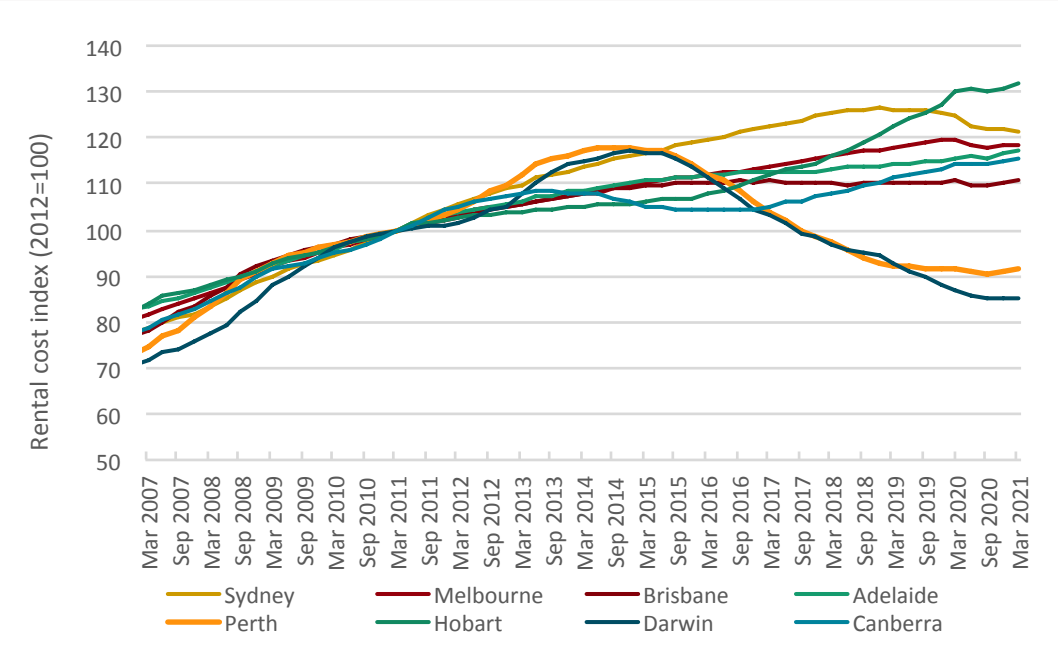
In particular, we look at how rental costs have changed over time across Perth's suburbs, and in regional areas of the state.

Rental vacancies are increasingly hard to find, especially in Greater Perth, with the shortage of affordable rental supply creating challenges for those seeking to relocate within the state, and those returning to Western Australia from interstate.

This report looks comparatively at the relationship between vacancy rates and rental costs in Perth compared to the other state capitals, and examines whether WA is facing different pressures compared to the rest of the country in relation to rental availability and affordability.

FIGURE 8

Rental cost CPI: states and territories, 2007 to 2021



Source: Bankwest Curtin Economics Centre | Authors' calculations from ABS Cat 6401 CPI by sub-groups (Tables 9).

The ABS maintains a CPI series that gives a broad indication of relative rental cost movements over time, and Figure 8 charts these trends across Australia's eight capital cities since 2007.

According to this index, Perth's rental costs have declined gradually from a peak in 2012 up to the start of the COVID-19 pandemic in early 2020. Darwin has experienced a similar pattern over the same period, with other capital cities enduring a more consistent growth in rental costs over the last decade.

Significantly, however, the Perth rental CPI index is showing a return to rental cost inflation from the latter half of 2020, and rose by 0.7 per cent in the quarter to March 2021.

However, the biggest increase may yet be to come. With the moratorium on rents and evictions having expired in March 2021, and vacancy rates in Perth currently sitting below 1 per cent, there are risks of further increases in rental costs over the remainder of 2021 unless constraints in the supply of affordable rental stock eases.

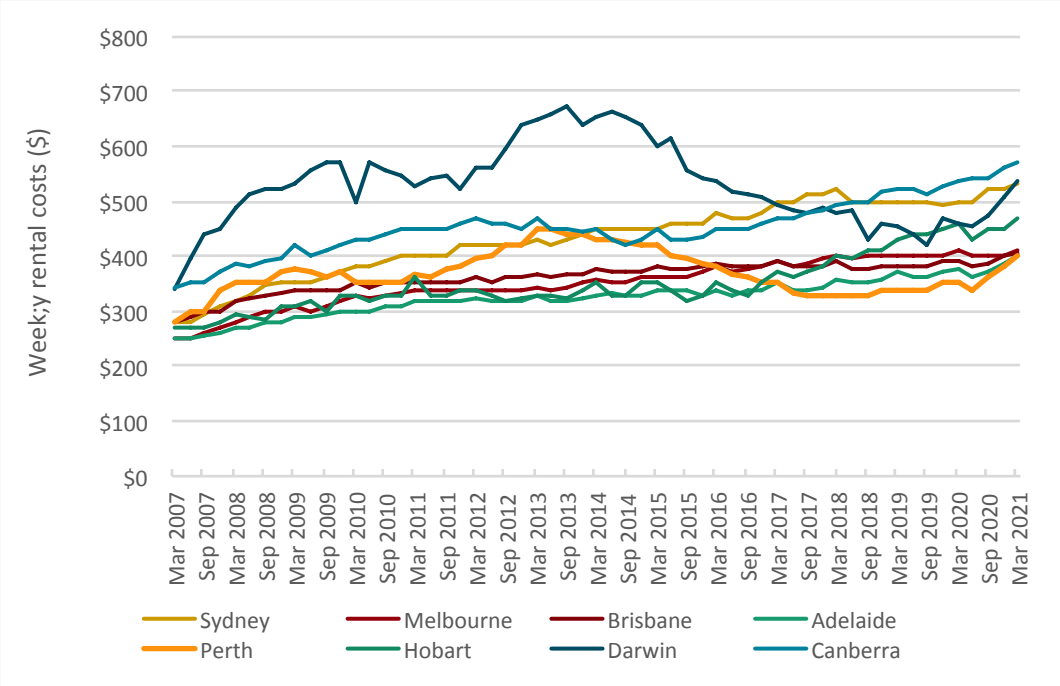
Typical costs in Perth for a three-bedroomed property peaked at $450 per week in June 2013 – the highest across state capitals.

Over six quarters from September 2020 to March 2021, the weekly cost of a three-bedroomed rental property in Perth has risen by $60, from $340 to $400.

Rental costs for a three-bedroomed property has increased by 17.6 per cent in over the last eighteen months, the highest percentage increase of all capital cities apart from Darwin (at 28.2%).

FIGURE 9

Median rents (three-bedroomed house): states and territories, 2007 to 2021



Note: Median rental costs and vacancy rates are sourced from data produced by the Real Estate Institute of Australia (REIA). Data are for Perth metro area.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 and REMF-11 (2021).

As for other cost indices, the rental CPI series can't be used for a true comparison of rental costs across jurisdictions.

However, the Real Estate Institute of Australia (REIA) maintain a quarterly series that records the typical (median) dollar cost of new rentals for three-bedroomed rental properties across Australia.

The rental cost pattern for Perth using the REIA measure is similar to the ABS rent CPI series (Figure 9).

Typical costs in Perth for a three-bedroomed property peaked at $450 per week in June 2013 – the highest across state capitals, level with Canberra and behind only Darwin.

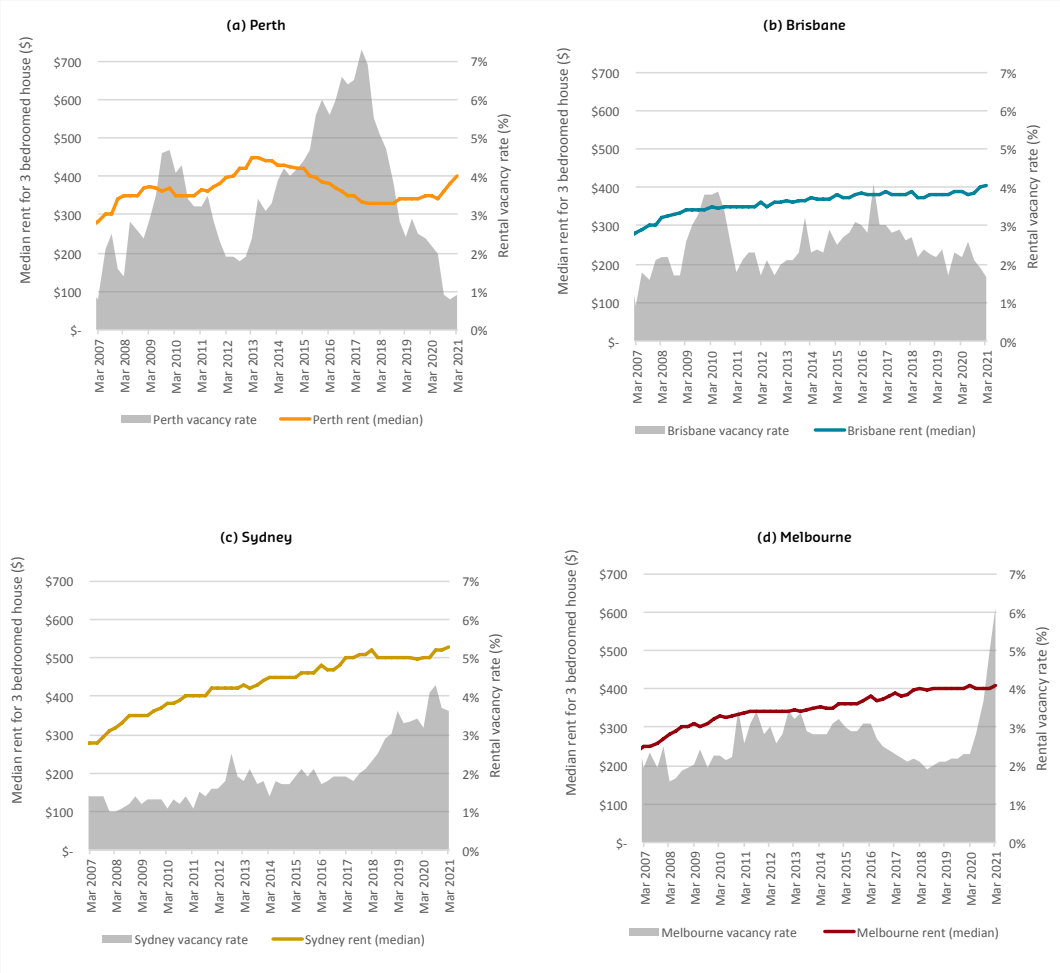
Rental costs in Perth for three-bedroomed houses gradually fell from the 2013 peak to a typical $330 per week by the end of 2018 – the lowest of all state and territory capitals – but have since risen sharply.

Over six quarters from September 2020 to March 2021, the weekly cost of a three-bedroomed rental property in Perth has risen by $60, from $340 to $400.

This indicates that rental costs for a three-bedroomed property has increased by 17.6 per cent in over the last eighteen months, the highest percentage increase of all capital cities apart from Darwin (at 28.2%).

FIGURE 10

Median rents (three-bedroomed house) and vacancy rates: selected states, 2007 to 2021



Note: Median rental costs and vacancy rates are sourced from data produced by the Real Estate Institute of Australia (REIA). Data are for Perth metro area.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 and REMF-11 (2021).

One of the key market drivers for rental costs is the number of properties available to prospective renters – the vacancy rate.

In Figure 10 we show the relationship between vacancy rates and rental costs for Perth, and for Brisbane, Sydney and Melbourne to provide a comparison.

The relative fluctuation in vacancy rates in Perth is remarkable. From a peak of 7.3 per cent in June 2017, the vacancy rate in Perth has fallen dramatically and now sits at 0.9 per cent as at March 2021.

This analysis tells a clear story. A critical shortage of available rental properties in Perth is forcing rental costs to rise.

There is a huge imperative to bring more rental properties onto the Perth market to release the upward pressure on rental costs.

From a peak of 7.3 per cent in June 2017, the vacancy rate in Perth has fallen dramatically and now sits at 0.9 per cent as at March 2021.

There is a huge imperative to bring more rental properties onto the Perth market to release the upward pressure on rental costs.

"TYPICAL **HOUSING COST BURDENS VARY SUBSTANTIALLY** FOR DIFFERENT RENTER AND HOMEOWNER GROUPS OVER TIME ACCORDING TO SOCIO-ECONOMIC SITUATION."

HOUSING AFFORDABILITY IN WESTERN AUSTRALIA: A LOCAL AREA ASSESSMENT

INTRODUCTION

Typical housing cost burdens vary substantially across locality in Perth and Western Australia, both for homeowners and those in rented accommodation.

In this section, we look at the spatial distribution of house prices in Western Australia at a more detailed suburb-level analysis, and examine how transaction prices and volumes have changed since the Centre's previous Housing Affordability report in 2019.

Data has again been supplied by REIWA, and allows us to explore price movements for sub-regional areas within Perth as well as the state's main regional urban centres.

THE SPATIAL DISTRIBUTION OF HOUSE PRICES IN WA

In Figure 11, 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 2020. 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 2020 for each sub-regional area of metropolitan Perth.

The map shown in Figure 11 again highlights the huge variety of transactions prices across areas of Perth metro, with prices highest 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.

At the top end of the market, houses in Peppermint Grove attracted a median transaction value of $2.9 million in 2020, with Dalkeith ($2.6 million) and Cottesloe ($2.2 million) also featuring amongst the most expensive suburbs. Bullsbrook ($619,000) and Serpentine ($640,000) have grown significantly since 2018.

Towards the north of Perth, Butler ($243,653) and Joondalup ($321,250) are showing larger sales volumes with lower median transaction values since 2018, while the sub-regional areas of Rockingham ($235,500) to the East and south to Mandurah ($280,000) are more affordable still, but further from Perth city.

Transaction volumes have continued to be 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 2018 BCEC Housing Affordability study, Figure 12 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.

Median transactions values in the Western suburbs have grown moderately over the period, and there has been a major surge in prices in regional areas, from Serpentine in the south (44.6% higher at $640,000 in 2020), Bullsbrook in the north east (89.9% higher at $619,000), and Newmanfar to the north (45.5% higher at $240,000) Closer to the city, North Fremantle, where the transaction value is $1,175,000, grew by 32.7% since 2018.

At the top end of the market, houses in Peppermint Grove attracted a median transaction value of $2.9 million in 2020, with Dalkeith ($2.6 million) and Cottesloe ($2.2 million) also featuring amongst the most expensive suburbs.

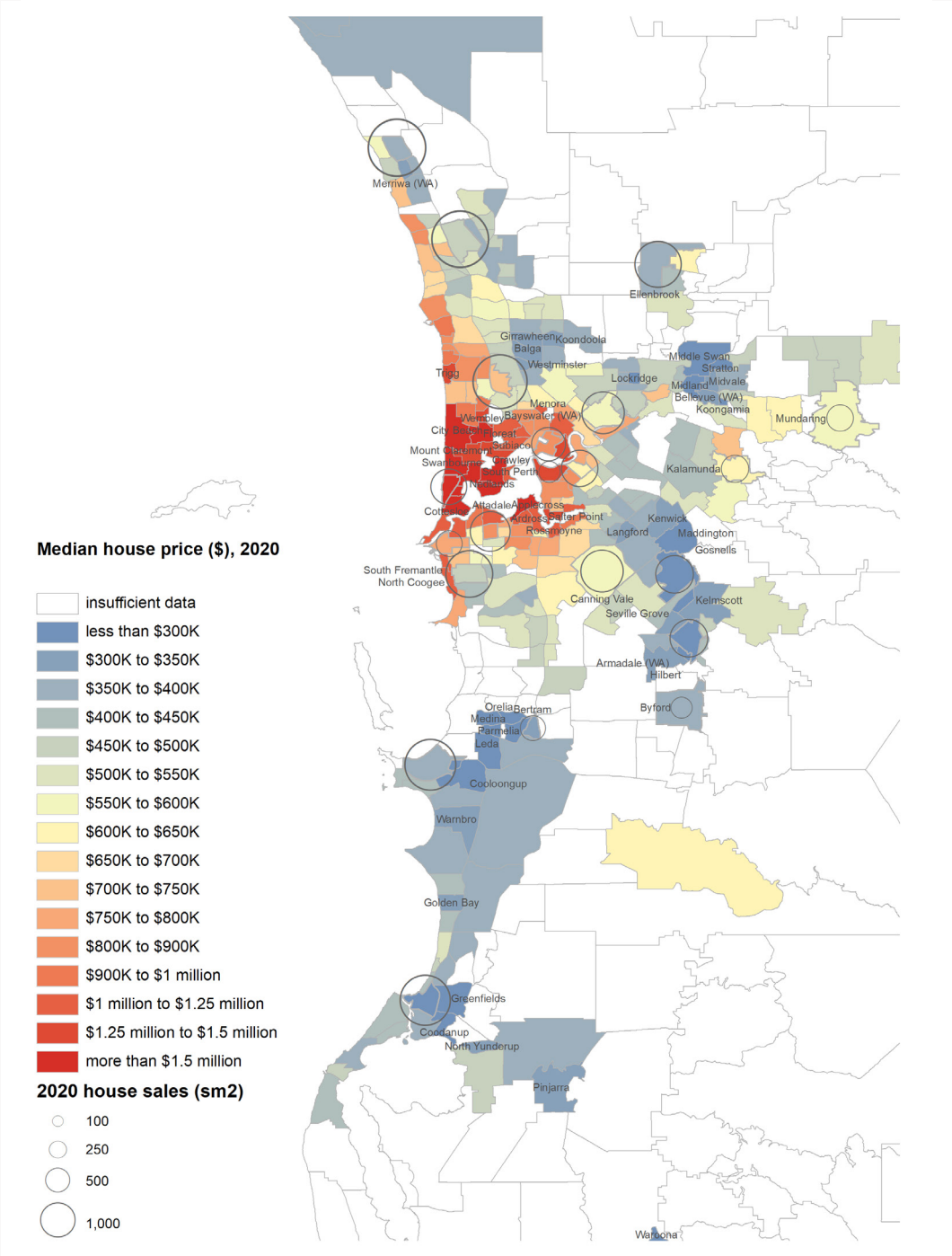
Towards the north of Perth, Butler ($243,653) and Joondalup ($321,250) are showing larger sales volumes with lower median transaction values since 2018.

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

Median transactions values in the Western suburbs have grown moderately over the period.

FIGURE 11

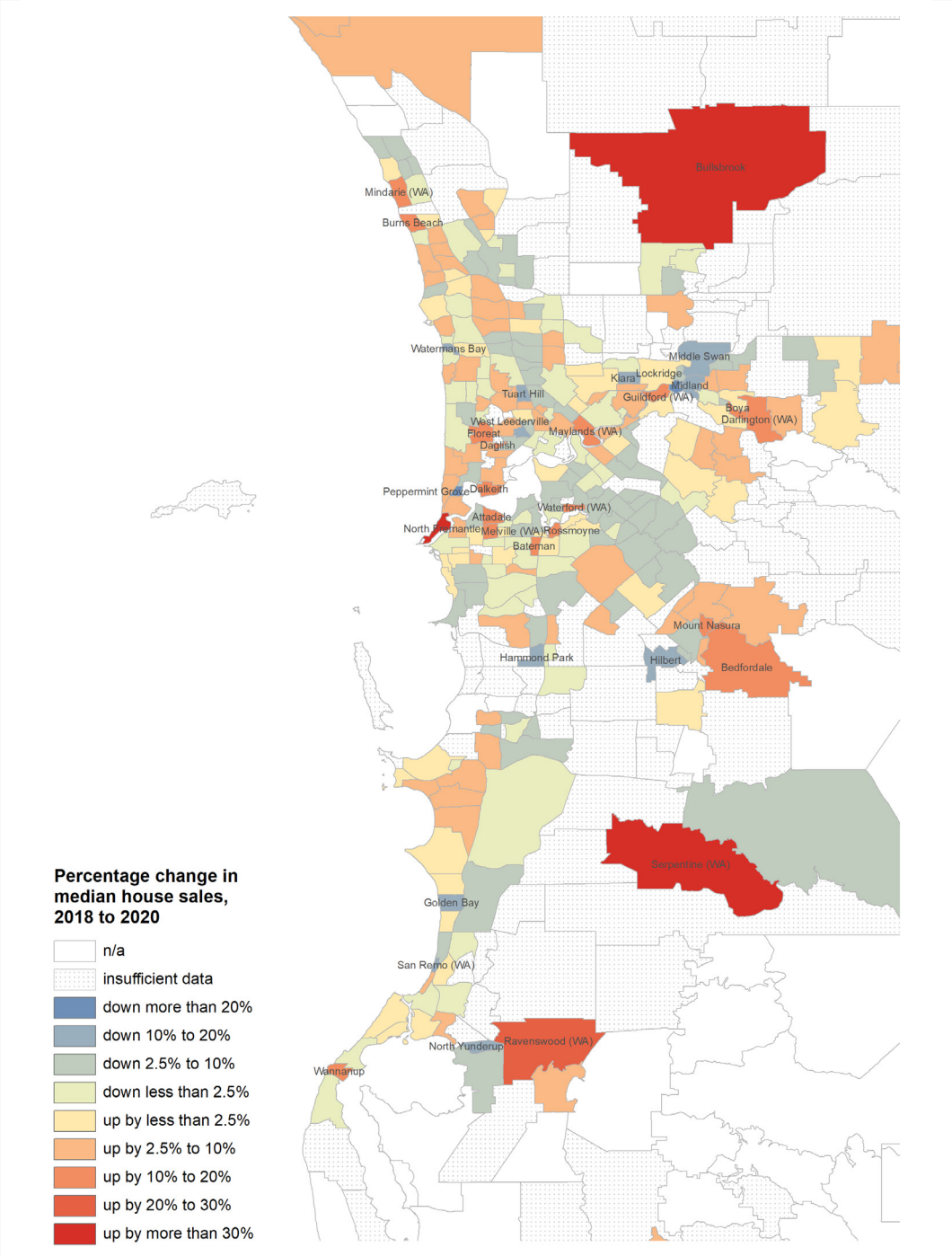
Median price of all established houses, by Perth metropolitan suburb: 2020



Note: House prices are 2020 median prices for all established for each REIWA regional sub-market.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on REIWA data.

FIGURE 12

Median established house price growth – 2020 compared to 2018



Note: House prices are 2020 and 2018 median prices for all established houses for each REIWA regional sub-market. Suburbs with less than 20 transactions are removed.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on REIWA data.

Figure 13 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 2020 for units compared to houses (Figure 11) although it can vary based on area.

The median transaction value for multi-residential units in the Perth metropolitan area rose to $405,000 and remains below $300,000 for units in a host of suburbs to the north (for example, Butler at $243,653.5), north east (Mirrabooka at $215,000) and south east (Gosnells at $208,000).

The same was true of multi-residential unit transactions in Rockingham (at $235,500), and Mandurah (at $280,000), however Baldivis has seen a heavy appreciation since 2018 ($311,500). The most expensive sales of multi-residential units took place in Broadwoord (with a median 2020 transaction value of $835,000), Dalkeith ($810,000), and Trigg ($807,500). Notably, Broadwood's median unit transaction value was higher than its median housing transaction value ($580,000). Prices in parts of the northern suburbs like Trigg and Iluka ($715,000) have seen a sharp increase from 2018.

Sales volume data for multi-residential units (shown as rings in each of the subregional areas on Figure 13) has seen a sharp decline since 2018, with 1,306 new unit sales in the locality of Perth City, 807 transactions in Stirling and 554 in East Victoria Park.

The map in Figure 14 shows how the median transaction values for multi-residential units has changed since 2018, and shows a pattern of lower transaction values to the north of Perth City, towards Kallaroo (with 2021 median transaction value for units lower by 30% at $250,000),to the south east in Armadale (25% lower at $165,000), and the far south in Halls Head (28% lower at $277,000).

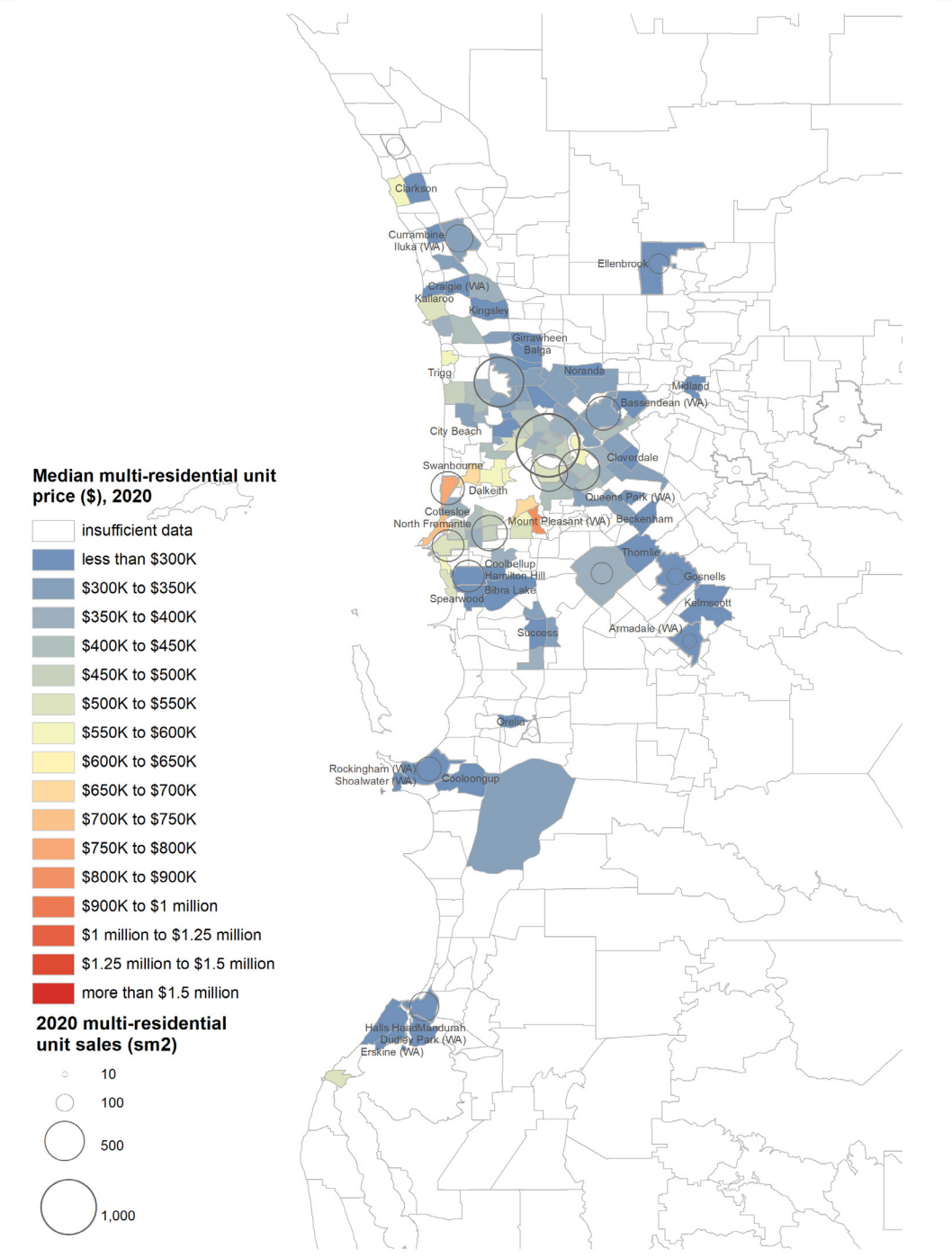
Some other areas have experienced large percentage increases in transaction prices for units. Mount Pleasant (higher by 47% at $800,000) and Baldivis (31% higher at $311,500). By far the largest price appreciation was in Bulgarra, with a rise of 126%, albeit the prices relative to other suburbs remain fairly low at $210,000.

REIWA collects sales data for major regional urban centres. The median price of established houses in these centres for 2018 are mapped in Figure 15 to better understand the spatial distribution of housing transactions across the State.

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 Kalgoorlie reflecting the changing fortunes of the resources sector in the Mid West and Goldfields.

FIGURE 13

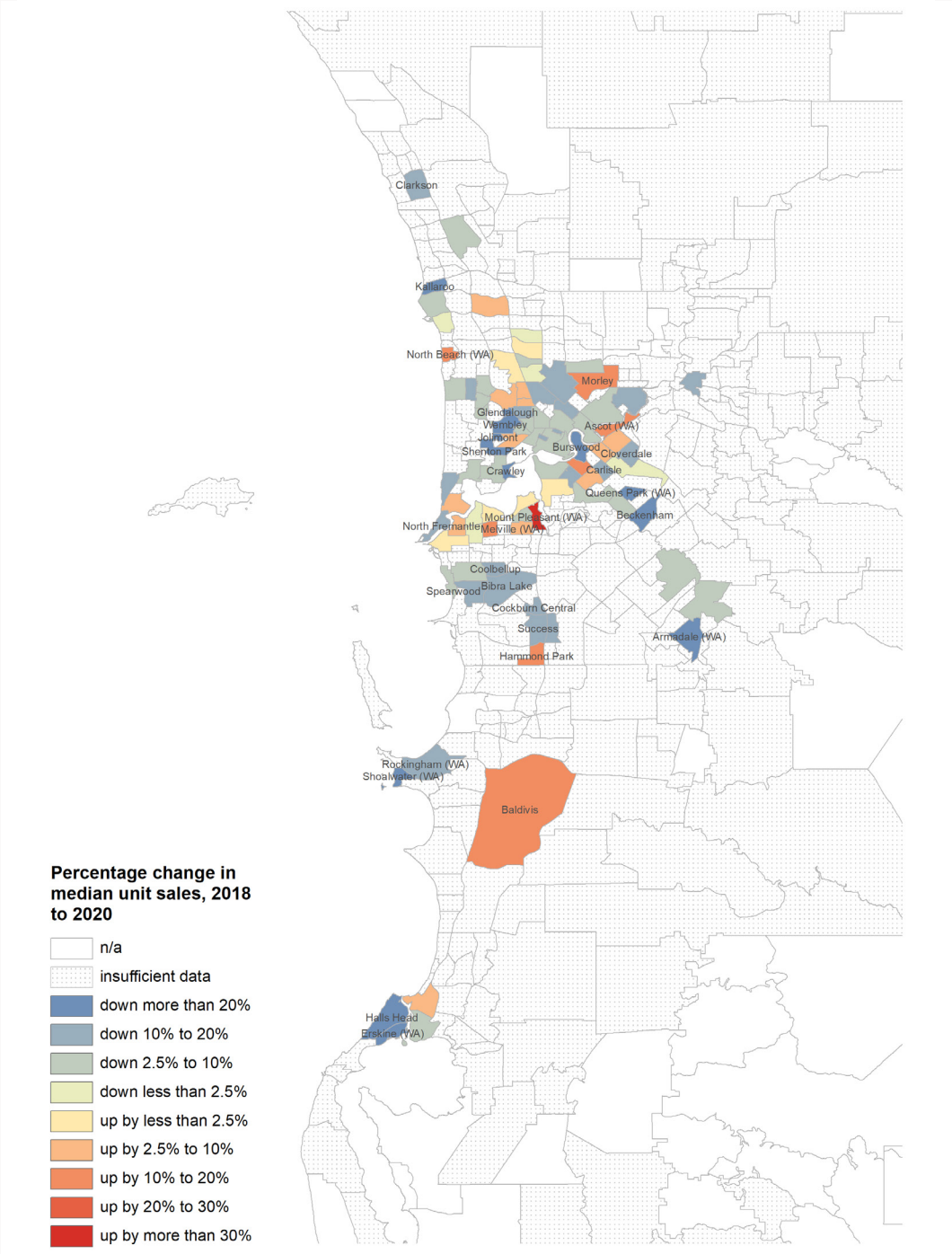
Median price of all multi-residential units, by Perth metropolitan suburb: 2020



Note: Multi-residential unit prices are 2020 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 14

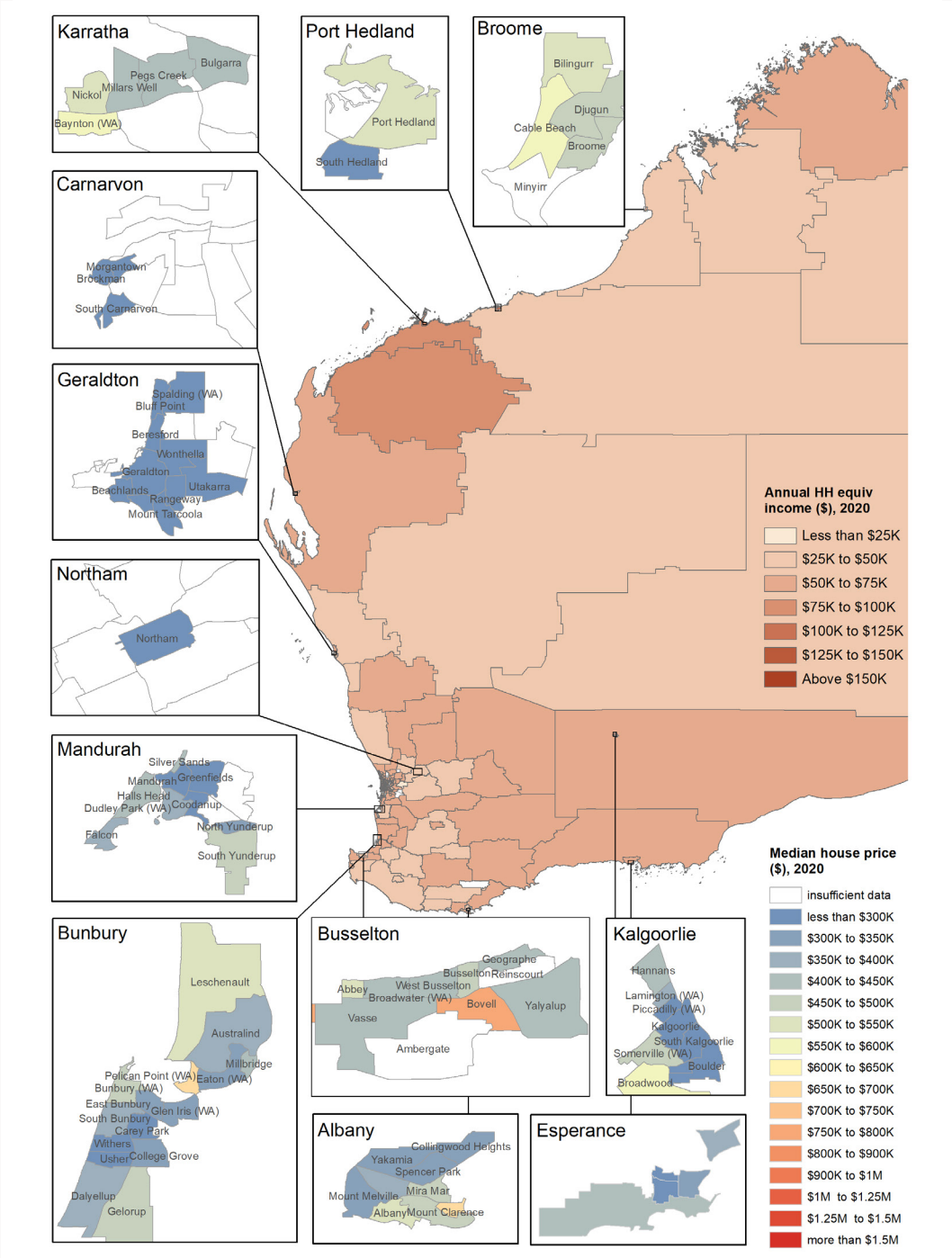
Median multi-residential unit price growth – 2020 relative to 2018



Note: Multi-residential unit prices used are 2020 and 2018 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 15

Median price of established houses, by WA regional centres: 2020



Note: House prices are 2020 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 2020 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.

Established housing costs

Table 2 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 ($1.65 million), Perth City ($972,500) and South Perth ($924,000). 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 9.3 times median household income for the area. This is despite a median household income for this collection of suburbs of around $176,544. The sub-markets with the next two highest price-income ratios are Melville, and Fremantle, which are also relatively unaffordable with price-income ratios of 6.5 or more.

Table 2 also shows a comparison of the ratios and rankings with our last report. Since 2018, Perth City has overtaken South Perth in terms of unaffordability. However, reflecting a softer market, the price-income ratios have mostly fallen over the last two years; with only Cottesloe having become less unaffordable.

On the other end of the spectrum, the sub-markets with the lowest five median priceincome ratios are in Swan, Rockingham, Serpentine-Jarrahdale, Gosnells, and Kwinana. Their ratios range from 3.5 to 4.2, with all having improved in terms of affordability since 2018.

TABLE 2

Home ownership incentives: October 2020

Sub-regional housing market area Perth planning region	median household gross annual income by sub-region, 2020$		median sales price for residential houses by sub-region, 2020$		median price-to-income ratio by sub-region						
Sub-region	Median income		Median sales price		p/i ratio (2018)		p/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Cottesloe - Claremont	176,544	1	1,650,000	1	9.0	1	9.3	1	+0.4	
Perth City	131,565	2	972,500	2	7.5	3	7.4	2	-0.1	+1
South Perth	126,583	3	924,000	3	7.6	2	7.3	3	-0.3	-1
Melville	121,243	4	790,000	4	6.8	4	6.5	4	-0.3	
Fremantle	118,753	5	770,000	5	6.6	5	6.5	5	-0.1	
Stirling	104,640	8	590,000	6	6.0	6	5.6	6	-0.4	
Canning	94,724	16	525,000	9	5.8	7	5.5	7	-0.2	
Bayswater - Bassendean	98,953	11	530,000	8	5.4	8	5.4	8	-0.1	
Belmont - Victoria Park	97,312	14	485,000	12	5.2	9	5.0	9	-0.2	
Kalamunda	101,941	10	508,000	10	5.1	10	5.0	10	-0.1	
Joondalup	118,099	6	580,000	7	4.9	12	4.9	11	-0.0	+1
Mundaring	98,866	12	475,000	13	4.9	13	4.8	12	-0.1	+1
Cockburn	106,328	7	490,000	11	5.0	11	4.6	13	-0.4	-2
Wanneroo	98,309	13	427,750	14	4.2	17	4.4	14	+0.1	+3
Armadale	90,884	18	395,000	17	4.3	15	4.3	15	+0.0	
Swan	96,142	15	400,000	16	4.4	14	4.2	16	-0.2	-2
Rockingham	92,737	17	373,000	18	4.1	18	4.0	17	-0.1	+1
Serpentine - Jarrahdale	102,746	9	405,000	15	4.0	19	3.9	18	-0.0	+1
Gosnells	87,783	20	345,000	19	4.2	16	3.9	19	-0.3	-3
Kwinana	88,025	19	312,000	20	3.8	20	3.5	20	-0.3	
Greater Perth	103,897		490,000		5.0		4.7		-0.3	
Augusta - Margaret River - Busselton	81,294	8	510,000	1	6.4	1	6.3	1	-0.1	
Broome	89,439	4	507,500	2	5.4	2	5.7	2	+0.2	
Mandurah	74,743	10	375,000	5	5.0	4	5.0	3	-0.0	+1
Albany	77,499	9	380,000	4	5.1	3	4.9	4	-0.2	-1
Bunbury	87,912	6	355,000	6	4.0	5	4.0	5	+0.0	
Esperance	89,401	5	350,000	7	3.9	6	3.9	6	+0.0	
Geraldton	81,442	7	290,000	10	3.4	7	3.6	7	+0.1	
Karratha	155,474	1	470,500	3	2.2	9	3.0	8	+0.8	+1
Kalgoorlie - Boulder	119,280	3	299,000	8	2.7	8	2.5	9	-0.2	-1
Port Hedland	151,319	2	297,500	9	1.4	10	2.0	10	+0.5	
WA excluding Perth	88,522		350,000		3.7		4.0		+0.2	

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2020 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 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

The Fremantle area shows a median price-income ratio of 6.5, but rises to a 10.5 multiple for lower income earners targeting lower priced houses. Housing affordability for lower income earners has deteriorated in most areas of regional WA.

To gain a better insight into the affordability challenges faced by low income households, Table 3 presents more relevant price-income ratios that compare the lower quartile price of established houses with the lower quartile of household incomes in 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, South Perth and Perth City remained the least affordable areas for lower income families in 2020 along with Melville and Fremantle, while Kwinana, Armadale and Gosnells are most affordable.

But a comparison of Table 3 with Table 2 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 6.5, but rises to a 10.5 multiple for lower income earners targeting lower priced houses.

Housing affordability for lower income earners has deteriorated in most areas of regional WA.

This is likely a consequence of the pressures placed on regional housing markets due to many FIFO-workers being forced to remain in the regions during the COVID-19 pandemic, driving up demand for housing in these areas.

Fremantle ranks highest in terms of the median price-income ratio for multi-residential units, at 4.7, but this has fallen slightly from a ratio of 4.8 in 2018.

TABLE 3

Lower-quartile price-income ratios for established houses, by WA sub-region: 2020

Sub-regional housing market area Perth planning region Sub-region	LQ household gross annual income by sub-region, 2020$ Household LQ income		LQ sales price for residential houses by sub-region, 2020$ lower quartile sales price		LQ price-to-income ratio by sub-region p/i ratio (2018)		p/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Cottesloe - Claremont	81,902	1	1,250,000	1	14.1	1	15.3	1	+1.2	
South Perth	61,993	3	729,500	3	11.7	2	11.8	2	+0.1	
Perth City	68,146	2	800,000	2	11.5	3	11.7	3	+0.2	
Fremantle	58,473	6	613,000	5	10.3	5	10.5	4	+0.1	+1
Melville	59,587	5	622,000	4	10.6	4	10.4	5	-0.2	-1
Bayswater - Bassendean	50,733	13	440,000	7	8.5	6	8.7	6	+0.2	
Canning	49,684	16	420,000	9	8.5	7	8.5	7	-0.0	
Belmont - Victoria Park	49,848	15	406,500	12	8.1	8	8.2	8	+0.0	
Cockburn	53,856	8	425,000	8	7.7	10	7.9	9	+0.1	+1
Joondalup	61,159	4	480,000	6	7.4	13	7.8	10	+0.4	+3
Stirling	52,568	10	410,000	10	7.9	9	7.8	11	-0.1	-2
Kalamunda	53,546	9	410,000	10	7.5	12	7.7	12	+0.1	
Mundaring	50,296	14	383,000	13	7.6	11	7.6	13	+0.0	-2
Rockingham	45,116	20	311,000	17	6.7	14	6.9	14	+0.2	
Wanneroo	51,366	11	350,000	14	6.6	15	6.8	15	+0.2	
Swan	51,326	12	330,000	16	6.5	16	6.4	16	-0.1	
Serpentine - Jarrahdale	55,568	7	345,000	15	6.0	18	6.2	17	+0.2	+1
Gosnells	46,771	18	287,000	18	6.3	17	6.1	18	-0.1	-1
Armadale	48,651	17	275,000	19	5.5	19	5.7	19	+0.1	
Kwinana	45,659	19	250,000	20	5.3	20	5.5	20	+0.1	
Greater Perth	52,838		375,000		7.1		7.1		-0.0	
Broome	40,241	9	406,000	2	10.1	1	10.1	1	-0.0	
Augusta - Margaret River - Busselton	42,389	6	410,000	1	9.2	2	9.7	2	+0.5	
Mandurah	38,873	10	299,000	5	7.3	4	7.7	3	+0.4	+1
Albany	41,911	7	315,000	4	7.3	3	7.5	4	+0.2	-1
Bunbury	42,581	5	292,750	6	6.4	5	6.9	5	+0.5	
Esperance	46,996	4	270,000	7	5.3	6	5.7	6	+0.4	
Geraldton	40,519	8	195,000	9	4.2	7	4.8	7	+0.6	
Karratha	100,201	1	405,000	3	2.6	9	4.0	8	+1.4	+1
Kalgoorlie - Boulder	60,026	3	205,000	8	3.8	8	3.4	9	-0.4	-1
Port Hedland	88,826	2	190,000	10	1.9	10	2.1	10	+0.3	
WA excluding Perth	42,832		245,000		4.9		5.7		+0.9	

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2020 lower quartile price for all types of established housing for each REIWA sub-regional housing market area. Income is the lower quartile household gross annual income by sub-regional market, imputed from Census 2016 and uprated to 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

A comparison of sub-regional prices of median multi-residential units with median household incomes (Table 4) shows that units have become more affordable for typical families.

Fremantle ranks highest in terms of the median price-income ratio for multi-residential units, at 4.7, but this has fallen slightly from a ratio of 4.8 in 2018.

A typical multi-residential unit in Fremantle now costs around $557,500.

Cottesloe-Claremont rates higher in the median price of a unit, at $595,000, but is more affordable to local residents given the higher level of household incomes in the area.

Prices for multi-residential units across WA's regional areas have generally fallen more significantly than in the Perth metropolitan area. Augusta, Margaret River and Busselton ranks highest, with a price-income multiple of 3.8 in 2020.

However, unit affordability in the South West looks to have eased, with the unit price-income multiple falling by 1 point from 4.8 in 2018.

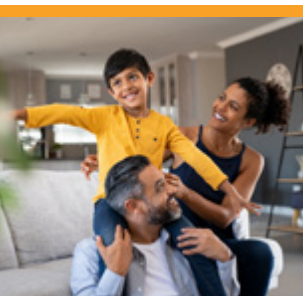
TABLE 4

Median price-income ratios for multi-residential units, by WA sub-region: 2020

Sub-regional housing market area Perth planning region	median household gross annual income by sub-region, 2020$		median sales price for multi-residential units by sub-region, 2020$		median price-to-income ratio by sub-region					
Sub-region	Median income		Median sales price		p/i ratio (2018)		p/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Fremantle	118,753	5	557,500	2	4.8	1	4.7	1	-0.1	
Belmont - Victoria Park	97,312	14	385,000	6	3.9	4	4.0	2	+0.1	+2
Melville	121,243	4	470,000	3	3.8	6	3.9	3	+0.1	+3
South Perth	126,583	3	470,000	3	3.9	3	3.7	4	-0.2	-1
Stirling	104,640	8	375,000	7	3.8	5	3.6	5	-0.2	
Cottesloe - Claremont	176,544	1	595,000	1	4.1	2	3.4	6	-0.7	-4
Canning	94,724	16	305,000	11	3.6	7	3.2	7	-0.3	
Kalamunda	101,941	10	322,500	9	3.3	10	3.2	8	-0.2	+2
Perth City	131,565	2	410,000	5	3.5	8	3.1	9	-0.4	-1
Bayswater - Bassendean	98,953	11	301,000	12	3.4	9	3.0	10	-0.4	-1
Wanneroo	98,309	13	295,000	13	nd.	-	3.0	11	-	-
Joondalup	118,099	6	345,000	8	3.3	11	2.9	12	-0.4	-1
Cockburn	106,328	7	306,000	10	3.3	12	2.9	13	-0.4	-1
Swan	96,142	15	259,000	14	2.9	16	2.7	14	-0.2	+2
Gosnells	87,783	20	233,000	16	3.2	14	2.7	15	-0.5	-1
Mundaring	98,866	12	242,500	15	3.2	13	2.5	16	-0.7	-3
Rockingham	92,737	17	226,500	17	3.0	15	2.4	17	-0.5	-2
Armadale	90,884	18	175,000	18	2.4	17	1.9	18	-0.5	-1
Kwinana	88,025	19	140,000	19	1.4	19	1.6	19	+0.2	
Serpentine - Jarrahdale	102,746	9	-	20	1.4	18	0.0	20	-1.4	-2
Greater Perth	103,897		380,000		3.9		3.7		-0.3	
Augusta - Margaret River - Busselton	81,294	8	310,000	1	4.8	1	3.8	1	-1.0	
Mandurah	74,743	10	267,000	3	3.8	2	3.6	2	-0.3	
Broome	89,439	4	260,000	4	3.2	4	2.9	3	-0.3	+1
Bunbury	87,912	6	240,000	5	3.2	5	2.7	4	-0.4	+1
Albany	77,499	9	210,000	8	3.3	3	2.7	5	-0.6	-2
Esperance	89,401	5	229,555	6	2.9	7	2.6	6	-0.3	+1
Geraldton	81,442	7	169,000	9	2.9	6	2.1	7	-0.8	-1
Kalgoorlie - Boulder	119,280	3	215,000	7	1.7	8	1.8	8	+0.1	
Karratha	155,474	1	270,000	2	0.9	10	1.7	9	+0.9	+1
Port Hedland	151,319	2	160,000	10	1.0	9	1.1	10	+0.0	-1
WA excluding Perth	88,522		220,000		2.6		2.5		-0.2	

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2020 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 2020 dollars. and. denotes no/insufficient data on housing transactions.

Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.



Fremantle again ranks as most unaffordable to local residents for multi-residential units, with a lower quartile unit price of $415,000. This is 7.1 times the lower quartile income for the area.

TABLE 5

Lower quartile price-income ratios for multi-residential units, by WA sub-region: 2020

Sub-regional housing market area Perth planning region Sub-region	LQ household gross annual income by sub-region, 2020$ Household LQ income		LQ sales price for residential houses by sub-region, 2020$ lower quartile sales price		LQ price-to-income ratio by sub-region p/i ratio (2018)		p/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Fremantle	58,473	6	415,000	1	7.0	1	7.1	1	+0.1	
Melville	59,587	5	385,000	3	6.1	2	6.5	2	+0.4	
South Perth	61,993	3	365,000	4	5.9	3	5.9	3	-0.0	
Belmont - Victoria Park	49,848	15	285,000	9	5.8	4	5.7	4	-0.1	
Kalamunda	53,546	9	300,000	6	4.2	14	5.6	5	+1.4	+9
Stirling	52,568	10	290,000	8	5.5	6	5.5	6	-0.0	
Canning	49,684	16	270,000	10	5.7	5	5.4	7	-0.3	-2
Cottesloe - Claremont	81,902	1	400,000	2	5.5	7	4.9	8	-0.6	-1
Joondalup	61,159	4	292,500	7	5.1	9	4.8	9	-0.3	
Cockburn	53,856	8	255,000	11	5.4	8	4.7	10	-0.7	-2
Wanneroo	51,366	11	239,500	12	nd.	-	4.7	11	-	-
Bayswater - Bassendean	50,733	13	235,000	13	5.0	10	4.6	12	-0.4	-2
Perth City	68,146	2	315,000	5	5.0	11	4.6	13	-0.4	-2
Mundaring	50,296	14	222,000	14	3.4	17	4.4	14	+1.0	+3
Gosnells	46,771	18	205,000	16	4.8	12	4.4	15	-0.4	-3
Swan	51,326	12	215,000	15	4.5	13	4.2	16	-0.3	-3
Rockingham	45,116	20	169,000	17	4.1	15	3.7	17	-0.3	-2
Armadale	48,651	17	157,750	18	3.8	16	3.2	18	-0.5	-2
Kwinana	45,659	19	119,000	19	2.4	19	2.6	19	+0.2	
Serpentine - Jarrahdale	55,568	7	-	20	2.4	18	0.0	20	-2.4	-2
Greater Perth	52,838		277,500		5.5		5.3		-0.3	
Augusta - Margaret River - Busselton	42,389	6	270,000	1	7.0	1	6.4	1	-0.7	
Broome	40,241	9	240,000	2	5.2	3	6.0	2	+0.7	+1
Mandurah	38,873	10	210,000	4	5.5	2	5.4	3	-0.1	-1
Esperance	46,996	4	220,000	3	3.8	7	4.7	4	+0.9	+3
Albany	41,911	7	182,500	6	4.4	5	4.4	5	-0.1	
Bunbury	42,581	5	167,000	8	5.0	4	3.9	6	-1.1	-2
Kalgoorlie - Boulder	60,026	3	170,000	7	2.4	8	2.8	7	+0.4	+1
Geraldton	40,519	8	89,000	9	3.9	6	2.2	8	-1.7	-2
Karratha	100,201	1	210,000	4	0.8	10	2.1	9	+1.3	+1
Port Hedland	88,826	2	88,500	10	1.1	9	1.0	10	-0.1	-1
WA excluding Perth	42,832		150,000		3.1		3.5		+0.4	

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2020 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 2020Q4 dollars. and. denotes no/insufficient data on housing transactions.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

Multi-residential units at the lower price range remain more unaffordable to local households on lower incomes, compared to the situation facing higher income families.

Fremantle again ranks as most unaffordable to local residents for multi-residential units, with a lower quartile unit price of $415,000. This is 7.1 times the lower quartile income for the area.

Melville has become more expensive to lower income households in terms of multi-residential units at lower price points, with a lower quartile unit costing $385,500 in 2020.

Multi-residential units at the lower of the price range are least affordable in the South West, with lower quartile price-income multiples for units of 6.4 in 2020.

Units for lower incomes families have become less affordable in Broome, with the price-income multiple rising by 0.7 to 6.0 in 2020.

RENTAL AFFORDABILITY BY LOCATION: HOW DO SUBURBS COMPARE?

The private rental sector is a critical part of WA's housing market, and is the only feasible housing option for many on lower incomes or facing difficult socio-economic situations.

In this section, we extend our earlier analysis to explore rental affordability across Perth and regional WA, using 2020 data supplied by REIWA on suburb-level rental data from 2020.

Established house rental

Rental cost burdens have generally risen since BCEC's last housing affordability report, with some stark differences in typical rental costs across Perth's suburbs.

Areas around the Swan River and to the north of Perth city centre remain among the most expensive rental sub-markets for typical (median) families (see Figure 16). Within Perth Metro, 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 $295 per week) and Armadale ($270). Interestingly, Murdoch's lower quartile of rents ($190) is very low compared to surrounding suburbs.

Most of Perth's more expensive metropolitan areas show a modest rise in median rent-to-income ratios for established houses between 2018 and 2020. The movement has been slight, but for many families affordability continues to remain a large issue; especially in the fallout from the COVID-19 pandemic.

Table 6 shows the rent-to-income ratios for median rental properties across Perth and regional WA for 2020, compared to median household income indexed to the same year. Rental affordability for typical families deteriorated a little in 2020 compared to 2018, with rent-income ratios between 20 per cent and 23 per cent in most areas of metropolitan Perth.

According to Table 7 the rise in the rent-income ratio has been starker for the lower-quartile of rent prices; which is a worrying indicator for low-income families that rely on less expensive rent options. Rent to income ratios for lower income families are above 30 per cent in most of Perth's sub-regional areas, and have generally risen since 2018.

Suburbs to the north around Joondalup and Wanneroo has grown more expensive since 2018. The same is true for the south east region of Serpentine-Jarrahdale. The most affordable areas for house rentals are now concentrated around Mandurah, Armadale, and Gosnells. This remains true for both median and lower quartile rent-income ratios (the latter shown in Table 7).

Interestingly, the rents for established houses at the lower end of the market (Figure 17) are only a little different to median rents in most areas of the Perth metropolitan area. For example, in Gosnells lower quartile house rental costs in 2018 were $265 per week, compared with a median rent of $295. In Armadale, lower quartile rental of $250 is only $20 less than the median of $270.

This highlights the fact that rents in many localities of Perth have appreciated in the wake of the pandemic and in the face of relatively low supply and vacancy.

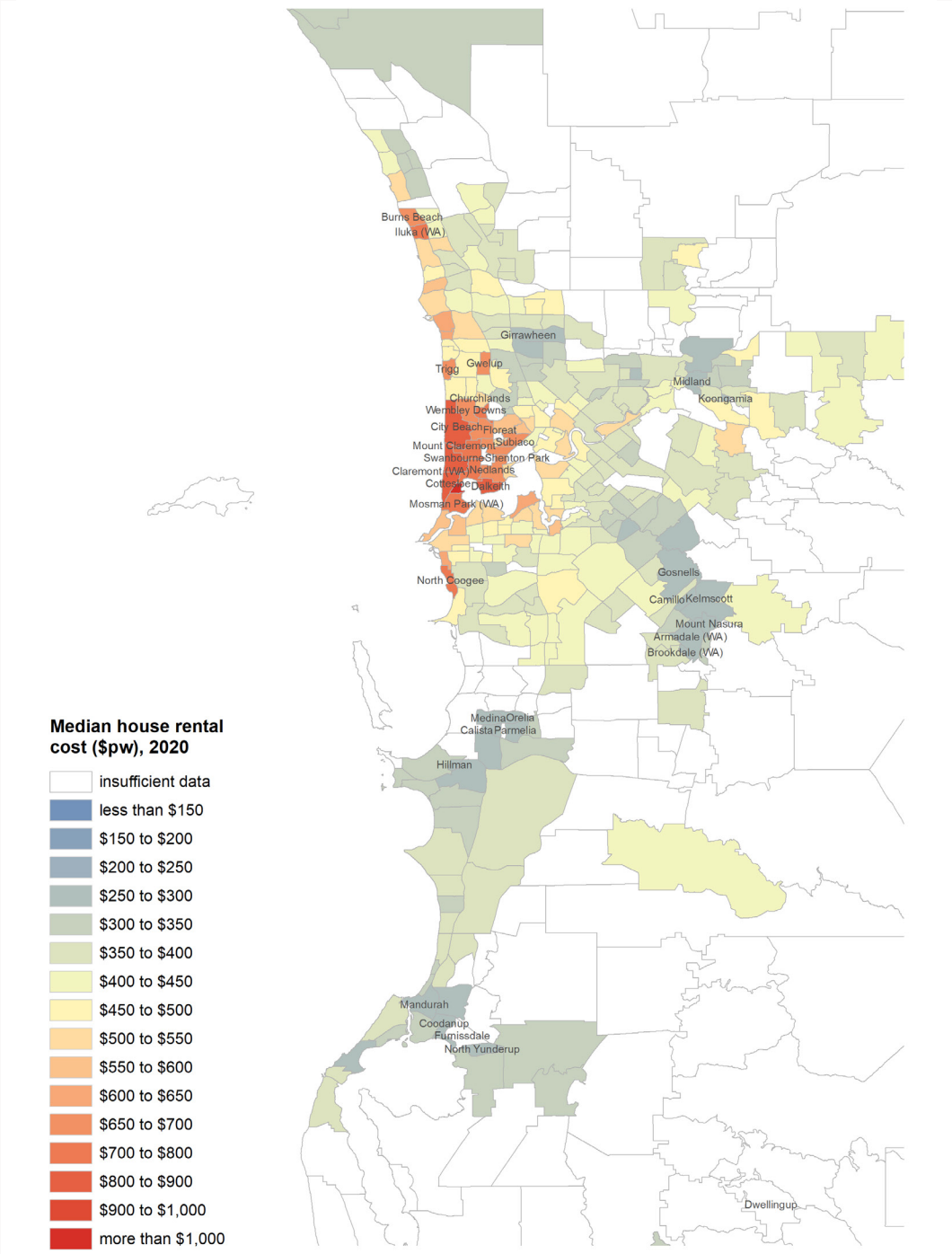
The rent-to-income ratios in regional housing markets have also risen compared to 2018, particularly in Bunbury and Port Hedland. Broome rents continue to be the least affordable both to typical income families, and to lower income earners seeking house rentals at the lower end of the market.

Rent to income ratios for lower income families are above 30 per cent in most of Perth's sub-regional areas, and have generally risen since 2018.

Rents in many localities of Perth have appreciated in the wake of the pandemic and in the face of relatively low supply and vacancy.

FIGURE 16

Median rents for established houses, by WA suburb: 2020



Note: Rental costs are median weekly rental costs for all residential houses for each REIWA regional suburb during 2020.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on REIWA data.

TABLE 6

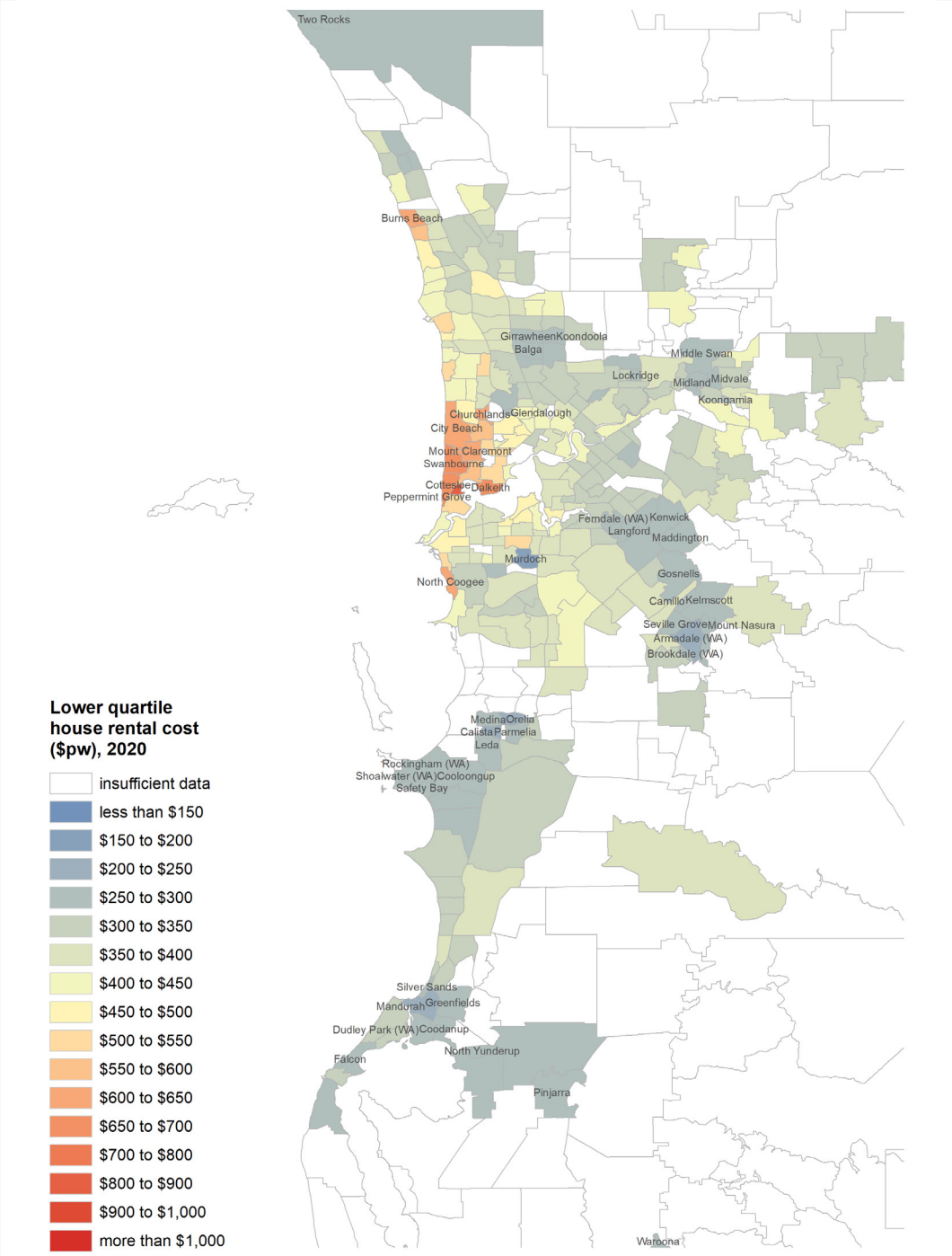
Median rent-income ratios for established houses, by WA sub-region: 2020

Sub-regional housing market area Perth planning region	median household gross weekly income by sub-region, 2020$		median rental price for residential houses by sub-region, 2020$		median rent-to-income ratio by sub-region					
Sub-region	Median income		Median rental price		r/i ratio (2018)		r/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Fremantle	2,284	5	523	3	0.22	2	0.23	1	+0.01	+1
Cottesloe - Claremont	3,395	1	750	1	0.22	1	0.22	2	+0.00	-1
Canning	1,822	16	395	10	0.21	3	0.22	3	+0.01	
Perth City	2,530	2	530	2	0.20	6	0.21	4	+0.01	+2
Kalamunda	1,960	10	400	7	0.20	5	0.20	5	+0.00	
Belmont - Victoria Park	1,871	14	380	11	0.19	7	0.20	6	+0.01	+1
Melville	2,332	4	470	5	0.19	11	0.20	7	+0.01	+4
Kwinana	1,693	19	340	19	0.19	16	0.20	8	+0.01	+8
Armadale	1,748	18	350	17	0.18	18	0.20	9	+0.02	+9
Mundaring	1,901	12	380	11	0.21	4	0.20	10	-0.01	-6
Bayswater - Bassendean	1,903	11	380	11	0.19	12	0.20	11	+0.01	+1
Stirling	2,012	8	400	7	0.19	14	0.20	12	+0.01	+2
Joondalup	2,271	6	450	6	0.18	19	0.20	13	+0.02	+6
Rockingham	1,783	17	350	17	0.19	9	0.20	14	+0.00	-5
South Perth	2,434	3	478	4	0.19	10	0.20	15	+0.01	-5
Cockburn	2,045	7	400	7	0.19	8	0.20	16	+0.00	-8
Gosnells	1,688	20	330	20	0.19	15	0.20	17	+0.01	-2
Swan	1,849	15	360	15	0.19	13	0.19	18	+0.00	-5
Wanneroo	1,891	13	360	15	0.18	20	0.19	19	+0.01	+1
Serpentine - Jarrahdale	1,976	9	370	14	0.19	17	0.19	20	-0.00	-3
Greater Perth	1,998		380		0.18		0.19		+0.01	
Broome	1,720	4	555	2	0.33	1	0.32	1	-0.01	
Augusta - Margaret River - Busselton	1,563	8	420	4	0.26	2	0.27	2	+0.00	
Albany	1,490	9	360	6	0.24	3	0.24	3	-0.00	
Mandurah	1,437	10	330	9	0.23	4	0.23	4	-0.00	
Karratha	2,990	1	650	1	0.16	9	0.22	5	+0.06	+4
Bunbury	1,691	6	350	7	0.20	5	0.21	6	+0.01	-1
Esperance	1,719	5	340	8	0.19	7	0.20	7	+0.01	
Geraldton	1,566	7	300	10	0.19	6	0.19	8	+0.00	-2
Port Hedland	2,910	2	500	3	0.14	10	0.17	9	+0.03	+1
Kalgoorlie - Boulder	2,294	3	370	5	0.16	8	0.16	10	+0.00	-2
WA excluding Perth	1,702		365		0.21		0.21		+0.00	

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2020 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 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

FIGURE 17

Lower quartile rents for established houses, by WA suburb: 2020



Note: Rental costs are lower quartile weekly rental costs for all residential houses for each REIWA regional suburb during 2020.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on REIWA data.

TABLE 7

Lower quartile rent-income ratios for established houses, by WA sub-region: 2020

Sub-regional housing market area Perth planning region	LQ household gross annual income by sub-region, 2020$		LQ rental price for residential houses by sub-region, 2020$		LQ price-to-income ratio by sub-region					
Sub-region	Household LQ income		lower quartile rental price		r/i ratio (2018)		r/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Cottesloe - Claremont	1,575	1	595	1	0.34	1	0.38	1	+0.04	
Fremantle	1,124	6	420	2	0.33	3	0.37	2	+0.04	+1
Canning	955	16	350	7	0.33	4	0.37	3	+0.04	+1
Rockingham	868	20	315	17	0.33	2	0.36	4	+0.03	-2
Melville	1,146	5	398	4	0.30	11	0.35	5	+0.05	+6
Belmont - Victoria Park	959	15	330	11	0.31	8	0.34	6	+0.04	+2
Kwinana	878	19	299	18	0.31	7	0.34	7	+0.03	
Bayswater - Bassendean	976	13	330	11	0.30	10	0.34	8	+0.04	+2
Cockburn	1,036	8	350	7	0.31	6	0.34	9	+0.02	-3
Mundaring	967	14	325	14	0.32	5	0.34	10	+0.01	-5
Kalamunda	1,030	9	340	9	0.30	9	0.33	11	+0.03	-2
Stirling	1,011	10	330	11	0.29	18	0.33	12	+0.04	+6
Swan	987	12	320	15	0.30	12	0.32	13	+0.03	-1
Wanneroo	988	11	320	15	0.30	13	0.32	14	+0.03	-1
Joondalup	1,176	4	380	5	0.29	16	0.32	15	+0.03	+1
Gosnells	899	18	290	19	0.29	15	0.32	16	+0.03	-1
Perth City	1,310	2	420	2	0.29	17	0.32	17	+0.03	
South Perth	1,192	3	380	5	0.29	19	0.32	18	+0.03	+1
Serpentine - Jarrahdale	1,069	7	340	9	0.30	14	0.32	19	+0.02	-5
Armadale	936	17	280	20	0.26	20	0.30	20	+0.04	
Greater Perth	1,016		330		0.29		0.32		+0.04	
Broome	774	9	480	2	0.57	1	0.62	1	+0.05	
Augusta - Margaret River - Busselton	815	6	375	3	0.42	2	0.46	2	+0.04	
Albany	806	7	320	5	0.38	3	0.40	3	+0.01	
Mandurah	748	10	290	9	0.37	4	0.39	4	+0.02	
Bunbury	819	5	300	7	0.34	5	0.37	5	+0.02	
Esperance	904	4	300	7	0.28	7	0.33	6	+0.05	+1
Geraldton	779	8	240	10	0.29	6	0.31	7	+0.02	-1
Karratha	1,927	1	520	1	0.18	9	0.27	8	+0.09	+1
Kalgoorlie - Boulder	1,154	3	310	6	0.25	8	0.27	9	+0.02	-1
Port Hedland	1,708	2	375	3	0.17	10	0.22	10	+0.05	
WA excluding Perth	824		300		0.34		0.36		+0.02	

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2020 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 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

Multi-residential unit rental

Most of the rental activity for multi-residential units in 2020 took place in East Perth and Perth City. This reflects the higher volume of existing and new multiresidential unit developments in inner residential areas around the CBD, and matches the sales transactions data for units presented earlier in Figure 11.

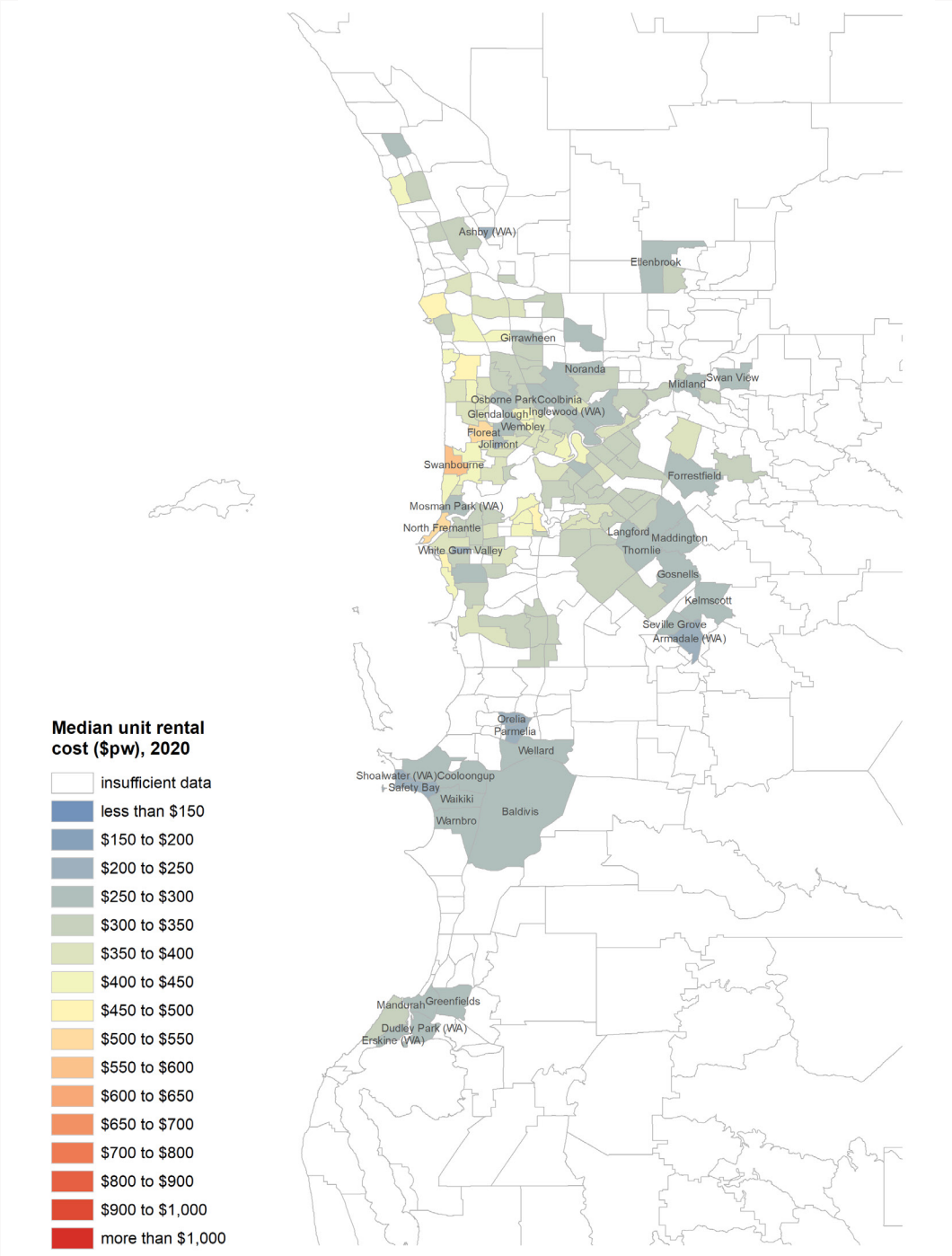
Overall, rent-to-income ratios for multi-residential units have increased slightly over the two years from 2018 to 2020. The general picture is of a relatively tight spread of rental costs for multi-residential units in most sub-regional areas of Perth. For example, the median rental transaction for units in the Kwinana Town Centre in 2020 was $300 (Figure 18) while the lower quartile unit rental was $285 (Figure 19). In Northbridge, the median unit rental transaction over the course of 2020 was $385, compared to a lower quartile rent of $350 – a gap of only $35. 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 8 with the lower quartile ratios in Table 9. For example, the sub-market of Wanneroo shows a median rent/income ratio for units of 17 per cent, but a much higher lower quartile ratio, at some 28 per cent. 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 more than a quarter 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 have appreciated in cost, ranging from $250 to $350 range, with higher unit rental costs in the coastal suburb of Dawesville to the south of Mandurah. The Margaret River region ranked among the least affordable of WA's regional centres alongside Broome, while properties in the Geraldton have become more affordable over the course of 2020.

FIGURE 18

Median rents for multi-residential units, by WA suburb: 2020



Note: Rental costs are median weekly rental costs for all multi-residential units for each REIWA regional suburb during 2020.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on REIWA data.

TABLE 8

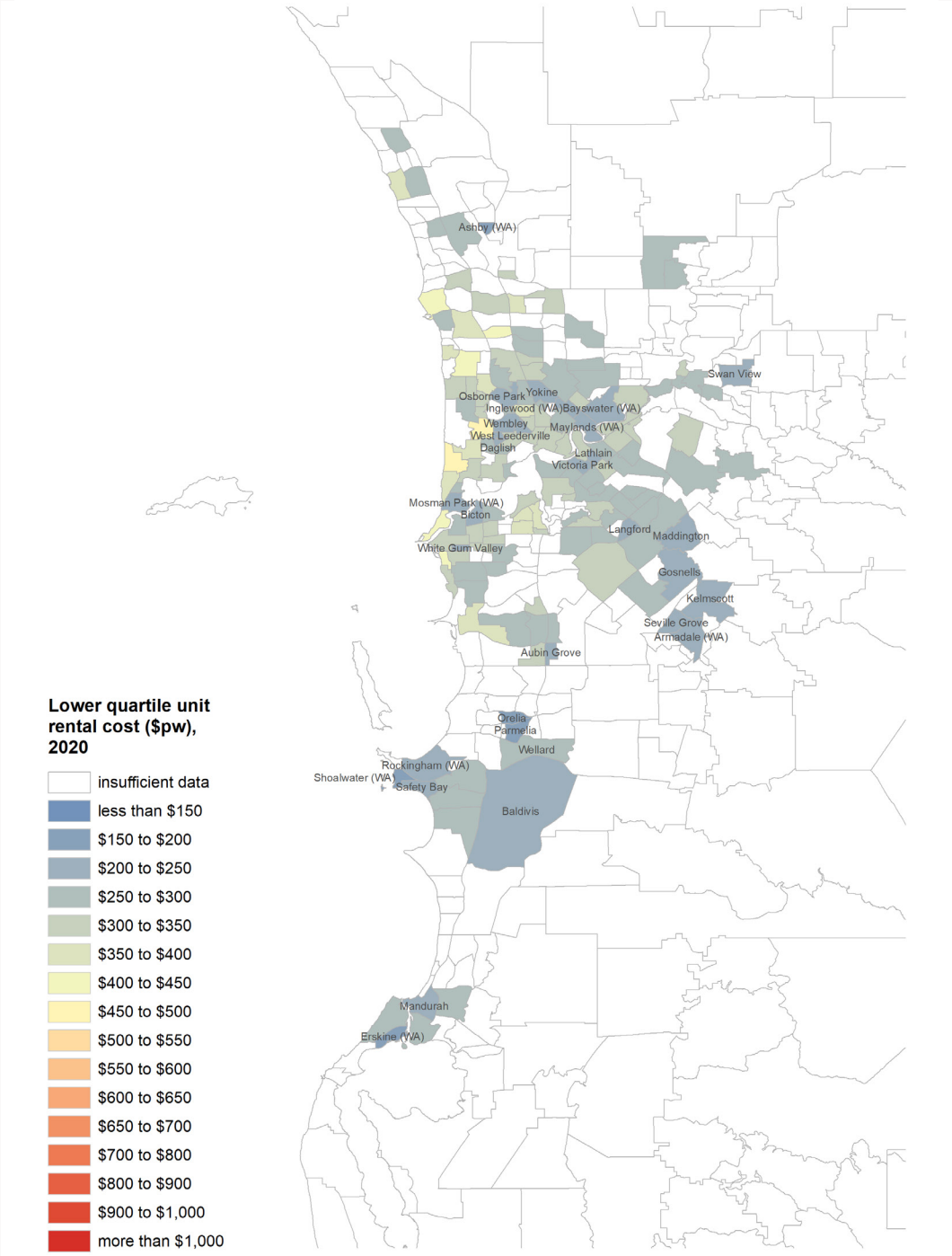
Median rent-income ratios for multi-residential units, by WA sub-region: 2020

Sub-regional housing market area Perth planning region	median household gross weekly income by sub-region, 2020$		median rental price for multi-residential units by sub-region, 2020$		median rent-to-income ratio by sub-region					
Sub-region	Median income		Median rental price		r/i ratio (2018)		r/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Belmont - Victoria Park	1,871	14	350	5	0.18	2	0.19	1	+0.01	+1
Canning	1,822	16	330	9	0.18	4	0.18	2	+0.01	+2
Fremantle	2,284	5	400	1	0.18	3	0.18	3	-0.00	
Stirling	2,012	8	350	5	0.16	6	0.17	4	+0.01	+2
Gosnells	1,688	20	290	15	0.17	5	0.17	5	+0.01	
Wanneroo	1,891	13	320	11	0.18	1	0.17	6	-0.01	-5
Melville	2,332	4	385	3	0.15	15	0.17	7	+0.02	+8
Cockburn	2,045	7	330	9	0.16	7	0.16	8	-0.00	-1
Kalamunda	1,960	10	310	12	0.16	9	0.16	9	+0.00	
Mundaring	1,901	12	300	13	0.15	17	0.16	10	+0.01	+7
Bayswater - Bassendean	1,903	11	300	13	0.16	8	0.16	11	+0.00	-3
Swan	1,849	15	290	15	0.15	12	0.16	12	+0.01	
Rockingham	1,783	17	275	17	0.15	13	0.15	13	+0.00	
Perth City	2,530	2	390	2	0.15	11	0.15	14	+0.00	-3
Joondalup	2,271	6	350	5	0.15	14	0.15	15	+0.00	-1
South Perth	2,434	3	350	5	0.14	18	0.14	16	+0.00	+2
Armadale	1,748	18	250	18	0.15	16	0.14	17	-0.00	-1
Kwinana	1,693	19	220	19	0.13	19	0.13	18	-0.00	+1
Cottesloe - Claremont	3,395	1	380	4	0.11	20	0.11	19	+0.00	+1
Serpentine - Jarrahdale	1,976	9	-	20	0.15	10	0.00	20	-0.15	-10
Greater Perth	1,998		350		0.17		0.18		+0.01	
Augusta - Margaret River - Busselton	1,563	8	350	4	0.23	1	0.22	1	-0.01	
Broome	1,720	4	360	3	0.23	2	0.21	2	-0.02	
Albany	1,490	9	300	5	0.20	3	0.20	3	-0.00	
Mandurah	1,437	10	280	8	0.19	4	0.19	4	+0.01	
Bunbury	1,691	6	300	5	0.18	5	0.18	5	+0.00	
Esperance	1,719	5	270	9	0.15	6	0.16	6	+0.01	
Karratha	2,990	1	405	1	0.10	10	0.14	7	+0.03	+3
Kalgoorlie - Boulder	2,294	3	300	5	0.13	7	0.13	8	+0.00	-1
Port Hedland	2,910	2	375	2	0.11	9	0.13	9	+0.02	
Geraldton	1,566	7	200	10	0.12	8	0.13	10	+0.01	-2
WA excluding Perth	1,702		315		0.18		0.19		+0.00	

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2020 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 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

FIGURE 19

LQ rents for multi-residential units, by WA suburb: 2020



Note: Rental costs are lower quartile weekly rental costs for all multi-residential units for each REIWA regional suburb during 2020.

Source: Bankwest Curtin Economics Centre | Authors' calculations from REIWA (2021)

TABLE 9

Lower quartile rent-income ratios for multi-residential units, by WA sub-region: 2020

Sub-regional housing market area Perth planning region	LQ household gross weekly income by sub-region, 2020$		LQ rental price for multi-residential units by sub-region, 2020$		LQ rent-to-income ratio by sub-region					
Sub-region	Household LQ income		lower quartile rental price		r/i ratio (2018)		r/i ratio (2020)		difference (2020 vs 2018)	change in ranking
Canning	955	16	300	4	0.29	2	0.31	1	+0.03	+1
Belmont - Victoria Park	959	15	295	10	0.28	3	0.31	2	+0.03	+1
Stirling	1,011	10	300	4	0.26	7	0.30	3	+0.04	+4
Cockburn	1,036	8	300	4	0.26	5	0.29	4	+0.03	+1
Gosnells	899	18	260	14	0.27	4	0.29	5	+0.02	-1
Melville	1,146	5	328	1	0.24	11	0.29	6	+0.04	+5
Fremantle	1,124	6	320	2	0.26	6	0.28	7	+0.02	-1
Wanneroo	988	11	280	11	0.32	1	0.28	8	-0.03	-7
Mundaring	967	14	268	13	0.23	16	0.28	9	+0.04	+7
Kalamunda	1,030	9	280	11	0.25	10	0.27	10	+0.02	
Rockingham	868	20	230	17	0.25	8	0.27	11	+0.01	-3
Swan	987	12	260	14	0.25	9	0.26	12	+0.02	-3
Bayswater - Bassendean	976	13	255	16	0.24	13	0.26	13	+0.02	
Joondalup	1,176	4	300	4	0.24	12	0.26	14	+0.01	-2
South Perth	1,192	3	300	4	0.23	15	0.25	15	+0.02	
Perth City	1,310	2	320	2	0.22	18	0.24	16	+0.03	+2
Armadale	936	17	225	18	0.24	14	0.24	17	+0.01	-3
Kwinana	878	19	200	19	0.22	17	0.23	18	+0.01	-1
Cottesloe - Claremont	1,575	1	300	4	0.18	20	0.19	19	+0.01	+1
Serpentine - Jarrahdale	1,069	7	-	20	0.20	19	0.00	20	-0.20	-1
Greater Perth	1,016		290		0.26		0.29		+0.03	
Augusta - Margaret River - Busselton	815	6	320	2	0.36	2	0.39	1	+0.04	+1
Broome	774	9	300	3	0.40	1	0.39	2	-0.02	-1
Albany	806	7	275	5	0.30	3	0.34	3	+0.04	
Mandurah	748	10	250	8	0.30	4	0.33	4	+0.03	
Bunbury	819	5	260	7	0.30	5	0.32	5	+0.02	
Esperance	904	4	240	9	0.23	6	0.27	6	+0.04	
Kalgoorlie - Boulder	1,154	3	270	6	0.21	7	0.23	7	+0.02	
Geraldton	779	8	170	10	0.20	8	0.22	8	+0.02	
Port Hedland	1,708	2	300	3	0.15	9	0.18	9	+0.03	
Karratha	1,927	1	335	1	0.14	10	0.17	10	+0.04	
WA excluding Perth	824		260		0.29		0.32		+0.03	

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2020 lower quartile rent for all types of multi-residential units in 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 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021) and ABS Census 2016.

A LOCALISED PICTURE OF RENTAL COST BURDENS IN WA

We highlighted earlier in this 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).

To provide a disaggregated analysis of the degree of rental stress faced across Perth's suburbs, Figure 20 and Figure 21 map respectively the median and lower quartile rent to income ratios 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 per cent - 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.

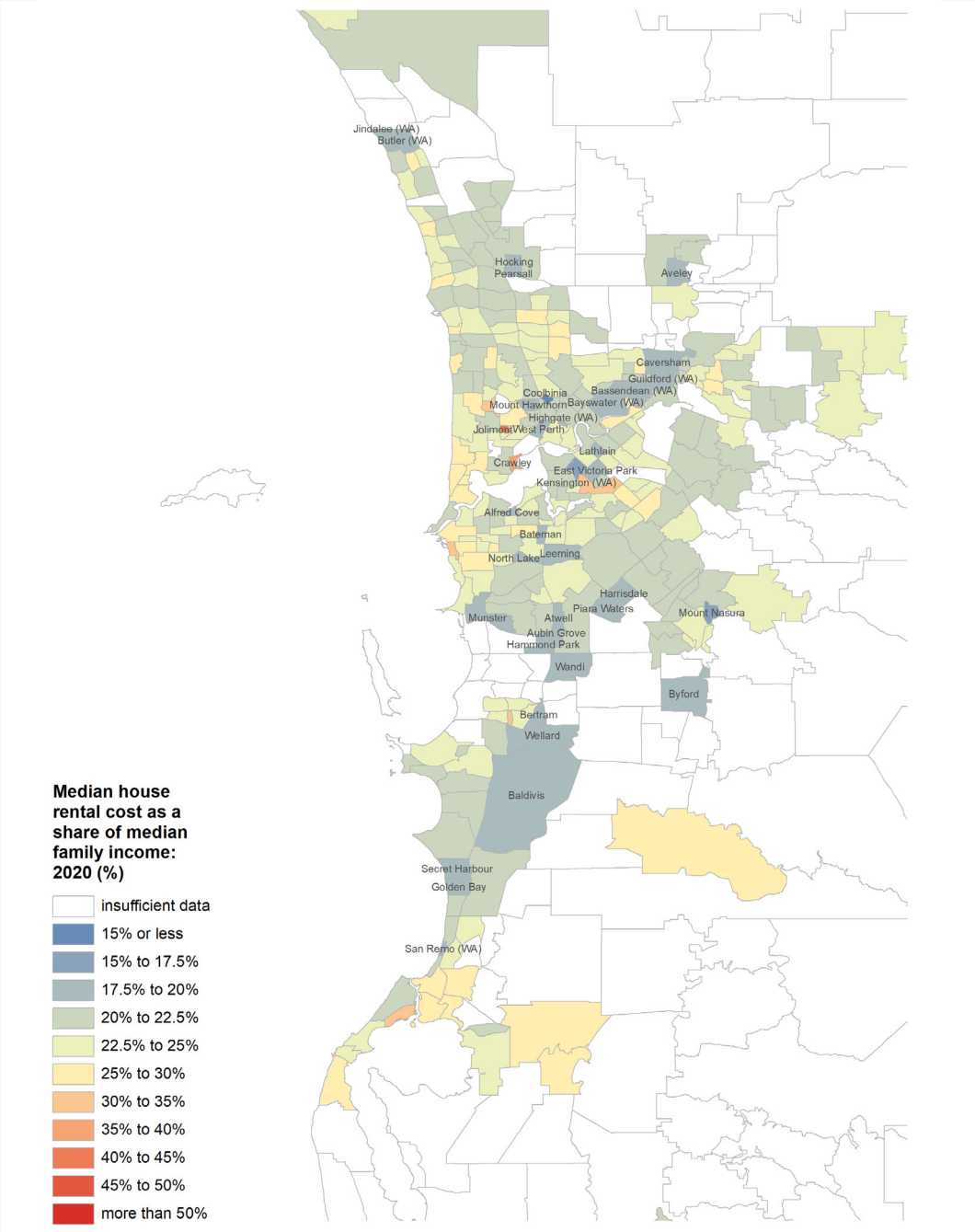
Looking first at measures of rental affordability for the typical family using median rent-income ratio (Figure 20), the predominant picture is one of affordable rents for those families on median incomes across most of Perth metropolitan. This is particularly the case in suburbs around Cockburn, Gosnells 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 per cent for houses in Crawley compared with ratios below 20 per cent in adjacent suburbs. Similarly, Bentley shows a median rent-income ratio of 30 per cent compared to 20 per cent in East Victoria Park or 21 per cent 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 21). Very few suburbs are shown with rent-income ratios in the comfortably affordable range (below 30%) for families in the lowest quarter of incomes.

FIGURE 20

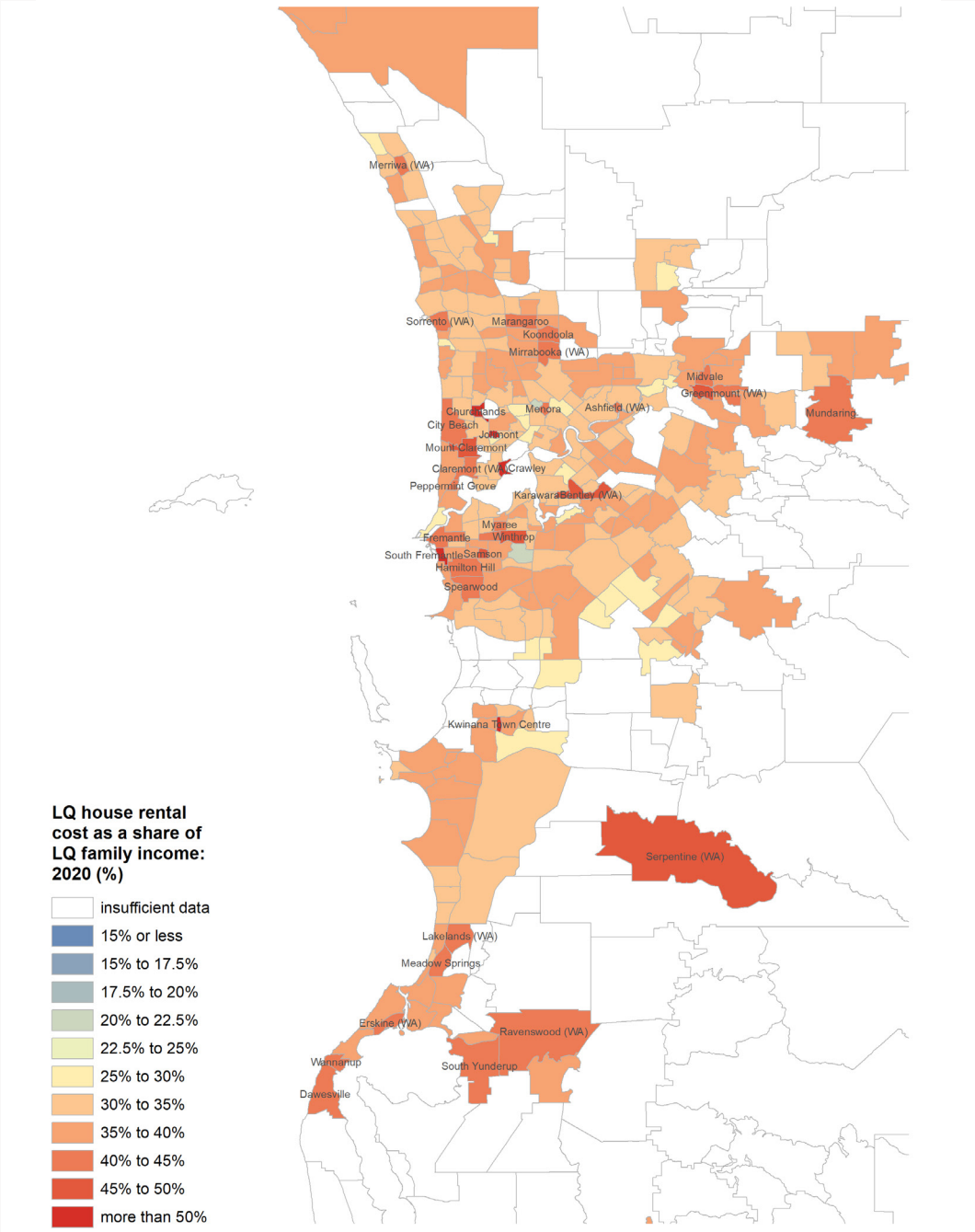
Median rental cost burdens for residential housing: by WA suburb



Note: Median rental costs are based on REIWA (2021) rental listings data for 2020. 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 (2021).

FIGURE 21

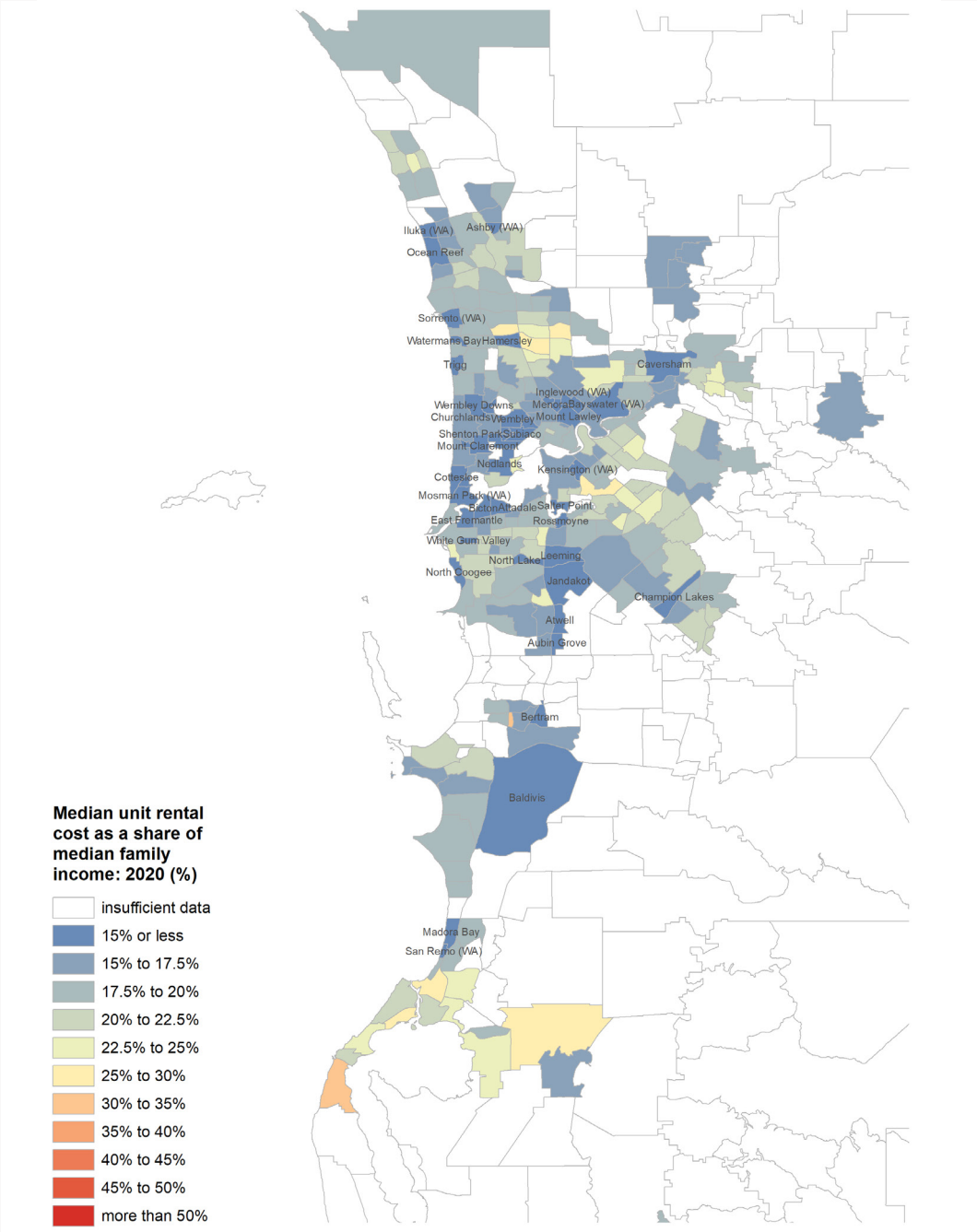
LQ rental cost burdens for residential housing: by WA suburb



Note: LQ rental costs are based on REIWA (2021) rental listings data for 2020. 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 (2021).

FIGURE 22

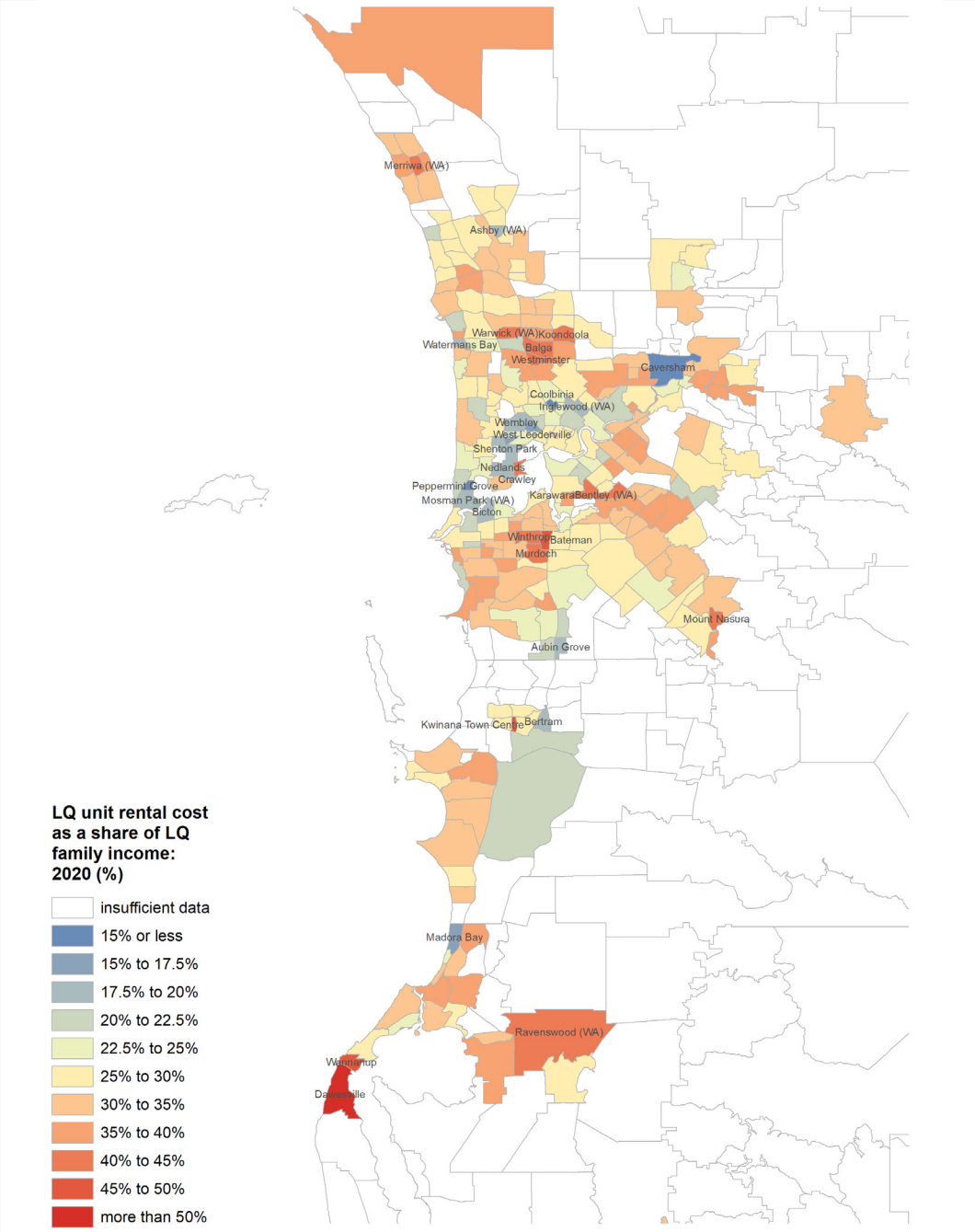
Median rental cost burdens for multi-residential units: by WA suburb



Note: Median rental costs are based on REIWA (2021) rental listings data for 2020. 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 (2021).

FIGURE 23

LQ rental cost burdens for multi-residential units: by WA suburb



Note: LQ rental costs are based on REIWA (2021) rental listings data for 2020. 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 (2021).

Rents for lower income families sit just at the benchmark rent-income ratio of 30 per cent 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 per cent for a far greater number of suburbs around Gosnells, Armadale, Fremantle and Hamilton Hill, and beyond 35 per cent 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 22) with the rental burden faced by lower income families (Figure 23).

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.

HOW HAVE RENTAL COSTS CHANGED THROUGH COVID-19?

INTRODUCTION

We've highlighted the current challenges facing the rental market in Perth, with a substantial fall in dwelling completions and a shortage of established property listings driving down vacancy rates since the onset of the COVID-19 pandemic, causing real issues in meeting the housing demands of families within the state, and those returning to WA from interstate.

For this section of the report, we take a more in-depth look at how rental costs have changed over the course of the pandemic, across Perth suburbs and regional areas of the state, and how those cost changes have affected rental affordability.

We also consider how rental cost pressures may evolve over the remainder of 2021.

RENTAL COSTS AND VACANCY RATES DURING THE COVID-19 PANDEMIC

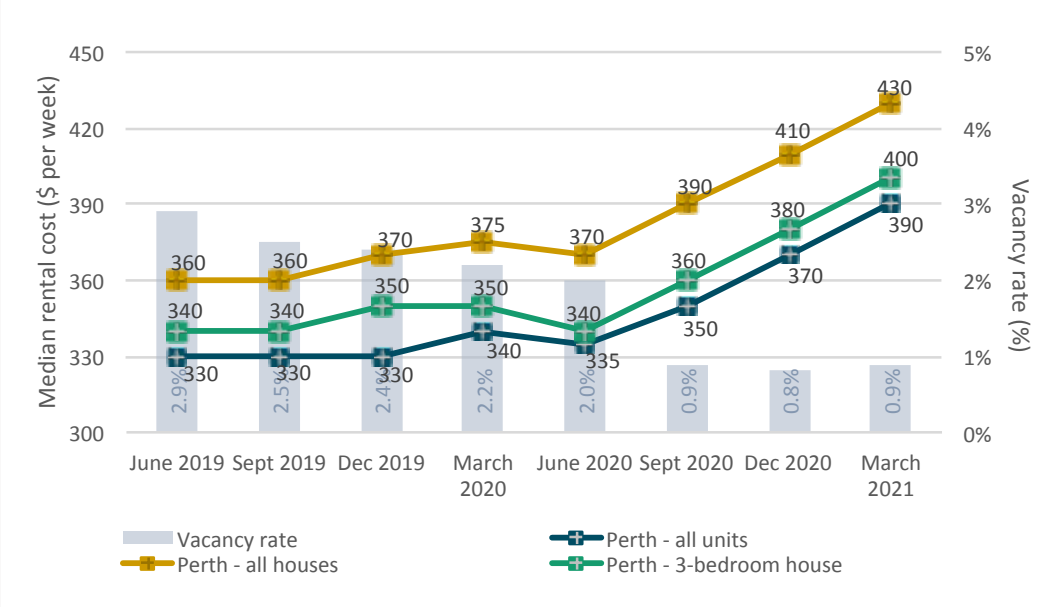
The pressure of low housing supply on Perth's rental market over the course of the COVID-19 pandemic is clearly demonstrated if we look at the trajectory of rental transactions over the June 2019 to March 2021 quarters using data provided by REIWA and state comparative figures from REIA (Figure 24).

The consistent growth in median rents since from the September 2020 quarter is clear from Figure 24, whether one looks at the trend for all established houses, for a three-bedroom house, or for multi-residential units.

The median rent for houses in Perth has risen by $20 per week in each of the three quarters from September 2020 to March 2021 – a combined increase of $60 over nine months.

FIGURE 24

Greater Perth rental costs, and vacancy rates: June 2019 to March 2021



Note: Rental costs for established houses and multi-residential units are reproduced from REIWA's Perth Market Snapshot (https://reiwa.com.au/the-wa-market/perth-metro).
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIWA (2021).

The median rent for houses in Perth has risen by $20 per week in each of the three quarters from September 2020 to March 2021 – a combined increase of $60 over nine months. The story is substantially the same for units.

The extent to which this trend can be reversed depends on a number of factors, not least of which is to address the tightness of the rental market and punishingly low vacancy rates of less than one per cent.

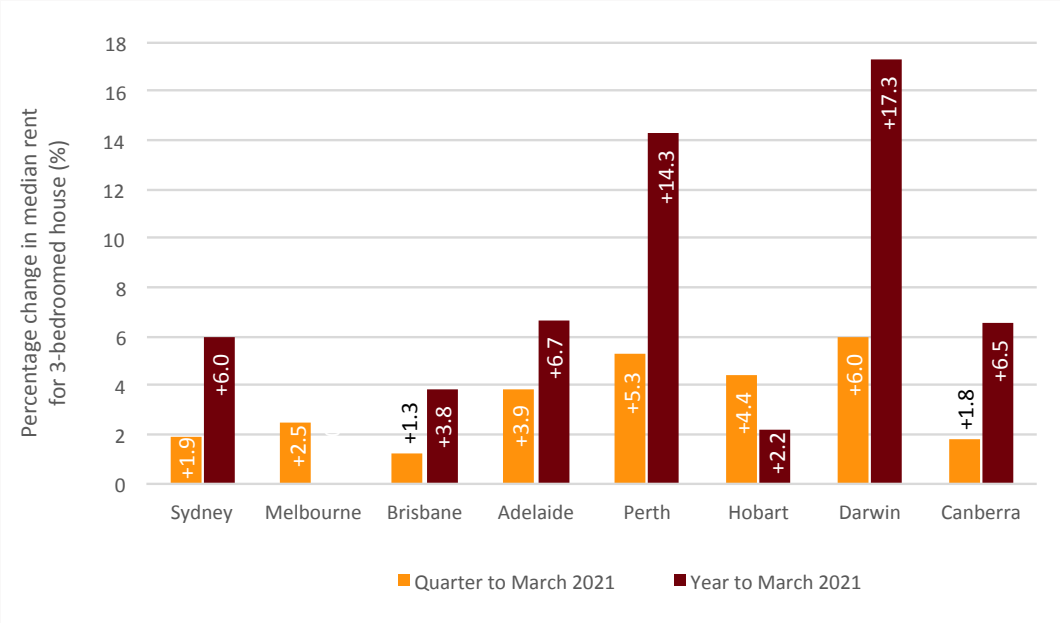
The combination of financial incentives for new dwelling purchases, low interest rates and a growing confidence among housing investors will ease supply constraints to a degree, but these new homes will take some time to enter the market. The end of the rental moratorium and limited rental vacancies could well maintain upward pressure on rents, at least in the shorter term.

Typical rental costs for listings of 3-bedroom houses in Perth have risen by 5.3 per cent over the quarter to March 2021, and by 14.3 per cent over the last year.

Rent increases will weigh heavily on household budgets, especially for lower income families, many of whom are already in rental stress and facing higher rental cost burdens well in excess of 30 per cent.

FIGURE 25

Change in rental cost of 3-bedroom house: all states/territories, June 2019 to March 2021



Note: Median rental costs for 3-bedroomed house sourced from data produced by the Real Estate Institute of Australia (REIA). Data are for state capitals.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 (2021).

The growth in rental costs in Perth over the last year far exceeds that experienced in all other state capital cities.

Typical rental costs for listings of 3-bedroom houses in Perth have risen by 5.3 per cent over the quarter to March 2021, and by 14.3 per cent over the last year (Figure 25).

This compares to annual rental cost increases of 6.7 per cent in Adelaide and 6 per cent in Sydney. Only in Darwin have rental costs risen by a larger percentage over the last year.

We showed earlier (in Figure 9) that rental costs in Perth are coming from a lower base than for most other capital cities.

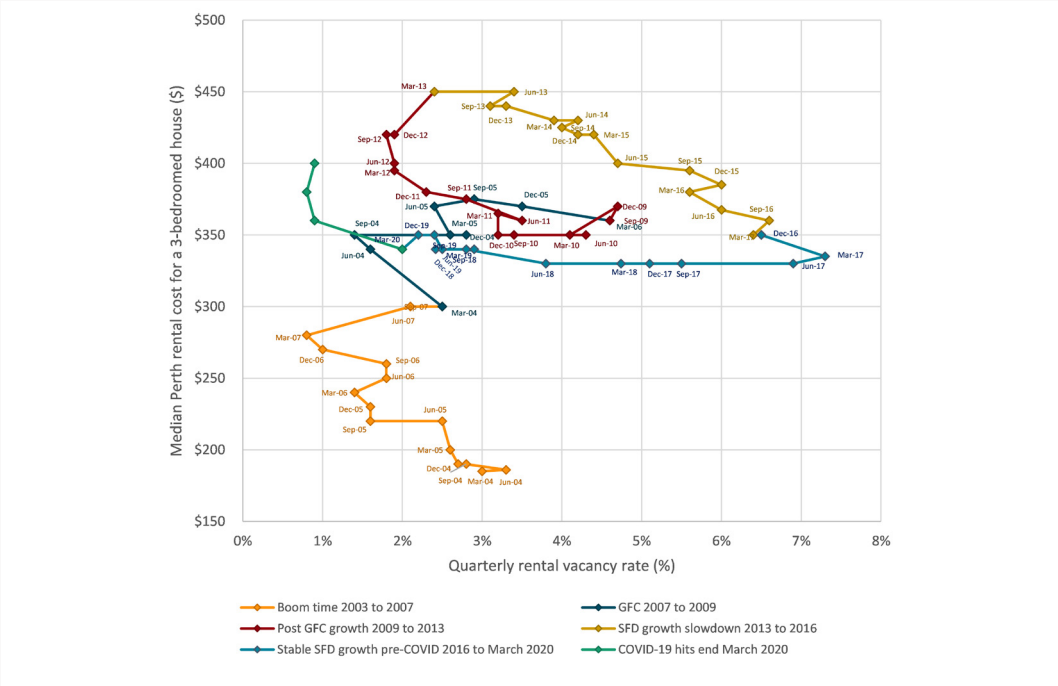
Nevertheless, rent increases of this magnitude will weigh heavily on household budgets, especially for lower income families, many of whom are already in rental stress and facing higher rental cost burdens well in excess of 30 per cent.

And looking at the price distribution of rents across Greater Perth and regional WA over the course of the COVID-19 pandemic (Figure 27) we do indeed see that the rental costs for lower-priced properties have risen by almost the same dollar amount as has been the case for median rents.

The lower quartile of rental costs for houses in Greater Perth has risen by $50 since the start of the COVID-19 pandemic (Figure 27 panel a). This compares to an increase of $55 in median house rental costs over the same period. For units, the dollar increase in rents has been the same for median and lower-quartile properties (both rising $50 since March 2020).

FIGURE 26

Median rents and vacancy rates: Perth, March 2004 to March 2021



Note: Median rental costs and vacancy rates are sourced from data produced by the Real Estate Institute of Australia (REIA). Median rents are presented for a standard three-bedroomed house. Data are for Perth metro area.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 and REMF-11 (2021).

How might the continued supply shortage affect rental affordability over the next year in WA? In looking at this question, we may draw some insights from the evolution of rents and vacancy rates over previous economic cycles.

Vacancy rates tightened to less than one per cent over the course of WA's resources boom from 2003 to 2007, with excess demand for rental housing among skilled workers coming into the state driving rents higher (the orange segment in Figure 26). The Global Financial Crisis (GFC) led to higher rental vacancies, but median rents interestingly held fairly constant in nominal terms over the GFC period.

Vacancy rates fell progressively as WA's economy grew post-GFC, with rents driven upwards once vacancy rates dipped below 2 per cent. The slowdown in WA's state final demand (SFD) between 2013 and 2016 saw median rent listings fall consistently from around $450 to $350, and vacancy rates rise to over 6 per cent.

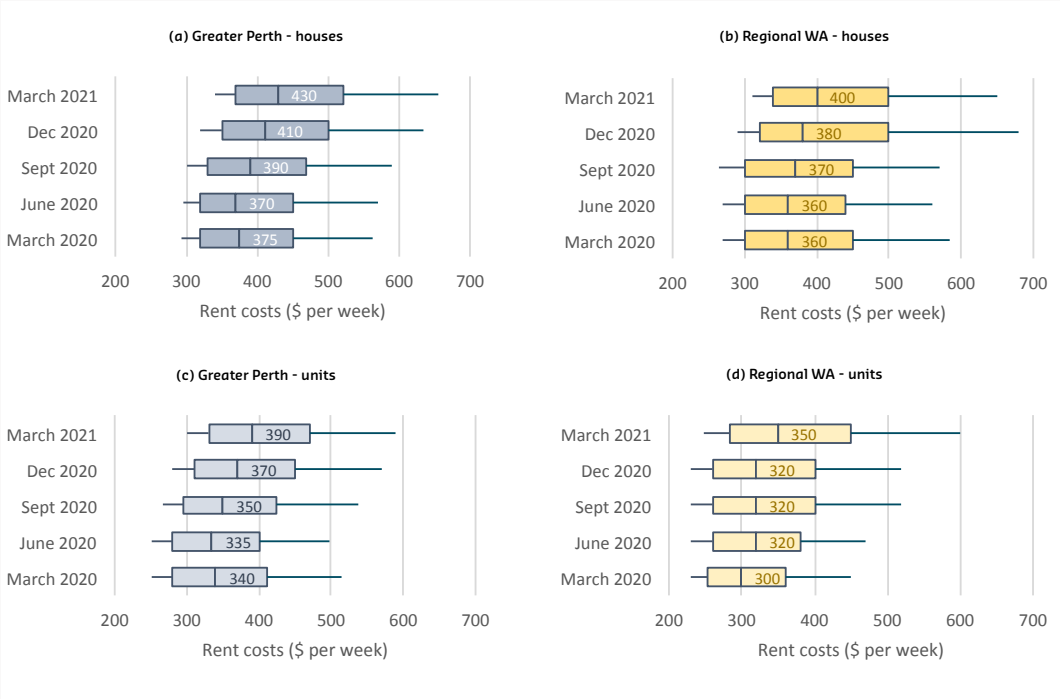
Rental prices remained relatively stable from 2016 to the onset of the COVID-19 pandemic. However, vacancy rates fell from above 7 per cent to around 2 per cent over the period. This is more likely to have been driven by reduced supply of rental housing to meet the needs of WA's growing population.

With vacancy rates falling further since COVID-19 hit in early 2020, the indications are of a similar upward trajectory in rents to those experienced post-GFC, over at least the next six months until supply constraints relax.

With vacancy rates falling further since COVID-19 hit in early 2020, the indications are of a similar upward trajectory in rents to those experienced post-GFC, over at least the next six months until supply constraints relax.

FIGURE 27

Rental cost distributions through COVID-19: Perth and regional WA, March 2020 to March 2021



Note: Rental cost distributions for established houses and multi-residential units are sourced from REIWA suburb-level data for each of the five quarters from March 2020 to March 2021.Figures show box plots of rental costs over the five quarters. Medians are marked in the centre of each box, with the edges of each box set at the lower and upper quartile rents (making box widths represent the 'inter-quartile' range as a measure of spread of rents. Whiskers are set at three-halves of the distance between median and lower/upper quartile points (see Tukey, 1977).
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIWA (2021).

WHICH SUBURBS HAVE FACED THE LARGEST RENTAL COST CHANGES THROUGH COVID-19?

COVID has been a disruptive force over the last year, changing the way we work and placing huge pressure on families and businesses. State and federal governments responded quickly and put in a place a number of protections. Most states invoked a moratorium on rent increases and evictions, with secure housing prioritised.

So how have rents changed across WA's regions in the last twelve months since the onset of COVID-19?

Table 10 shows that in the first quarter of the pandemic there was very little change in the median rental costs for homes to June 2020. In fact, many suburbs rental price went backwards as borders were shut and vacancies rose.

By March 2021, the median rent for an established home in Perth had increased by 15 per cent over the year. For regions outside Perth, it had grown by 11 per cent. South Perth saw the biggest shift, increasing by 32 per cent since March 2020.

In regional WA areas, Busselton and Port Hedland have seen the biggest rental increases, rising by 23 and 22 per cent respectively.

By March 2021, the median rent for an established home in Perth had increased by 15 per cent over the year.

TABLE 10

Changes in median established house rents during COVID-19, by WA sub-region: March 2020 to March 2021

Sub-regional housing market area Perth planning region	House Median - rental costs by sub-region, 2020$					Quarterly change in House Median - rental costs by sub-region, 2020$					
Sub-region	March 2020	June 2020	Sept 2020	Dec 2020	March 2021	qtr to June 2020	qtr to Sept 2020	qtr to Dec 2020	qtr to March 2021	March 2020 qtr to March 2021 qtr	
	$pw	$pw	$pw	$pw	$pw	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change (%)
Cottesloe - Claremont	770	745	805	860	855	-25	+60	+55	-5	+85	+11%
South Perth	465	480	500	490	615	+15	+20	-10	+125	+150	+32%
Perth City	520	525	550	575	610	+5	+25	+25	+35	+90	+17%
Melville	470	495	500	515	545	+25	+5	+15	+30	+75	+16%
Fremantle	530	520	530	580	535	-10	+10	+50	-45	+5	+1%
Joondalup	460	440	475	500	525	-20	+35	+25	+25	+65	+14%
Stirling	415	420	430	465	470	+5	+10	+35	+5	+55	+13%
Cockburn	390	390	415	425	455	0	+25	+10	+30	+65	+17%
Canning	395	375	395	420	450	-20	+20	+25	+30	+55	+14%
Bayswater - Bassendean	380	370	385	405	430	-10	+15	+20	+25	+50	+13%
Belmont - Victoria Park	390	385	380	415	430	-5	-5	+35	+15	+40	+10%
Wanneroo	355	360	375	400	430	+5	+15	+25	+30	+75	+21%
Serpentine - Jarrahdale	335	365	380	415	425	+30	+15	+35	+10	+90	+27%
Kalamunda	375	385	410	415	410	+10	+25	+5	-5	+35	+9%
Mundaring	345	400	380	430	410	+55	-20	+50	-20	+65	+19%
Swan	350	360	375	405	410	+10	+15	+30	+5	+60	+17%
Armadale	335	330	345	360	385	-5	+15	+15	+25	+50	+15%
Rockingham	335	340	350	370	385	+5	+10	+20	+15	+50	+15%
Gosnells	325	320	330	355	380	-5	+10	+25	+25	+55	+17%
Kwinana	320	325	330	360	365	+5	+5	+30	+5	+45	+14%
Greater Perth	375	370	390	410	430	-5	+20	+20	+20	+55	+15%
Karratha	645	635	670	700	695	-10	+35	+30	-5	+50	+8%
Broome	600	540	555	635	565	-60	+15	+80	-70	-35	-6%
Port Hedland	460	425	470	530	560	-35	+45	+60	+30	+100	+22%
Busselton	405	405	430	475	500	0	+25	+45	+25	+95	+23%
Kalgoorlie - Boulder	360	375	365	400	400	+15	-10	+35	0	+40	+11%
Bunbury	340	355	345	370	390	+15	-10	+25	+20	+50	+15%
Albany	355	355	365	375	385	0	+10	+10	+10	+30	+8%
Mandurah	325	320	340	370	375	-5	+20	+30	+5	+50	+15%
Esperance	345	340	335	340	370	-5	-5	+5	+30	+25	+7%
Geraldton	295	290	295	320	345	-5	+5	+25	+25	+50	+17%
WA excluding Perth	360	360	370	380	400	0	+10	+10	+20	+40	+11%

Notes: Suburbs and regions ordered by local area rental cost as at March 2021. Rental values are median rents for established houses in each REIWA sub-regional housing market area.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021).

Port Hedland and Karratha median rents for units have risen by over $100 per week since March 2020.

Rental increases in multi-residential units have followed a similar patter to those for established houses, rising by 15 per cent over the year in Perth and 17 per cent across WA's regions.

Wanneroo and Kwinana have seen the biggest increase in median rents for units, rising 29 and 26 per cent respectively. For Wanneroo, this equates to an increase of $80 per week and for Kwinana $55.

There have been much larger increases in median rental prices for units in WA's regions, highlighting the supply shortages of this type of housing stock.

Port Hedland and Karratha median rents for units have risen by over $100 per week since March 2020, driven by increased activity in the mining sector.

TABLE 11

Changes in median multi-residential unit rents during COVID-19, by WA sub-region: March 2020 to March 2021

Sub-regional housing market area	Unit Median - rental costs					Quarterly change in Unit Median - rental costs					
Perth planning region	by sub-region, 2020$					by sub-region, 2020$					
Sub-region	March 2020	June 2020	Sept 2020	Dec 2020	March 2021	qtr to June 2020	qtr to Sept 2020	qtr to Dec 2020	qtr to March 2021	March 2020 qtr to March 2021 qtr	
	$pw	$pw	$pw	$pw	$pw	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change (%)
Fremantle	420	385	415	430	445	-35	+30	+15	+15	+25	+6%
Cottesloe - Claremont	390	405	360	420	430	+15	-45	+60	+10	+40	+10%
Perth City	380	365	380	405	425	-15	+15	+25	+20	+45	+12%
Melville	385	380	410	420	425	-5	+30	+10	+5	+40	+10%
Stirling	345	340	365	375	400	-5	+25	+10	+25	+55	+16%
Joondalup	360	340	355	380	400	-20	+15	+25	+20	+40	+11%
South Perth	340	350	385	385	395	+10	+35	0	+10	+55	+16%
Belmont - Victoria Park	335	345	355	350	380	+10	+10	-5	+30	+45	+13%
Wanneroo	295	295	330	355	380	0	+35	+25	+25	+85	+29%
Canning	325	320	345	350	370	-5	+25	+5	+20	+45	+14%
Cockburn	330	330	345	365	370	0	+15	+20	+5	+40	+12%
Bayswater - Bassendean	295	300	310	320	355	+5	+10	+10	+35	+60	+20%
Swan	275	285	305	310	330	+10	+20	+5	+20	+55	+20%
Gosnells	280	290	290	305	315	+10	0	+15	+10	+35	+13%
Rockingham	275	270	285	315	315	-5	+15	+30	0	+40	+15%
Armadale	250	250	260	275	295	0	+10	+15	+20	+45	+18%
Kwinana	210	230	250	255	265	+20	+20	+5	+10	+55	+26%
Kalamunda	-	-	-	-	-	-	-	-	-	-	-
Mundaring	-	-	-	-	-	-	-	-	-	-	-
Serpentine - Jarrahdale	-	-	-	-	-	-	-	-	-	-	-
Greater Perth	340	335	350	370	390	-5	+15	+20	+20	+50	+15%
Karratha	395	415	470	415	505	+20	+55	-55	+90	+110	+28%
Port Hedland	320	350	390	420	445	+30	+40	+30	+25	+125	+39%
Busselton	335	380	340	385	405	+45	-40	+45	+20	+70	+21%
Broome	355	355	370	435	400	0	+15	+65	-35	+45	+13%
Albany	260	315	305	305	350	+55	-10	0	+45	+90	+35%
Bunbury	280	315	305	320	345	+35	-10	+15	+25	+65	+23%
Kalgoorlie - Boulder	270	295	320	315	340	+25	+25	-5	+25	+70	+26%
Mandurah	285	285	290	300	325	0	+5	+10	+25	+40	+14%
Esperance	245	300	275	265	290	+55	-25	-10	+25	+45	+18%
Geraldton	200	210	210	205	225	+10	0	-5	+20	+25	+13%
WA excluding Perth	300	320	320	320	350	+20	0	0	+30	+50	+17%

Notes: Suburbs and regions ordered by local area rental cost as at March 2021. Rental values are median rents for multi-residential units in each REIWA sub-regional housing market area.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on REIWA (2021).

THE BANKWEST CURTIN ECONOMICS CENTRE 2021 HOUSING AFFORDABILITY SURVEY

INTRODUCTION

This report presents the results of the *2021 BCEC Housing Affordability Survey*. Data were collected through a panel data company in April 2021 using a survey very similar to the instrument used in 2015, 2017 and 2019 (Cassells *et al*., 2014; Duncan *et al*., 2016; Duncan *et al*., 2019). The survey again collected data from three States, WA, Queensland and NSW, allowing comparisons of how housing affordability has changed over time. While this report concentrates on the results of the 2021 survey, it also reports comparisons across the four surveys where possible. The 2021 survey contained a number of questions around first home buyers and the impact of COVID-19. This report includes specific sections covering both issues.

A panel data company collected responses from each State using quotas to ensure respondent profiles were similar and broadly representative of the national population. The target was 1,200 responses in each State however, additional responses were necessary in Queensland to ensure an acceptable metropolitan-to-regional response split. Consequently, the survey received a total of 4,000 responses. Tables 12, 13 and 14 set out the respondent characteristics.

There are only minor differences in the State respondent profiles allowing direct comparisons to be made. At the State level, the minimum of 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 interpreting the results as high margins of error exist.

Included within the report are a number of housing stories developed from the survey responses. These stories are used to illustrate some of the findings. Note, the names attached to each story are fictional and used only to make the stories feel more relatable.

The overall age profile of the sample broadly reflects the national profile, with responses split between metropolitan and regional areas (Table 12) permitting comparisons of affordability outcomes between the two areas. Household characteristics are similar across States, while the income profile reflects the difficulties of collecting responses using panel data sources with higher income respondents much more problematic to survey.

TABLE 12

Age and location of survey respondents

Age	Total (%)	Number
18-24	12	480
25-34	20	798
35-44	20	793
45-54	17	690
55-64	14	568
65+	17	671
		4,000

Area	Total (%)	Number
Metro	67	2,693
Regional	33	1,307

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

TABLE 13

Household characteristics of survey respondents

	NSW	QLD	WA
	(%)	(%)	(%)
Household Type			
One person household	18	16	19
Living with a friend/in a group household	4	8	3
Couple, no children	27	26	30
Couple with children	34	32	30
One parent family with children	5	9	6
Living with parents in the parental home	8	5	8
Multi-generational household	2	2	2
Parent living with adult children in the adult childrens' dwelling	1	1	0
Other	1	2	2
Household/individual income			
Under $31,000	16	15	18
$31,000-$59,999	20	24	23
$60,000-$89,999	16	19	17
$90,000-$124,999	19	17	17
$125,000-$149,999	12	11	12
$150,000-$174,999	8	5	5
$175,000-$199,999	4	5	4
$200,000 or over	6	5	5

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

In terms of dwelling type, the responses reflect differences in the characteristics of State housing stock. Apartment living is far more common in NSW (24%) and QLD (21%) compared to WA (13%). In WA the four-bedroom house was the most common dwelling type while it was the three-bedroom house in NSW. WA respondents were the least likely to be in the private rental sector (24% compared to 41% in QLD) and most likely to own their own home outright. This reflects the slightly higher proportion of older Australians in the WA sample.

TABLE 14

Dwelling characteristics of survey respondents

	NSW	QLD	WA
	(%)	(%)	(%)
Dwelling type			
Five (or more) bedroom house	7	6	6
Four bedroom house	23	33	39
Three bedroom apartment	5	6	4
Three bedroom house	30	32	34
Two bedroom house	13	5	5
Two bedroom apartment	13	11	6
One bedroom house	2	1	1
One bedroom apartment	6	4	3
Other	2	1	2
Dwelling tenure			
Owned with a mortgage	32	29	35
Owned outright	24	21	31
Rented from a private landlord (via real estate agent)	21	25	12
Rented from a private landlord (private arrangement)	10	14	9
Living with parents	7	4	5
Rented from state housing authority or community housing provider	4	4	4
Other rental (e.g. employer subsidised)	2	2	2
Shared equity (shared ownership with state government etc.)	0	0	1

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

State comparisons are detailed later in this chapter, but first we concentrate on the housing affordability picture in Western Australia.

HOUSING AFFORDABILITY IN WESTERN AUSTRALIA

This fourth survey allows us to track housing affordability outcomes in WA since 2015. Using questions based on perceptions of affordability, financial wellbeing and housing choice, the survey offers a different perspective compared to standardised measures of, for example, housing stress which often do not accurately reflect the situation faced by the individual household (Rowley *et al*., 2012; Leishman *et al*., 2012).

Housing affordability is a complex term defined in many different ways. It can simply refer to direct housing costs in the form of rents and mortgages, or can encompass all the costs associated with a dwelling, such as utility bills, maintenance and travel costs (Leishman *et al*., 2012). In the survey we approach affordability in two ways. We ask about direct housing costs: mortgages and rents, but also broad questions about the extent to which households find their housing affordable. The latter question allows households to consider all the costs associated with housing and not just the direct ones.

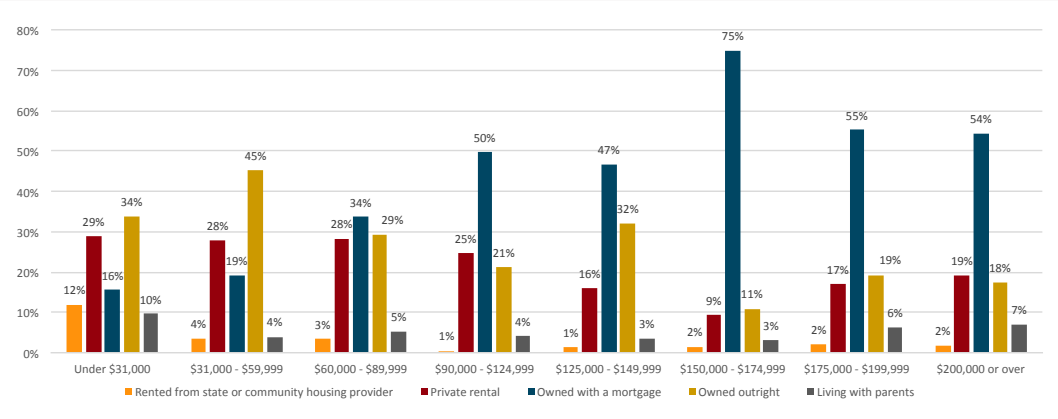
We start discussion of the survey by detailing the profile of WA respondents before working through the results for the State, including metropolitan and regional comparisons.

Demographic profile of WA respondents

Figure 28 examines the household/individual incomes of respondents across five tenures. As would be expected, ownership is concentrated in households earning above $90k. Just under 20 per cent of households earning above $200k are private renters with around 60 per cent of respondents in this tenure earning below $60k. Outright owners are common in the lower income groups, reflecting older households.

FIGURE 28

Household income by tenure: WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

TABLE 15

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	37	10	1	10	9
$31,000-$59,999	45	32	5	5	7	2
$60,000-$89,999	45	38	4	5	5	2
$90,000-$124,999	45	38	5	4	5	2
$125,000-$149,999	57	37	1	4	2	0
$150,000-$174,999	56	36	2	3	2	0
$175,000-$199,999	67	17	4	6	4	2
$200,000 or over	68	16	4	5	2	0

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Table 15 shows a clear relationship between dwelling type and income. Higher income households are far more likely to be living in larger dwellings while 20 per cent of those earning under $31k live in apartments, although a proportion will be older downsizers. There are exceptions with around 5 per cent of high-income earners in three-bedroom apartments. The dwelling patterns tend to reflect the greater housing choice available to those on higher incomes.

The survey asked questions about the employment circumstances of couple households and individuals living on their own or within other household types. Around half of all households contained at least one full time worker and 25 per cent contained someone who worked part time. 23 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, 52 per cent of all part time workers reported wanting more hours, a slight increase on 2019. A third of those wanting additional hours said they were not available with the remainder constrained by other commitments such as childcare. Forty per cent of those respondents wanting more part-time hours regarded their financial position as poor or very poor and just under half did not have enough money left over for non-essential expenditure after paying housing costs. These figures actually show a slight improvement on 2019 despite the disruption to employment caused by COVID-19.

Housing costs and household wellbeing in WA

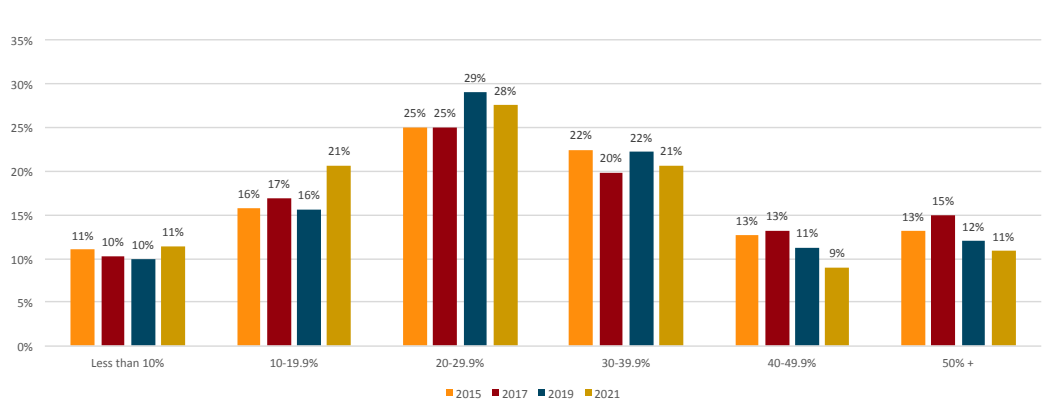
Figure 29 shows the self-assessed housing cost burdens of WA respondents who were asked to estimate the proportion of their gross income spent on mortgage or rent payments. The figure compares the outcomes across four BCEC Housing Affordability Surveys and only includes those households that pay housing costs, excluding those that report living mortgage/rent free.

In 2021, 40 per cent of respondents renting or owning with a mortgage were paying over 30 per cent of their income in housing cost, a drop of 5 per cent on 2019 and 8 per cent on 2015. The fall reflects the reduction in mortgage costs over the last two years, due to falling interest rates, with rents also falling during the majority of this period. The proportion of households paying over 40 per cent of their income in housing costs has fallen steadily since 2017. Pressure on prices and rents may see this situation change over the next 12 months.

When taking into account those households living rent free or with no mortgage, which includes a significant number of older, outright owners, the situation looks very different with only 26 per cent of households paying more than 30 per cent of their income in housing costs and 13 per cent paying above 40 per cent. On the surface, these high cost burden households are the most vulnerable assuming they have been forced to take on such high housing costs, an issue discussed later in the report.

FIGURE 29

Self-assessed housing cost burdens: WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

The proportion of households with housing cost burdens over 30 per cent of income are higher for private renters than those with mortgages. This is a change on 2019, with the last two years seeing cost burdens remain the same in the rental sector but fall from 46 per cent to 41 per cent for those owning with a mortgage. This reflects mortgage interest rate reductions. While there were only small numbers of respondents living with their parents, almost all of them lived rent free.

TABLE 16

Housing cost burden by tenure

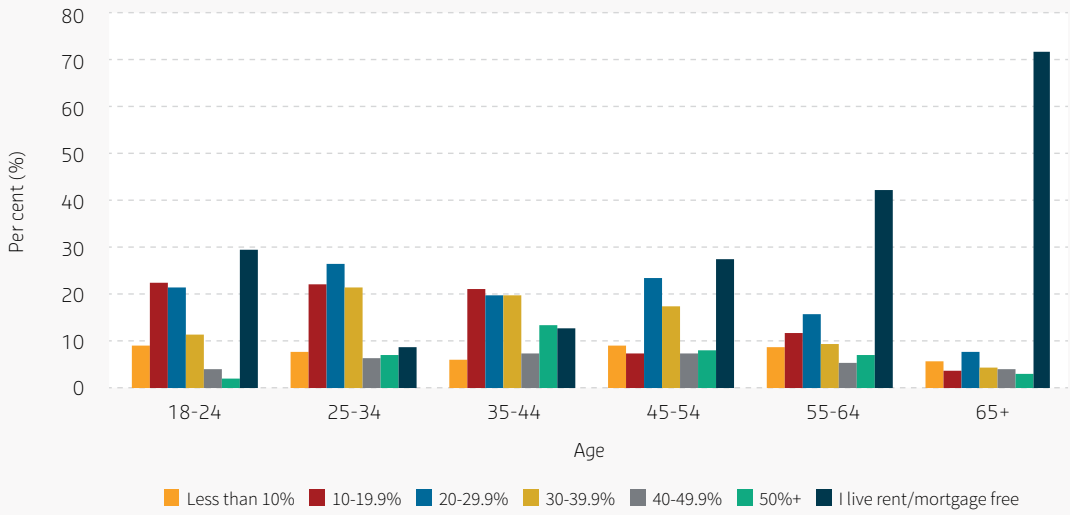
Housing cost burden	Rent from public or community housing provider	Rented in the private sector	Owned with a mortgage	Living with parents
	(%)	(%)	(%)	(%)
Less than 10%	9	7	11	4
10-19.9%	13	17	22	3
20-29.9%	57	21	25	3
30-39.9%	6	22	21	1
40-49.9%	0	10	9	0
50%+	2	13	10	1
Live mortgage/rent free	13	9	1	88
Paying Over 30%	9	46	41	2

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

In Western Australia, 11 per cent of respondents over 65 are paying over 30 per cent of their income on housing costs. This is only sustainable so long as the household maintains a steady income, it is not sustainable into retirement unless the household has considerable superannuation benefit (Hodgson and James, 2018). The 35-44 year old age group reported the highest housing cost burdens with 41 per cent paying over 30 per cent, dropping to 33 per cent for 45-54 and 22 per cent for 55-64.

FIGURE 30

Housing cost burdens by age



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Examining cost burdens by housing type across the survey sample, over 40 per cent of one parent families pay more than 30 per cent of their income on 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. Children make a massive difference to housing cost burdens with only 12 per cent of couples with no children living in the dwelling paying over 30 per cent while 34 per cent of household with children paid the same amount. This is, in part, because many of the couples without children in the dwelling are retired and outright owners. If those households without housing costs are removed then the figures rise to 23 and 41 per cent respectively, which is still a large gap.

Table 17 links housing cost burdens with self-assessed perceptions of financial wellbeing. Housing cost burdens are strongly linked to financial wellbeing outcomes, with poor or very poor households far more likely to report burdens above 40 per cent. Many of those paying above 30 per cent of their income in housing costs are doing so by choice, while others are forced into that position. Figure 31 describes the patterns relating to whether high housing cost burdens are forced or by choice.

TABLE 17

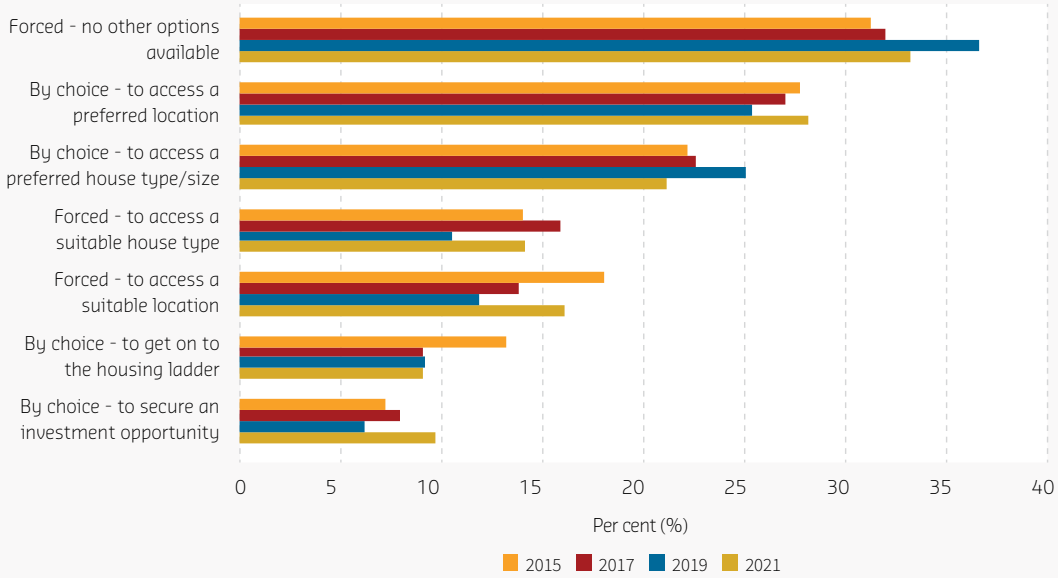
Housing cost burden and self-assessed financial situation: WA respondents

Housing cost burden	Financial situation				
Share of income	Very Prosperous	Prosperous	Comfortable	Poor	Very poor
	(%)	(%)	(%)	(%)	(%)
Live mortgage/rent free	3	9	74	11	2
Less than 10%	8	12	60	19	1
10-19.9%	9	17	63	9	3
20-29.9%	3	8	69	16	3
30-39.9%	7	14	57	18	4
40-49.9%	6	2	53	36	3
50%+	8	3	36	35	19

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

FIGURE 31

Reasons for spending more than 30% 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, 2021.

There has been little change as to why households are paying more than 30 per cent of their income in housing costs over the four surveys. "Forced because there are no other options," is still the main reason, while overall, slightly more households take on high costs by choice than are forced to do so. There was a drop in the number of households forced because of no other options but a small rise in households being forced to access a location or particular house type. Using the whole survey sample, 1,136 respondents were paying over 30 per cent of their income in housing costs, three quarters of those in the lowest income group were forced to take on the cost burden compared to just 15 per cent in the highest income group.

Table 18 shows the breakdown across all income groups with choice becoming far more prevalent as incomes rise. From this we can conclude that low-income households are far more likely to be forced into taking on high housing costs, while higher incomes, as expected, allow choice.

TABLE 18

High housing cost burdens: Forced or chosen

	Forced	Choice
	(%)	(%)
Under $31,000	75	25
$31,000-$59,999	58	42
$60,000-$89,999	51	49
$90,000-$124,999	39	61
$125,000-$149,999	21	79
$150,000-$174,999	21	79
$175,000-$199,999	19	81
$200,000 or over	15	85

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Single parent in the private rental sector - The Jones Family's story

I am a single mother aged between 25-34 years. I live with my child(ren) in a four-bedroom house which we rent from a private landlord, although I would prefer to be an owner occupier. I have an annual income of $31,000 - $59,999. The house is located in the outer suburb of a capital city. I work part time and only have a short drive (up to 10 minutes) to get there, which is my preference. I'd prefer to be working more hours a week, but they are not available. The COVID-19 pandemic hasn't changed the way I work.

Housing decisions

I have lived in my current house for more than 5 years. When I selected the dwelling type, number of bedrooms and outdoor space were very important to me, as were the safety and security of the neighbourhood, easy access to health services, shops and public open space, close proximity to family/friends and schools/child care. I also wanted to live in a walkable neighbourhood. The single most important factor in my decision to select this dwelling was affordability. I am renting in my preferred location. The COVID-19 pandemic hasn't impacted upon my dwelling or location preferences.

Housing affordability

My house is unaffordable. I am forced to spend 40-49.9% of my income on my housing costs as there are no other options available. I have had difficulty meeting my housing costs most months over the last year. The impact of sustaining my housing has an impact on my non-essential expenditure, my social life, as well as non-essential expenditure such as entertainment and ability to go on holiday. I have fallen behind on my rent in the last 12 months. After I have paid my housing costs, I do have enough left for essential expenditure but not for the non-essential items or savings or investment. *"As a single parent on a pension, working AND studying to get a better career it is not possible for me to save towards a house deposit, or any savings as that is spent on day to day life. Money is lucky to last the week."*

Despite my housing costs I would still describe my current financial situation as comfortable. This is an improvement on my financial situation two years ago and is a result of JobKeeper/JobSeeker payments. A 10% increase on my weekly rent would have a major impact on my current financial situation. Looking ahead, I think my financial situation will be about the same two years from now.

Accessing home ownership

The factors preventing me from buying my own home are that I can't afford the deposit and I can't get a mortgage. If I were to buy tomorrow, I would not be able to raise any money for a deposit. I expect I will need $10,000 in order to purchase the type of dwelling I want.

Incentives or programs that would be important in assisting me to access homeownership would be a government grant to help with the deposit or saving and stamp duty relief. I am prepared to move over 30 kilometres away from my ideal location to purchase a home affordable to me.

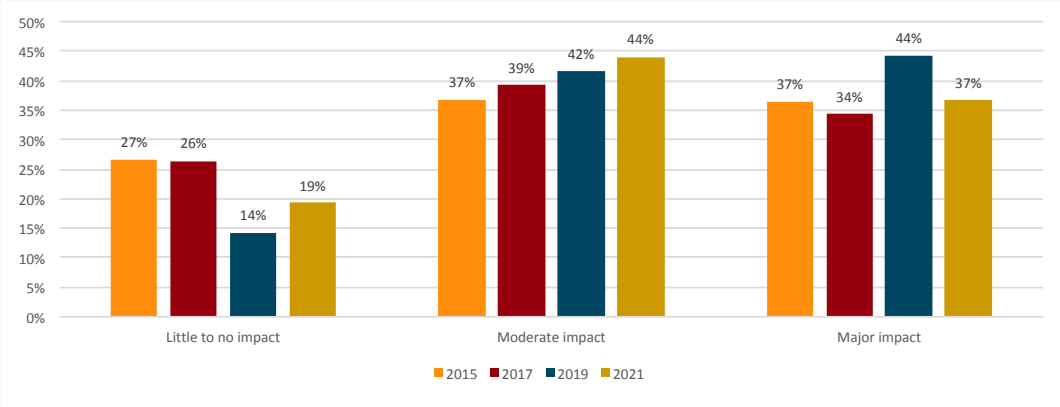
The COVID-19 moratorium on rental evictions made me feel more secure in my home.

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.

Figure 32 shows the proportion of respondents identifying a 10 per cent increase in housing costs as having a major impact on their financial wellbeing and Figure 33 breaks down by tenure. The data show an overall improvement on 2019 with a shift from major impact to moderate impact, but this is very much driven by owners with a mortgage due to a reduction in mortgage interest rates. Given the current surge in rents, it is concerning that over 40 per cent of private renters would feel a major impact from rent increases and this figure has risen since 2019.

FIGURE 32

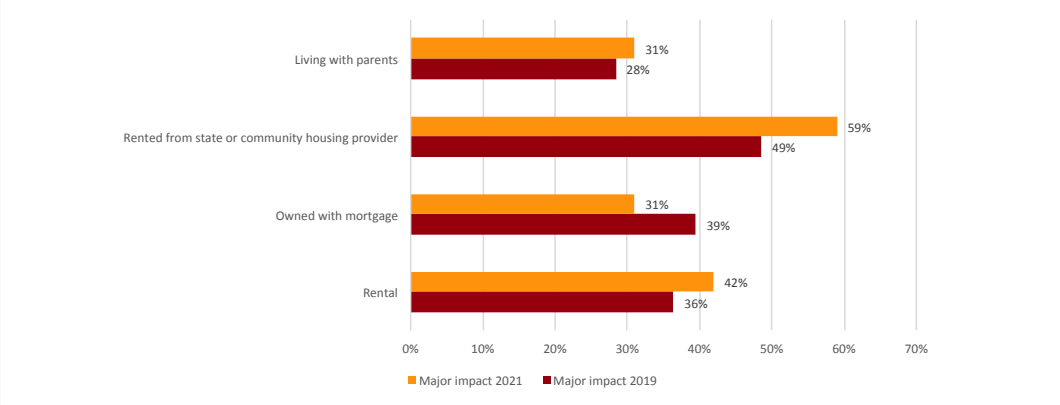
Impact of a 10% housing cost increase: 2015, 2017, 2019, 2021



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

FIGURE 33

Major impact of a 10% increase in housing costs: WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2019, 2021.

Single person in the private rental sector – Janice's Story

I am a 55 to 64 year old female living in a single person household in an inner city location. I live in a two bedroom apartment which I rent from a private landlord. I am currently unemployed, receive Commonwealth Rent Assistance and have an annual income under $31,000.

Housing decisions

I have lived in my apartment for more than 15 years. When I moved here I would not compromise on the dwelling type, number of bedrooms, parking or high speed internet. It was essential that the neighbourhood was safe and secure with easy access to public transport, a major road, health services, shops and local open space. It also had to be in close proximity to family/friends and have a walkable neighbourhood design. The single most important factor in the decision to select my current dwelling was the location and I was lucky enough to be able to find a rental property in my preferred location. I would prefer to be an owner occupier rather than a renter. My preferred length of lease as a renter is two years. The COVID-19 pandemic has not had an impact on my preferences of dwelling or location.

Housing affordability

I regard my housing as being very unaffordable. I spend more than 50% of my income on my housing costs. I spend this proportion of my income on my housing to be able to access my preferred location but I am forced into this position as there are no other rental options available. I have difficulty meeting my housing costs most months of the year. Sustaining these costs has impacted negatively on my mental and physical health, my social life, ability to go on holiday as well as my essential expenditure such as food. I have never fallen behind on my rent. After paying housing costs I do not have enough left for essential expenditure, let alone non-essential expenditure or for savings or investment.

I would describe my current financial situation as being very poor, which is about the same as two years ago. A 10% increase in my rent would have a major impact on my financial situation. I anticipate that my financial situation two years from now will actually be worse.

"I receive JobSeeker payments plus [Commonwealth] Rental Allowance. When the coronavirus supplement ends this payment will not be enough to cover my rent for 2 weeks! - It hasn't been enough since about 2007. The coronavirus supplement has allowed me to pay for ALL my basics in the last year plus a couple of small treats. The ability to earn up to $300 per fortnight without losing any benefit, plus the coronavirus supplement has meant that I have been able to save to pay for all my bills up until April 2021. After that things will be extremely tight again and that is an understatement! I will not have enough to pay my rent by $10 per fortnight which means that any amount that I earn will go to food and running my car first and then bills. My private market rental is very good for my area as I've been living in the same unit with the same owner for the last 20 years. For this I am extremely thankful. However, the Rental Allowance has not gone up commensurate to how high rents have risen and are continuing to rise! Having to pay out ALL my Government income on rent has meant that I have no social life and can rarely have treats and that includes buying new clothes when I need them. Having high rents means that I have to pay rent first, then food, then petrol, then basic bills. Without my car, I cannot earn extra income."

Accessing home ownership

The main things preventing me from buying my own home is that I can't afford to live in my preferred location or dwelling and I can't afford the deposit or mortgage payment as I'm not in stable employment. If I were to buy a house tomorrow I would have about $1000 that I could use as a deposit.

The COVID-19 pandemic has not made me feel less secure in my home and the moratorium on rental evictions made no difference to me.

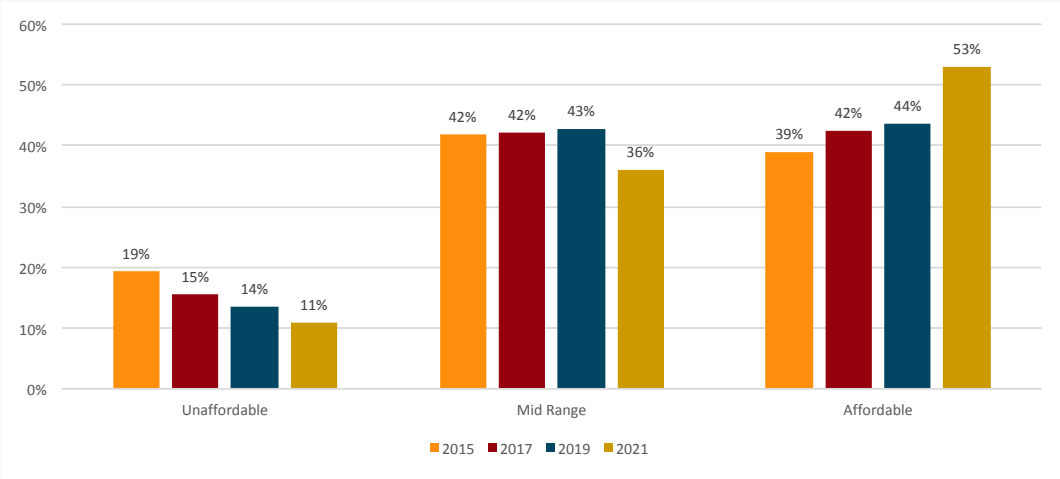
Perceptions of housing affordability

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. Measures such as housing stress are not very good at examining individual household circumstances (Leishman *et al*., 2012; Rowley *et al*., 2012). 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 three broad measures captures households in similar circumstances.

Figure 34 describes the housing affordability perceptions of households across the four surveys. Overall, the last two years has seen big improvements in affordability despite little wage growth. Indeed, the proportion regarding their housing as affordable has risen from 39 per cent in 2015 to 53 per cent in 2021.

FIGURE 34

Perceptions of housing affordability: WA respondents



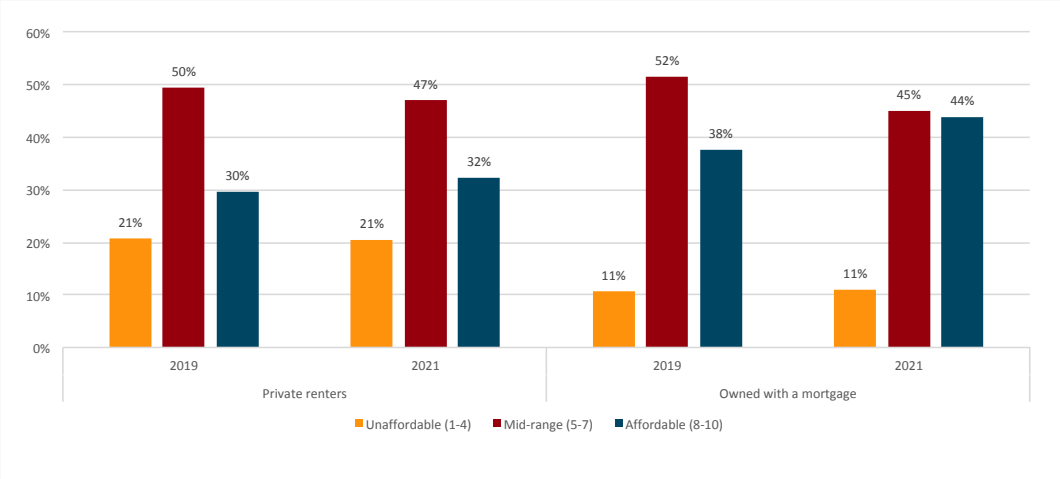
Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

Stripping out all those respondents that live rent free or are outright owners, there are smaller improvements over time. 32 per cent of private renters regard their housing as affordable, up 2 per cent on 2019 while the proportion regarding their housing as unaffordable has not changed (21%). So, affordability in the private rental sector has changed very little in the last two years and many of the 50 per cent of respondents regarding their housing as having mid-range affordability could be pushed into the unaffordable category if their rents rise. It is a slightly different story for owners with a mortgage with 44 per cent regarding their housing as affordable, up from 38 per cent two years ago, most likely due to reductions in mortgage interest rates. The proportion regarding their housing as unaffordable has not changed at 11 per cent. In 2021, owning with a mortgage is perceived as being more affordable than the private rental sector.

For those households in part time employment, 52 per cent wanted to work more hours. Those wanting more hours were over twice as likely to rate their housing as unaffordable (18%) compared to those happy with the number of hours worked (7%).

FIGURE 35

Perceptions of housing affordability by housing tenure: WA respondents



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2017, 2019, 2021.

There is a very strong link between perceptions of affordability and housing cost burdens. Around five per cent of those with no housing costs or paying under 10 per cent of their income in housing costs still regard their housing as unaffordable, and 20 per cent consider their housing as mid-range affordability, due to the costs of running a house such as maintenance for owners and utilities for all. Around 20 per cent of respondents with housing cost burdens above 40 per cent regard their housing as unaffordable.

Another question used to identify perceptions of affordability asked respondents whether they have enough money left over after paying for housing costs to meet essential and non-essential expenditure and to save or invest. Table 19 shows how 92 per cent of households are able to meet essential expenditure, however this varies between 97 per cent of outright owners down to 83 per cent for those living with their parents. The real differences, however, appear in regard to non-essential expenditure and savings. Less than 60 per cent of households in social housing or the private rental sector are able to meet non-essential expenditure compared to over 70 per cent for those with a mortgage and less than half are able to save/invest.

Outcomes are strongly associated with incomes, as expected, with big increases in the ability to save/invest occurring once a household reaches an income of over $60,000. As Figure 36 shows, increasing housing cost burdens reduce the ability of households to meet non-essential expenditure and to save.

TABLE 19

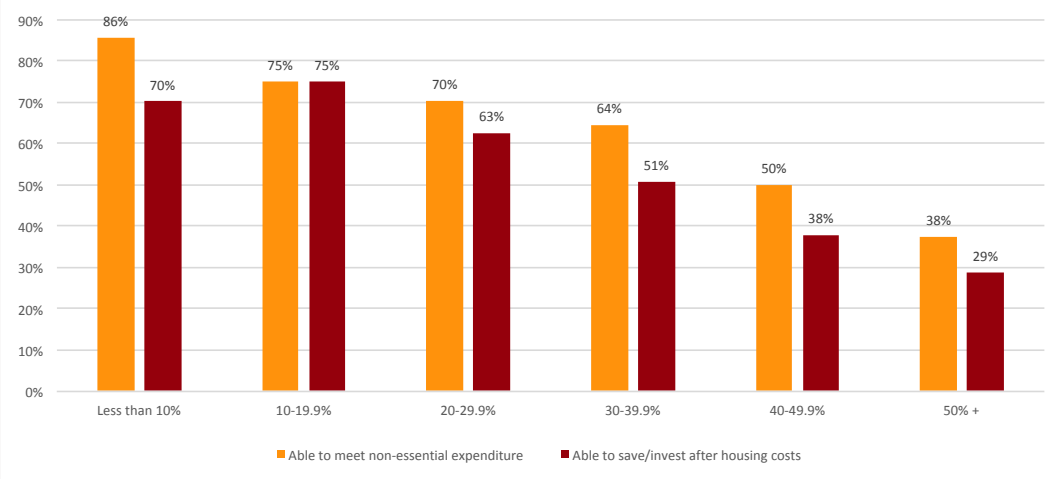
Expenditure after housing costs: WA

	ALL	Social housing	Private rental	Owned with mortgage	Outright owner	Living with parents
	(%)	(%)	(%)	(%)	(%)	(%)
Essential expenditure (i.e. necessary for day to day living including bills, basic food and drink, clothes, transport etc.)	92	86	87	93	97	83
Non essential expenditure (social activities, holidays, TV, non-essential food and drink such as alcohol, etc.)	71	55	58	71	85	71
Savings or investment	60	45	45	63	71	63

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

FIGURE 36

Impact of housing costs burdens on the ability to meet expenditure: WA

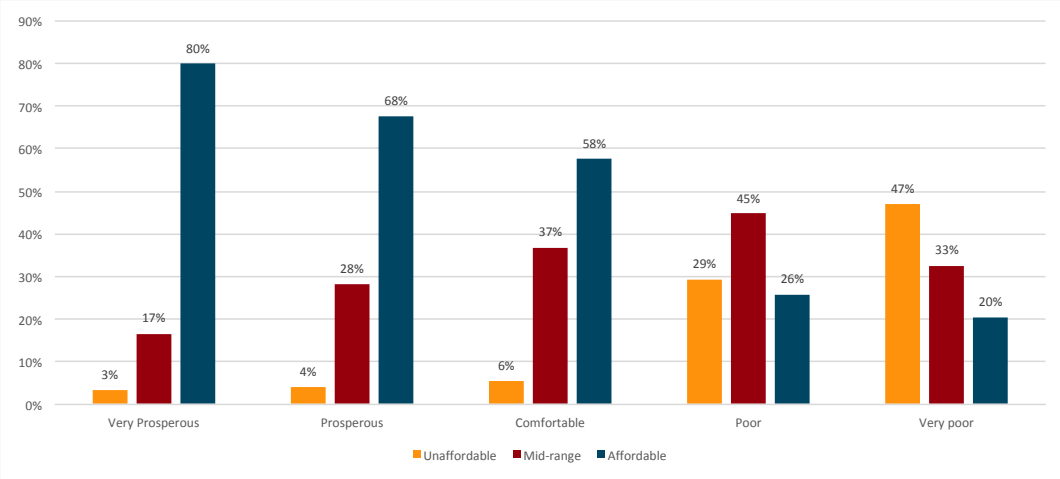


Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

There are strong relationships between ratings of housing affordability and financial wellbeing. Almost half of those rating their financial situation as very poor are living in unaffordable housing, and as Figure 37 clearly shows, unaffordable housing is really only an issue for poor or very poor households.

FIGURE 37

Housing affordability perceptions by self-assessed financial situation, WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

In terms of perceptions of affordability by income, a greater proportion of households in lower income groups describe their housing as unaffordable but overall, in all income categories, many more households describe their housing as affordable than unaffordable. For WA there has been an increase in the number of low- and moderate-income households regarding their housing as affordable on 2019. Based on an estimated total number of households in WA of one million, this would mean around 110,000 households regard their housing as unaffordable. Just over 20 per cent of households in the private rental sector regard their housing as unaffordable, the largest proportion of any tenure. This means well over 50,000 private rental households are in what they regard as unaffordable housing and with rents currently rising, this figure is set to increase.

In terms of dwelling type, the house was considered affordable by 53 per cent of respondents compared to 58 per cent for apartments, while 12 per cent considered their apartment unaffordable compared to 10 per cent in a house.

TABLE 20

Perceptions of housing affordability by income group, WA respondents

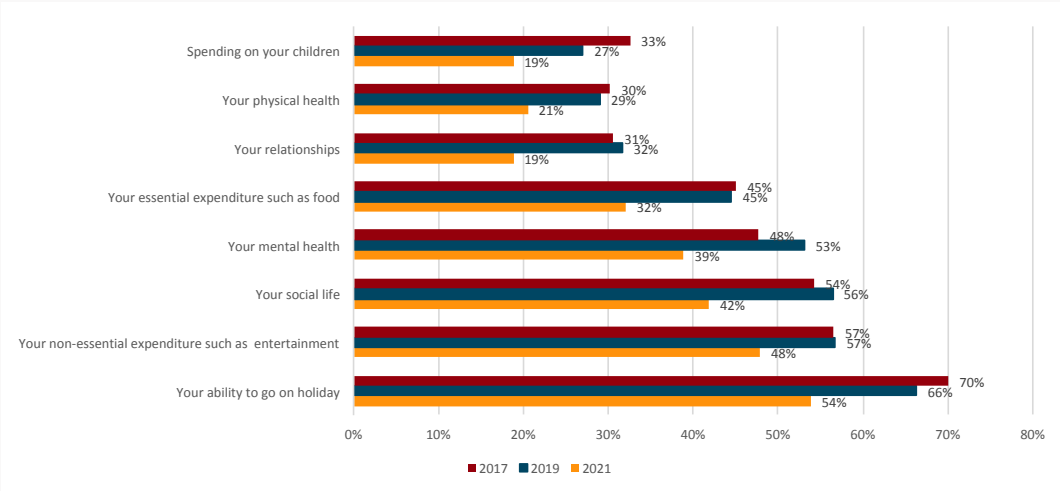
Household/individual income	Unaffordable	Mid-range	Affordable
	(%)	(%)	(%)
Under $31,000	14	36	50
$31,000-$69,999	14	32	54
$70,000-$89,999	13	37	50
$90,000-$124,999	9	45	46
$125,000-$149,999	6	31	63
$150,000 and over	6	35	59

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

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 38 presents the results for the last three surveys. Despite a very similar sample, 2021 results showed big improvements on the impact of housing costs on various life domains. The reasons for this are unclear, but perhaps many lower income households were able to save more during COVID-19, due to JobSeeker/JobKeeper payments and mortgage deferrals allowing improvements in many areas. Almost 32 per cent of respondents said they felt better off in 2021 compared to the same time two years ago, while 27 per cent felt worse off.

FIGURE 38

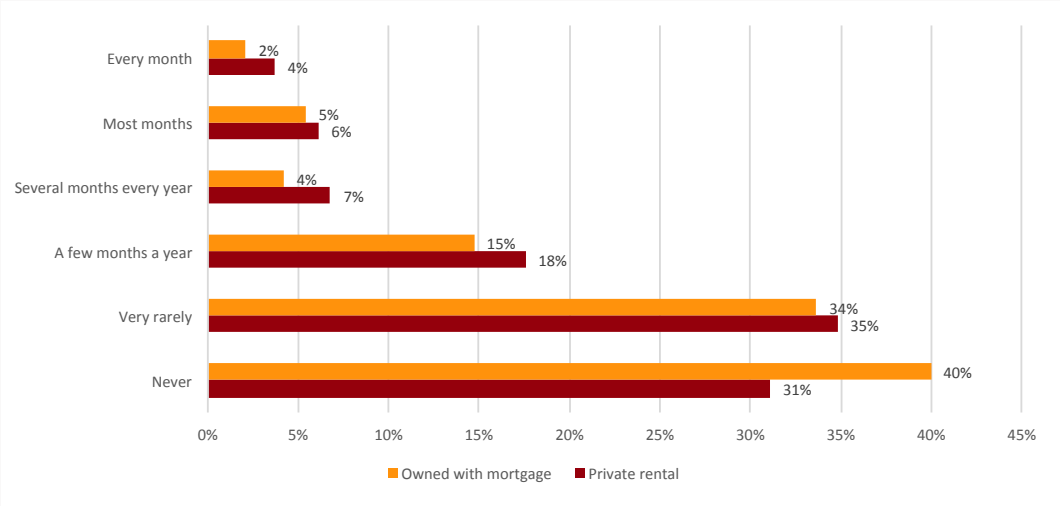
Life domains affected by high housing costs: WA respondents



Note: Respondents could choose more than one option.
Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2017, 2019, 2021.

FIGURE 39

Difficulty meeting housing costs: WA respondents



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

High housing costs often result in difficulties for households meeting such costs. There have been big improvements since 2015 with the proportion of all households frequently struggling to meet housing costs falling from 24 per cent to 11 per cent in 2021.

Figure 39 shows how private renters had the most difficulty meeting housing costs in 2021 with 34 per cent regularly struggling compared to 26 per cent of those with a mortgage.

Such struggles are certainly a function of income with around 30 per cent of the lowest 3 income groups (all households with an income below $90k) reporting regular difficulty in meeting housing costs. For higher income groups (those above $150k) the proportion struggling to meet costs fell to less than 20 per cent.

One parent families and multi-generational households were in the least favourable position with well over 40 per cent regularly struggling to meet housing costs. For many struggling households it comes down to a choice between meeting housing costs and other items of essential expenditure such as food.

One parent families and multi-generational households were in the least favourable position with well over 40 per cent regularly struggling to meet housing costs.

Older couple in owner occupation – The Li Family's Story

I am a male aged over 65 years living in a couple household with no children. We have an annual income of $31,000 - $59,999.We live in a four-bedroom house that we own outright in the outer suburbs of a capital city. In our household, one of us works part time and the other is retired. It usually takes me 20-30 minutes to drive to work. I am happy with my part-time hours and would not prefer to be working more. The COVID-19 pandemic has not changed the way I work.

Housing decisions

We have been living in this house for between 3 and 5 years. When we chose this home we would not compromise on the number of bedrooms, living areas or outdoor space. It was essential that the parking was adequate and that the home had air conditioning, solar panels, universal/adaptable design features and high speed internet. The neighbourhood had to be safe and secure and within easy access to health services, shops, entertainment and have a walkable design. The single most important factor in the decision to select our current dwelling was the characteristics of the neighbourhood and we did manage to purchase a home in our preferred location.

Housing affordability

I regard my housing as being very unaffordable. Even though I do not have a mortgage, my housing costs have had an impact on my Super. The impact of sustaining the running costs of the home is having an impact on my physical health and ability to go on holiday. After paying the costs of running our home we do have enough income to pay for essential expenditure such as basic food and drink, clothes, transport and non-essential expenditure but not enough for savings or investment. If urgent maintenance was needed on my house the maximum we could cover would be up to $2,000.

I would describe my current financial situation as being comfortable, however, I feel worse off when compared to two years ago. I anticipate that my financial situation two years from now will actually be about the same.

Housing costs, choice and trade-offs

Households make important housing related decisions, not least choosing a house in the first place. Once again this year, affordability was reported as the primary decision-making factor in housing choice, closely followed by location. All other issues, including dwelling size, are far less important. Table 21 ranks the decision-making factors relative to the main factor so, for example, all other factors with the exception of location were less than half as important as affordability in the housing choice decision. This has implications for strategies around planning for infill housing, particularly delivering the elusive medium density product at scale.

TABLE 21

Decision making factors in housing choice, WA respondents, relative ranking

Factor	Relative ranking 2021	Relative ranking 2019	Relative ranking 2017	Relative ranking 2015
Location (for example, easy access to work, schools, friends, family)	0.93	0.78	1	1
Affordability	1	1	0.83	0.83
Neighbourhood characteristics (e.g. amenities, safety and security)	0.41	0.4	0.44	0.38
It was the best option available at short notice	0.28	0.28	0.18	0.24
Size (number of bedrooms for example)	0.26	0.3	0.16	0.13
Space (large rural lot for example)	0.15	0.15	0.13	0.09
Specific features (such as appearance or energy efficiency)	0.1	0.14	0.06	0.08
Other (please specify)	0.17	0.15	0.1	0.07

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

To examine how flexible consumers are when it comes to dwelling and location characteristics, the survey respondents were asked to select, from a range of housing and location related attributes, whether they would be prepared to compromise on this attribute or if it was an essential component of any housing decision. The results are presented in Table 22 in order of those attributes on which households are least prepared to compromise. The table compares 2021 to 2019 which allows us to identify any differences which might be related to COVID-19 (more detail is provided later in the report). Those attributes in bold are the ones that have seen the biggest changes since 2019.

TABLE 22

Respondents willingness to compromise on housing attributes: WA respondents

Dwelling	Would not compromise 2021	Would not compromise 2019
	(%)	(%)
Safety and security	72	73
Easy access to shops	**64**	**39**
Number of bedrooms	**59**	**26**
Air conditioning	58	55
A walkable neighbourhood	56	53
Dwelling type (separate house, apartment, townhouse etc.)	54	43
Outdoor space	54	
Adequate parking	53	52
Easy access to public transport	44	36
Easy access to health services	42	38
Easy access to local open space	38	29
Size of the lot	**37**	**22**
Access to high speed internet services	36	49
Close proximity to family/friends	**35**	**21**
Easy access to work	**34**	**25**
Number of living areas	31	20
Building materials	30	23
Easy access to a major road	29	22
Solar panels	28	22
Easy access to entertainment (cafes, bars, restaurants etc.)	**26**	**18**
Close proximity to schools/child care	21	21
Universal design (i.e. dwelling suitable for all ages and physical requirements)	18	21

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2019, 2021.

Safety and security of the neighbourhood is top of the list in both years but easy access to shops was much more important in 2021, which may well be a COVID-19 driven factor. The number of bedrooms has also grown in importance, perhaps a result of more people working from home and requiring the extra bedroom as a study.

Dwelling type is also slightly more important, while noting that only just over half of respondents are unwilling to compromise on this attribute. Outdoor space was introduced as a variable this year and over half of respondents would not compromise on having this attribute. Generally, respondents showed great flexibility when it comes to dwelling and location choice. For example, 70 per cent were flexible on the type of building materials used and over 60 per cent on the size of the lot, although this has grown in importance since 2019.

The analysis above shows affordable housing in a good location is more important than the size and type of dwelling itself, although the number of bedrooms has increased in importance quite dramatically since the last survey. Other studies have shown a strong preference for houses (see for example Stone *et al.*, 2020) so medium density housing within infill locations providing access to amenities should attract strong demand. Outdoor space was introduced as a variable in 2021 and over half would not compromise on this attribute. This highlights the importance of good design when it comes to housing, particularly on smaller lot sizes.

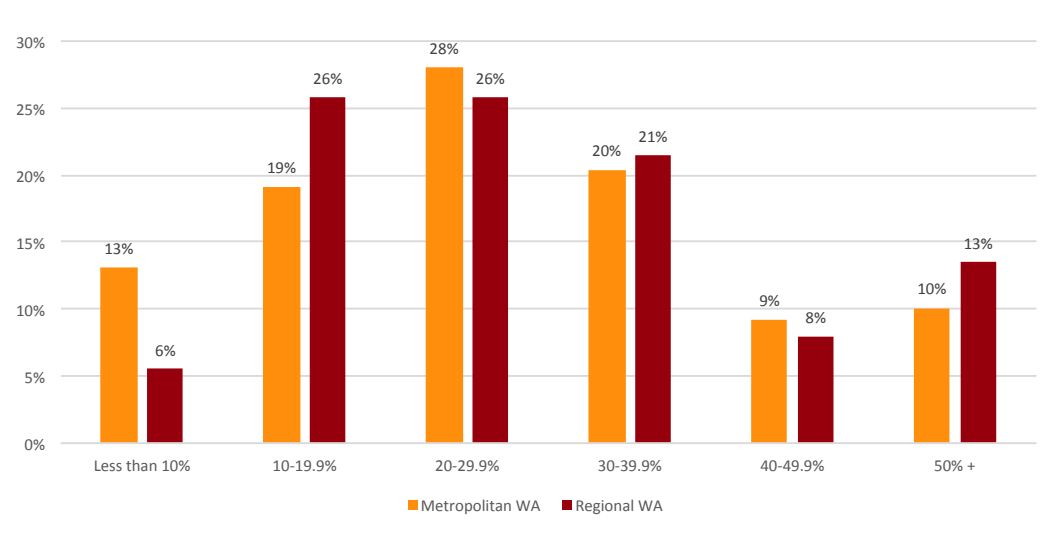
HOUSING AFFORDABILITY IN REGIONAL WESTERN AUSTRALIA

In the survey, 245 responses from regional WA were collected, representing around 20 per cent of the overall WA sample. The majority came from Peel and the South West, reflecting their relative share of the population. With the sample being quite small, the results of the analysis below should be treated with some caution.

Figure 40 compares the housing cost burdens of regional and metropolitan WA, excluding those living rent free and outright owners. There are greater proportions of metro households paying less than 10 per cent of their income in housing costs, and also greater proportions of regional households paying over 50 per cent. Regional WA is slightly less affordable when looking at cost burdens above 30 per cent.

FIGURE 40

Self-assessed housing cost burdens: Regional versus metropolitan WA

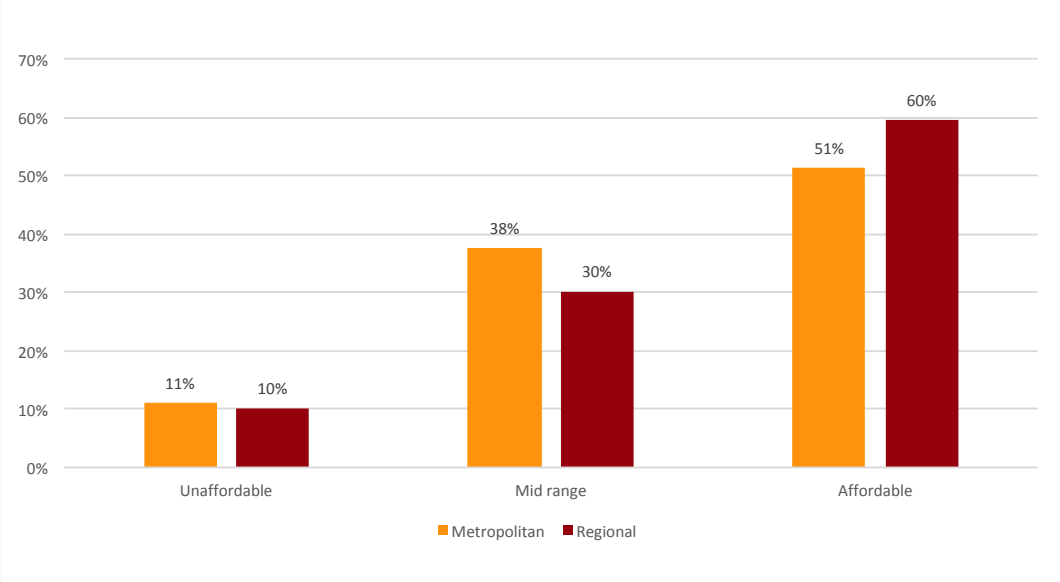


Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Perceptions of affordability are very similar with the proportion of households regarding their housing as unaffordable at 11 per cent for regional WA and 10 per cent for metropolitan areas, both having improved on 2019. A greater proportion of regional households rate their housing as affordable (60% compared to 51%) while there are more mid-range households in metro areas. Figure 42 shows how affordability has improved over the four surveys in regional WA with a drop in the proportion rating their housing as unaffordable from 23.5 per cent to 10 per cent. A continuation of that improvement is unlikely with rents already rising in many regional areas.

FIGURE 41

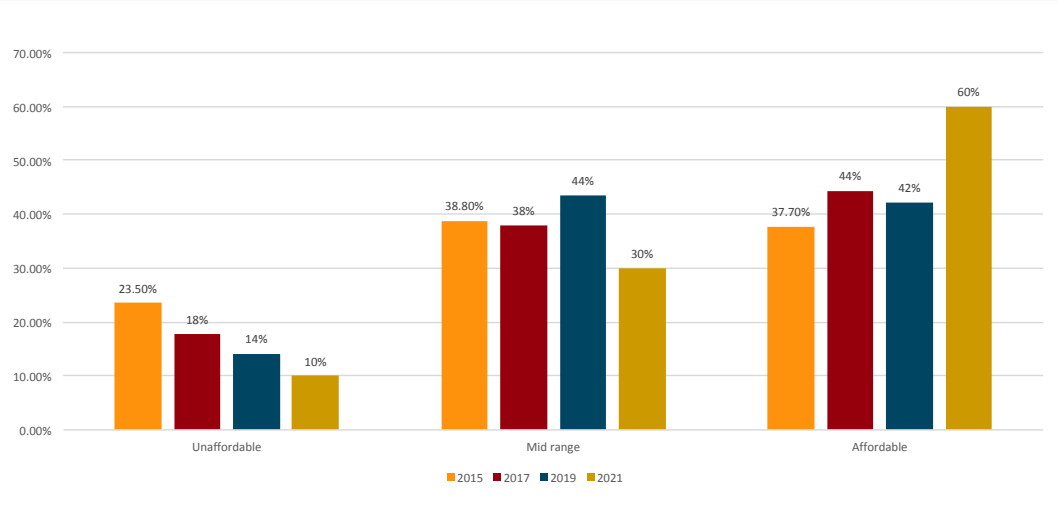
Perceptions of housing affordability: Regional versus metropolitan WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

FIGURE 42

Perceptions of housing affordability in regional WA



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

When comparing affordability across tenure the outcomes are very similar except a slightly greater proportion of metropolitan households rating private rental as unaffordable and regional households rating owning with a mortgage as affordable.

Table 23 compares WA with the two other States and the gap between the levels of unaffordable housing is smallest in WA. There is a greater level of affordability in regional areas across all States, with many more respondents rating their housing affordable in comparison to metro households. There are significant differences in the affordability of regional areas, depending on their characteristics, and often incomes are lower than metro locations, so we need to be careful around generalising that regional areas always offer an affordable alternative to metropolitan locations.

TABLE 23

Affordability ratings by State: Regional and Metropolitan

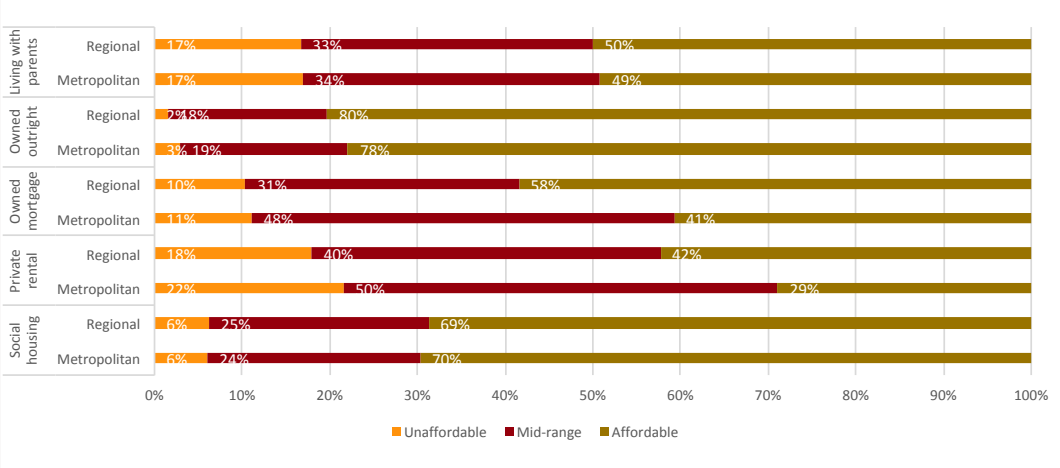
State	Location	Unaffordable	Mid range	Affordable
		(%)	(%)	(%)
New South Wales	Metro	12	44	45
	Regional	8	37	55
	Difference	4	7	-10
Queensland	Metro	15	39	46
	Regional	10	38	52
	Difference	4	2	-6
Western Australia	Metro	11	38	51
	Regional	10	30	60
	Difference	1	7	-8

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

The breakdown of affordability perceptions by tenure confirms similar patterns across metropolitan and regional areas with slightly more regional households rating private renting and owning with a mortgage affordable (Figure 43).

FIGURE 43

Comparison of affordability perceptions by tenure



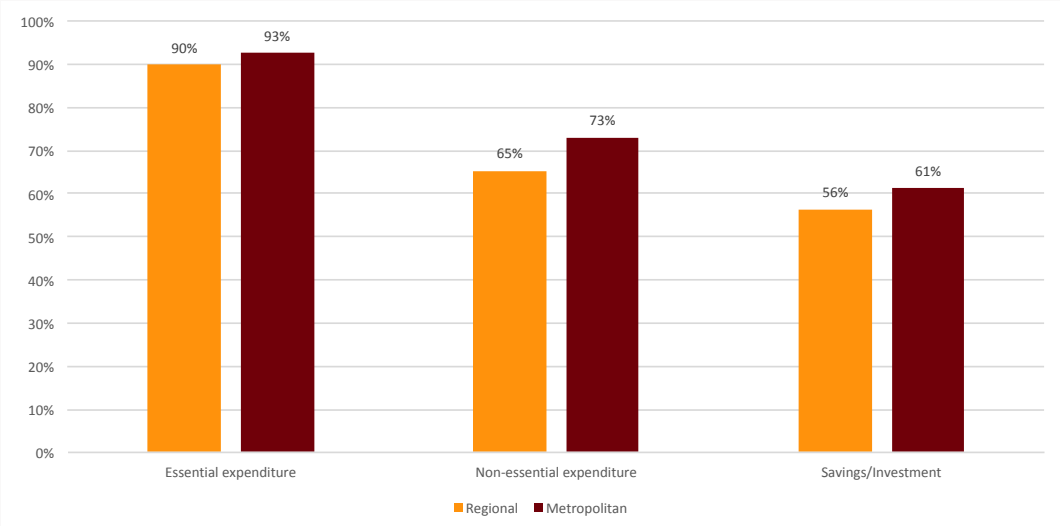
Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2019.

A regional household's ability to pay for essential and non-essential expenditure was similar to metropolitan equivalents as can be seen from Figure 44. Regional households were slightly worse off in terms of non-essential expenditure and savings.

Patterns were also very similar when it comes to difficulties meeting housing costs. While Figure 45 shows that regional households are slightly more likely to be regularly unable to meet housing costs, 26 per cent compared to 23 per cent.

FIGURE 44

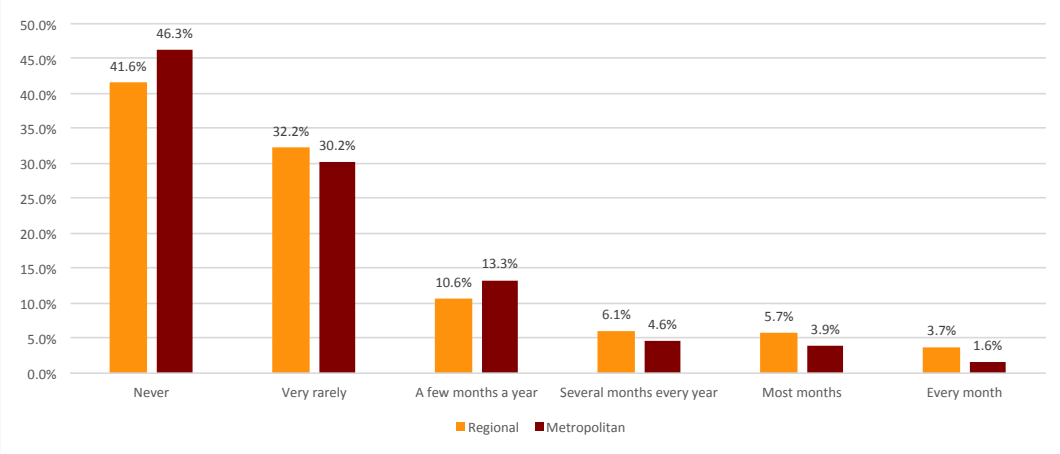
Capacity to meet expenditure after housing costs



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

FIGURE 45

Difficulty meeting housing costs: Regional and metropolitan comparisons



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2019.

In summary, housing affordability outcomes are similar in regional and metropolitan WA. Affordability has improved, largely as a result of a sustained period of falling rents and lower mortgage interest rates, but that period has come to an end for now and affordability outcomes are likely to deteriorate for private rental households and those looking to enter home ownership. Supply issues in regional areas mean demand increases have an immediate impact on rents and prices as supply is slow to respond. Any major population shifts into regional areas will have an almost immediate impact on affordability outcomes for private rental tenants.

Single parent in the private rental sector - The Jones Family's story

I am a 55-64 year old male living in a four-bedroom house in a regional town. I live by myself and have been here for 3-5 years and own the house with a mortgage. Currently on a disability pension, I have an annual income of under $31,000 a year.

For me, important attributes from a dwelling include the dwelling type, number of bedrooms or living areas, air conditioning, solar panels, building materials, size of the lot, the outdoor space and high speed internet. The location had to be safe and secure, as well as have easy access to a major road, work, health services,and family and friends. I am not prepared to compromise on these features.

I did buy a house in my preferred location however, *"I had no choice as to where I built, my town was destroyed by wildfires... I moved to the next town where my son is living. I had to apply for a mortgage due to the cost of materials going up and subsoil quality."*

Accessing first home ownership

Although I have purchased housing before, I bought my first home when I was 18-24 years old. I did have some assistance from my family. *"My Grandfather gave me the land, my Father assisted by giving me help with a deposit and [with] my wages I was able to get a home loan and build a home."*

Housing affordability

I view my house as affordable despite spending around 40-49.9% of my income on housing costs. I am forced to spend a high proportion of my income on housing costs as there are no other options available. I rarely have difficulty paying my mortgage and have not fallen behind on repayments in the last 12 months.

One of the issues with affordability is the cost of building. *"The cost of building products seem to rise 2 - 3 times per year so the cost of building goes up also making home ownership more difficult. I need to borrow more money and hope interest rates don't go up. Need to look at ways to build in more efficient products/ways, more efficient structures and affordability needs to be found."*

After paying housing costs I have enough left for essential expenditure such as bills, basic food and drink, clothes, transport, but I do not have enough for non-essential expenditure such as social activities, holidays, TV, non-essential food and drink such as alcohol. Nor do I have enough left over for savings or investment. If urgent maintenance was needed on my house, I could not afford any.

I would describe my current financial situation as being very poor, which is worse off than two years ago. *"Being on a disability pension, my income [only] goes up by a few dollars per week annually so I have no room to move, have to budget for every cent, 98% of utility bills/home loan are directly deducted from my account each fortnight. Cost of living has risen sharply over last few years."* I feel that it will be about the same in another two years as well.

The COVID-19 pandemic has not had an impact on my preferred dwelling or location but it has made me feel less secure in my home.

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.

Prices, rents and perceptions of housing affordability

The three States have very different price and rent levels (Table 24 and Table 25). While median prices in Sydney are almost double that of Perth, Perth is also cheaper than Brisbane. Regional WA is also considerably cheaper than both regional NSW and QLD. Dwelling prices have not changed significantly since 2016, although there have been periods of growth and decline in NSW, and prices are now growing strongly in all three States. There have been greater changes in rent levels with Perth rents up around 15 per cent from December 2018 to December 2020 and have continued to rise since the end of last year. However, as shown above, perceptions of rental affordability in WA have not deteriorated greatly, yet.

TABLE 24

Dwelling prices by location

	Established House Prices	Attached Dwelling Prices	Established House Prices	Attached Dwelling Prices	Established House Prices	Attached Dwelling Prices
	Dec-20		Dec-18		2016	
	($)	($)	($)	($)	($)	($)
Perth	490,000	380,000	490,000	385,000	525,000	410,000
Rest of WA	360,000	225,000	320,000	230,000	345,000	289,000
Sydney	930,000	722,000	910,000	720,000	990,000	735,000
Rest of NSW	502,200	440,000	461,100	405,000	445,000	380,000
Brisbane	550,000	400,000	540,000	395,000	515,000	410,000
Rest of QLD	449,000	405,000	430,000	358,300	439,000	375,000

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 25

Median rents by capital city

	Houses	Units	Houses	Units	Houses	Units
	Dec-20		Dec-18		Dec-16	
	($)	($)	($)	($)	($)	($)
Perth	420	350	365	300	350	300
Sydney	550	470	540	530	550	545
Brisbane	425	400	410	380	400	370

Source: Bankwest Curtin Economics Centre | https://www.domain.com.au/research/rental-report/december-2020.

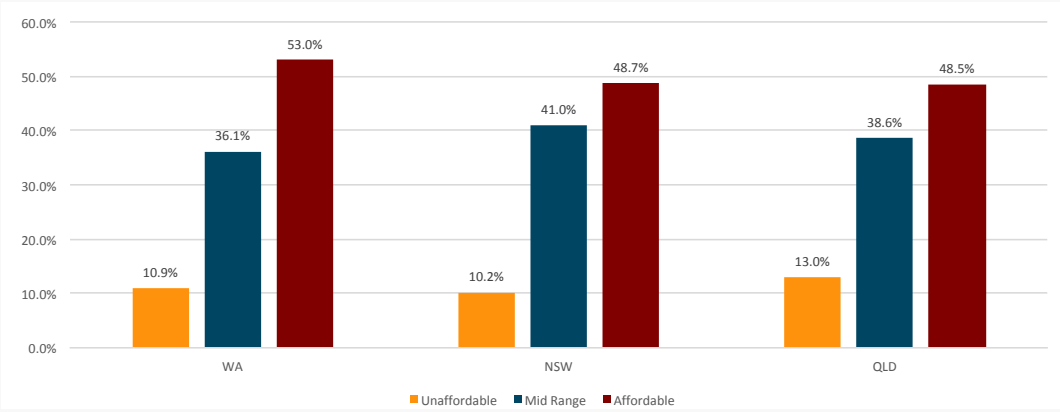
Despite very different house prices and rents, perceptions of affordability are similar across the three States indicating households are able to adjust expenditure. As shown in Table 23 there are greater regional differences in NSW and QLD when compared to WA, but overall the State outcomes are remarkably similar.

Perceptions of affordability have changed significantly across the three surveys. Figure 47 shows the changes in the perceptions of affordability from 2015-2021. Results were checked by reweighting the samples across years to control for slight changes in sample composition over time and almost identical results emerged.

The results show improvements across all four surveys, with QLD viewed as the least affordable State. Improvements in affordability across the sample are generally being driven by lower mortgage interest rates.

FIGURE 46

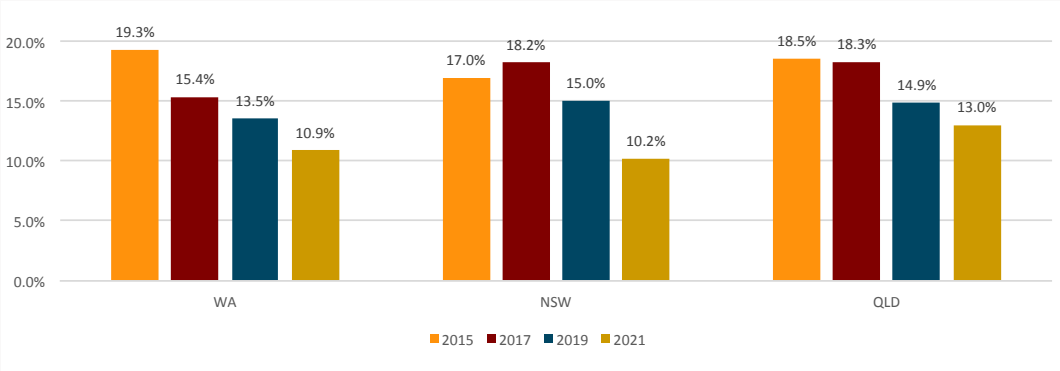
Housing affordability perceptions by State



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

FIGURE 47

Proportion of respondents regarding their housing as unaffordable



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2017, 2019, 2021.

Figure 48 identifies the change in the level of unaffordable housing from 2015. Regional WA shows the biggest improvements with a drop from 24 per cent regarding their housing as unaffordable in 2015 to 10 per cent in 2021. This is partly due to easing rents and prices in regional WA for most of that period and lower interest rates. All areas have shown improvements in affordability over time. This is consistent with other affordability measures such as the Housing Industry Association (HIA) affordability index which shows housing at its most affordable level since 1999 (HIA, 2020). However, the BCEC survey covers households that are already in housing and not those looking to break into ownership or move into the rental market. Recent price growth and rent rises in many areas are likely to see deteriorating affordability, in the short term at least, for new buyers and those in the private rental sector.

FIGURE 48

Reduction in proportion regarding their housing as unaffordable 2015-2021

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2015, 2021.

An increase in housing costs of 10 per cent would disproportionately affect CRA tenants with 52 per cent claiming it would have a major impact on their financial situation compared to 37 per cent of other renters.

Housing cost burdens are similar by State (Figure 49), despite different median rents and prices. Of those households paying rent or mortgages, around 40 per cent pay more than 30 per cent of their income in housing costs. This ranges from 40 per cent in Perth to 45 per cent in Sydney, with Brisbane at 42 per cent.

Around 30 per cent of households live rent free or have no mortgage, the proportion heavily dependent on the age profile of a location. In all States, 50 per cent of renters pay more than 30 per cent of their income on rent. There is more variation when it comes to ownership with a mortgage with the 30 per cent cost barrier broken to 45 per cent in NSW compared to 41 per cent in WA and 38 per cent in QLD. In every case, ownership with a mortgage delivers a lower housing cost burden.

There are minor differences across tenure with 19 per cent of respondents regarding private rental as unaffordable in NSW compared to 21 per cent in WA and QLD, while NSW respondents were most likely to rate ownership with a mortgage as affordable; 53 per cent compared to 44 per cent in WA. Although only small numbers of respondents, social housing was considered most affordable in WA while living with parents was considered the least affordable in WA (despite the majority living rent free). For dwelling type, houses were regarded as more affordable than apartments with 17 per cent of NSW apartment dwellers regarding their apartment as unaffordable compared to just 8 per cent of those in a house. In QLD the figures were 16 per cent and 12 per cent and WA 12 per cent and 10 per cent.

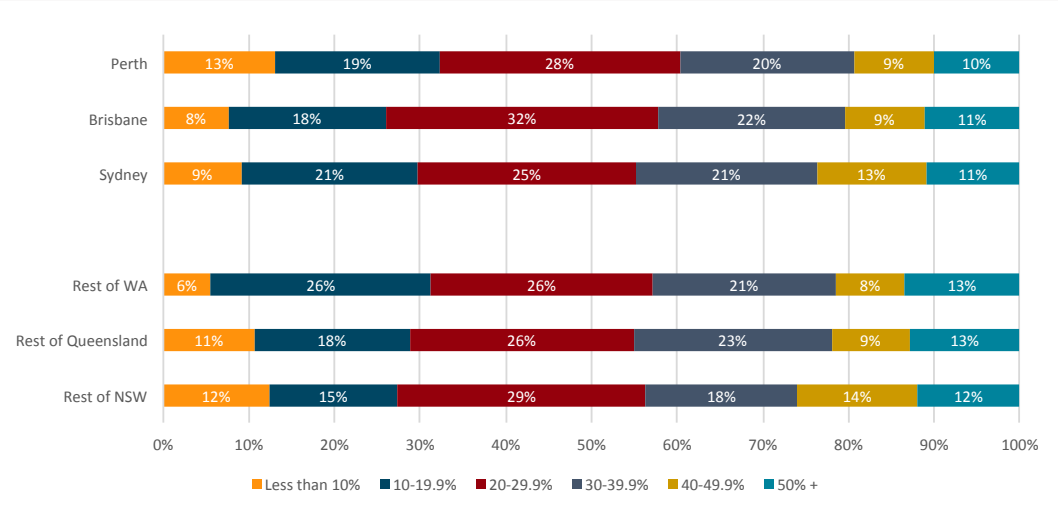
Commonwealth Rent Assistance (CRA) is designed to support tenants on low incomes (outside public housing) but does it make a difference to perceptions of affordability? Of those 423 respondents in the survey receiving CRA, 22 per cent rated their housing as unaffordable compared to 18 per cent of the 975 renters who did not receive the benefit. However, a greater proportion of CRA recipients rated their housing as affordable (38% compared to 31%).

CRA recipients are also paying a much higher proportion of their income on housing with 52 per cent paying over 30 per cent compared to 35 per cent of other renters and just 22 per cent of those in other tenures.

An increase in housing costs of 10 per cent would disproportionately affect CRA tenants with 52 per cent claiming it would have a major impact on their financial situation compared to 37 per cent of other renters. Over half of CRA renters are in a very vulnerable position when it comes to rent increases. CRA does not seem to be effective in addressing affordability issues, however the situation is likely to be even worse without the subsidy.

FIGURE 49

Self assessed housing cost burdens by location



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Table 26 compares households' ability to meet expenditure after housing costs across States. There are only small variations, with outcomes slightly worse in QLD. All figures show an improvement on 2019 with the percentage able to save/invest having risen from just under 50 per cent.

Further State comparisons across financial questions reveal some differences between WA, NSW and QLD. A 10 per cent increase in housing costs would have a major impact on 37 per cent of households in WA compared to 38 per cent in NSW and QLD, a slight improvement on 2019. Fewer Western Australian households have difficulty frequently meeting their housing costs (24% compared to 30% in NSW and 29% in QLD), while 11 per cent of WA households have fallen behind on their mortgage compared to 12.5 per cent in QLD and 16 per cent in NSW. These figures do indicate greater affordability in WA.

TABLE 26

Ability to meet expenditure after housing costs by State

	WA	NSW	QLD
	(%)	(%)	(%)
Essential expenditure	92	92	91
Non-essential expenditure	71	71	67
Savings/Investment	60	60	54

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

TABLE 27

Financial situation by State

Current Financial situation	Very Prosperous	Prosperous	Comfortable	Poor	Very poor
	(%)	(%)	(%)	(%)	(%)
New South Wales	7	11	61	18	4
Queensland	5	9	62	20	4
Western Australia	5	10	65	17	7

Better off than 2 years ago?	Yes	No, I feel worse off	About the same
	(%)	(%)	(%)
New South Wales	34	29	37
Queensland	32	33	35
Western Australia	32	27	41

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Despite COVID-19, households seem to be in a better financial position than two years ago. More respondents regarded their position as prosperous or better (an increase of around 5%) while fewer people regarded themselves as worse off compared to two years ago with the proportion dropping 4 per cent in NSW and 10 per cent in WA, whilst QLD was steady. Twenty-four per cent of WA respondents regarded themselves as poor or very poor in 2021, a drop of 6 per cent on 2019, but the highest of the three States. Across the three States, of those respondents feeling worse off than two years ago, those earning below $60k were far more likely to be worse off than any other group.

TABLE 28

Reasons for feeling worse off than two years ago

	WA	NSW	QLD
	(%)	(%)	(%)
Because house prices are falling	4	3	2
Because my mortgage/rent has increased	2	7	5
Because my income has fallen	43	46	39
Because the cost of living has risen	31	27	32
General feeling of economic uncertainty	11	11	14
Other	9	7	9

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

The most common reasons for feeling worse off was a drop in income, and these figures rose considerably on 2019 where the cost of living was the biggest driver of feeling worse off. COVID-19 will have had an impact here, with many unable to secure as much work as required. A general feeling of economic uncertainty was also a much more common answer in 2021, double the rate in 2019, while, as noted, the cost of living became much less important.

Home owner respondents were asked what level of urgent maintenance they would be able to fund if such maintenance were required tomorrow. Almost 10 per cent of WA homeowners could not afford any maintenance, the highest of the three States, while 16 per cent could afford up to $2,000 and a further 23 per cent between $2,000 and $5,000. This means almost half of homeowners could not afford maintenance of over $5,000. The figures were very similar across the other two States. This shows the large number of homeowners vulnerable to any type of income shock.

Housing attributes

There are significant differences between States when it comes to preferred tenure (Table 29) and big changes on 2019, primarily driven by COVID-19. The proportion wanting the security of owner occupation rose by 18 per cent in WA, 11 per cent in NSW and 12 per cent in QLD, the difference largely coming from those in the private rental sector. WA has the strongest preference for ownership and QLD longer term, rental options.

TABLE 29

Preferred housing tenure by State

	WA	NSW	QLD
	(%)	(%)	(%)
Owner occupation	75	65	64
Private Rental Sector - short term lease up to 12 months	6	8	10
Private Rental Sector - longer term lease, more than 12 months	9	13	15
Shared equity or ownership	1	1	1
Renting from a Community Housing Provider	3	3	3
Renting from the State government	2	2	2
Living with parents	3	5	3
Joint ownership as part of a co-operative housing group	1	1	1
Other	2	1	1

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

In WA, 45 per cent of current renters want to move into ownership compared to 35 per cent in QLD and 31 per cent in NSW. Owners are happy as owners and half of those living with their parents want to move into ownership with just 10 per cent wanting to move into the private rental sector. Only around 40 per cent are happy living at home.

The 2021 survey asked respondents what they want from their dwelling and location and Table 30 presents the proportion of respondents unwilling to compromise on a particular factor. The figure in brackets shows the change on 2019 so we can highlight the impact of COVID-19 on housing attribute preferences. State comparisons are available which show WA households generally less willing to compromise, particularly when it comes to specific dwelling features. There have been some big changes, notably to what people want from their dwelling. Households are less willing to compromise on the dwelling type, although still around half of respondents retain flexibility. The biggest increase is an unwillingness to compromise on the number of bedrooms with 30 per cent fewer respondents now flexible on this attribute. This reflects the need for space in the home, and good quality internal housing design. Easy access to shops was the other area where respondents are now less willing to compromise. COVID-19 has therefore changed what some people, at least, want from their dwelling.

TABLE 30

Proportion of respondents unwilling to compromise on housing attributes: State comparisons

	NSW	QLD	WA
Dwelling			
Dwelling type (separate house, apartment, townhouse etc.)	48% (12%)	49% (7%)	54% (12%)
Number of bedrooms	58% (30%)	61% (34%)	59% (32%)
Number of living areas	28% (8%)	27% (8%)	31% (11%)
Adequate parking	44% (-6%)	48% (-6%)	53% (2%)
Air conditioning	48% (1%)	52% (3%)	58% (3%)
Solar panels	16% (2%)	22% (-)	28% (6%)
Universal design (i.e. dwelling suitable for all ages and physical requirements)	17% (-1%)	18% (-4%)	18% (-2%)
Building materials	22% (-1%)	22% (5%)	30% (8%)
Outdoor space	46% (na)	50% (na)	54% (na)
Size of the lot	33% (13%)	32% (14%)	37% (15%)
Neighbourhood			
Safety and security	64% (-9%)	66% (-6%)	72% (-2%)
Easy access to public transport	49% (3%)	42% (0%)	44% (8%)
Easy access to a major road	25% (2%)	29% (3%)	29% (7%)
Easy access to work	38% (6%)	39% (5%)	34% (9%)
Easy access to health services	47% (1%)	40% (-1%)	42% (5%)
Easy access to shops	62% (16%)	60% (16%)	64% (25%)
Easy access to entertainment (cafes, bars, restaurants etc.)	30% (8%)	28% (5%)	26% (8%)
Close proximity to family/friends	34% (10%)	27% (4%)	35% (15%)
Easy access to local open space	34% (5%)	30% (0%)	38% (9%)
A walkable neighbourhood	49% (-1%)	48% (-3%)	56% (3%)
Access to high speed internet services	40% (na)	37% (na)	36% (na)

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

When it comes to age, using responses from all States, older respondents were less willing to compromise on attributes such as dwelling type, parking and access to health services. Across all age groups there was a very large increase in the importance of the number of bedrooms.

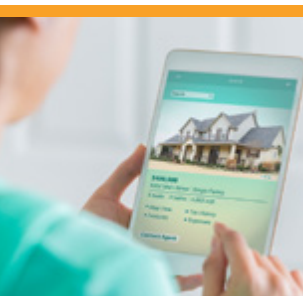
TABLE 31

Proportion of respondents unwilling to compromise on housing attributes: Age comparisons

	18-24	25-34	35-44	45-54	55-64	65+
	(%)	(%)	(%)	(%)	(%)	(%)
Dwelling						
Dwelling type (separate house, apartment, townhouse etc.)	34	43	45	51	63	67
Number of bedrooms	54	59	61	59	59	63
Number of living areas	18	25	19	30	29	37
Adequate parking	38	41	41	47	59	65
Air conditioning	50	52	51	52	52	58
Size of the lot	26	33	34	32	36	39
Building materials	16	17	24	21	31	37
Outdoor space	41	49	49	47	54	58
Neighbourhood						
Safety and security	64	60	66	63	74	78
Easy access to public transport	40	40	48	44	43	55
Easy access to work	52	47	44	43	30	7
Easy access to health services	33	32	36	39	53	68
Easy access to shops	60	57	56	58	69	75
A walkable neighbourhood	47	46	44	48	57	68
Access to high speed internet services	44	36	38	36	36	38

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

GENDER AND HOUSEHOLD TYPE



There are significant differences in affordability outcomes between men and women, with women coming out worse under almost every measure.

In order to explore differences in gender outcomes, we identified all women and men outside of couple households. This left 778 women and 668 men for analysis. There are significant differences in affordability outcomes between men and women, with women coming out worse under almost every measure.

Table 32 compares the outcomes and also includes the results for men and women by State. Women rated their housing as more unaffordable than men, the only exception being in WA, and a greater proportion paid more than 30 per cent of their income in housing costs. The biggest differences were in the number of women able to meet non-essential expenditure and able to save/invest with a gap of 12 per cent in the latter. This has serious implications for women trying to save for a deposit to break into home ownership. Women were also more likely to be unable to meet housing costs and to have fallen behind in their mortgage/rent. Women in QLD and NSW were most likely to rate themselves as poor, at rates almost 10 per cent higher than their male counterparts.

TABLE 32

Comparison of key housing affordability outcomes by gender

	Female	Male	F NSW	F QLD	F WA	M NSW	M QLD	M WA
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Affordability rating = Unaffordable	17	14	19	18	13	10	15	17
Affordability rating = Affordable	41	47	38	36	50	47	46	47
Proportion paying over 30%	34	36	37	34	31	25	30	21
Proportion able to meet essential expenditure	87	89	88	86	86	91	88	90
Proportion able to meet non-essential expenditure	60	66	66	56	59	68	64	68
Proportion able to save/invest	47	59	53	40	49	58	54	65
Frequently unable to meet housing costs	37	26	39	41	28	24	26	27
Fallen behind on mortgage/rent last 12 months	14	11	19	11	11	12	12	10
Financial situation - poor or very poor	37	30	39	40	32	29	31	28

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

There were no differences in tenure preferences, with men and women equally likely to prefer home ownership. Regarding their last housing move, women were much more likely to have been forced into paying over 30 per cent of their income in housing costs because there were no other options available (42% compared to just 34% for men).

Table 33 compares differences between the housing attributes demanded by men and women. There are no clear patterns and preferences do not vary greatly. The biggest difference is for a greater number of women wanting to be closer to family and friends and more men wanting high speed internet.

TABLE 33

Dwelling attributes by gender: Unwilling to compromise on attribute

	Female	Male
	(%)	(%)
Dwelling		
Dwelling type (separate house, apartment, townhouse etc.)	42	40
Number of bedrooms	54	48
Number of living areas	19	25
Adequate parking	41	42
Air conditioning	47	48
Solar panels	14	20
Universal design (i.e. dwelling suitable for all ages and physical requirements)	12	17
Building materials	15	24
Outdoor space	42	38
Size of the lot	22	27
Neighbourhood		
Safety and security	65	61
Easy access to public transport	43	47
Easy access to a major road	21	31
Easy access to work	39	35
Easy access to health services	39	39
Easy access to shops	60	64
Easy access to entertainment (cafes, bars, restaurants etc.)	28	31
Close proximity to family/friends	38	28
Easy access to local open space	29	33
A walkable neighbourhood	51	52
Access to high speed internet services	31	43
Close proximity to schools/child care	18	12

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Switching to household type, it is clear that one parent family households are much more likely than others household types to have poor affordability outcomes. 1 in 5 one parent family households rate their housing as unaffordable and 40 per cent are paying over 30 per cent of their income in housing costs. Given 56 per cent of one parent families in the survey had an income under $60k, it is not surprising they were most likely to consider themselves poor or very poor or be unable to meet housing costs. Couples with children had worse housing affordability outcomes than couples without children but they were not more likely to rate their financial situation as poor or worse.

TABLE 34

Comparison of key housing affordability outcomes by household type

	One person household	Couple with no children living in the dwelling	Couple with children living in the dwelling	One parent family with children living in the dwelling	Living with parents in the parental home
	(%)	(%)	(%)	(%)	(%)
Affordability rating = Unaffordable	15	8	9	20	15
Affordability rating = Affordable	49	61	49	38	41
Proportion paying over 30%	33	18	35	40	13
Proportion able to meet essential expenditure	88	95	93	84	90
Proportion able to meet non-essential expenditure	62	79	70	54	73
Proportion able to save/invest	54	64	61	43	61
Frequently unable to meet housing costs	26	16	32	41	33
Fallen behind on mortgage/rent last 12 months	9	5	21	23	9
Financial situation - poor or very poor	32	15	14	40	29

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

The recent announcement in the budget of the family home guarantee was designed to help one-person families into home ownership with 10,000 low deposit loans over four years. Just 40 per cent of one-person families in the survey sample were in home ownership, but as mentioned above, almost 60 per cent are earning under $60k which makes it challenging to meet mortgage repayments, even on a loan of $350,000.

The price cap in WA is $400,000 meaning dwelling choice is extremely limited within metropolitan areas, particularly with a lack of housing diversity in the cheaper areas of the city. While well intentioned, and targeted at the household type most in need of help, the settings are unlikely to help too many households in need.

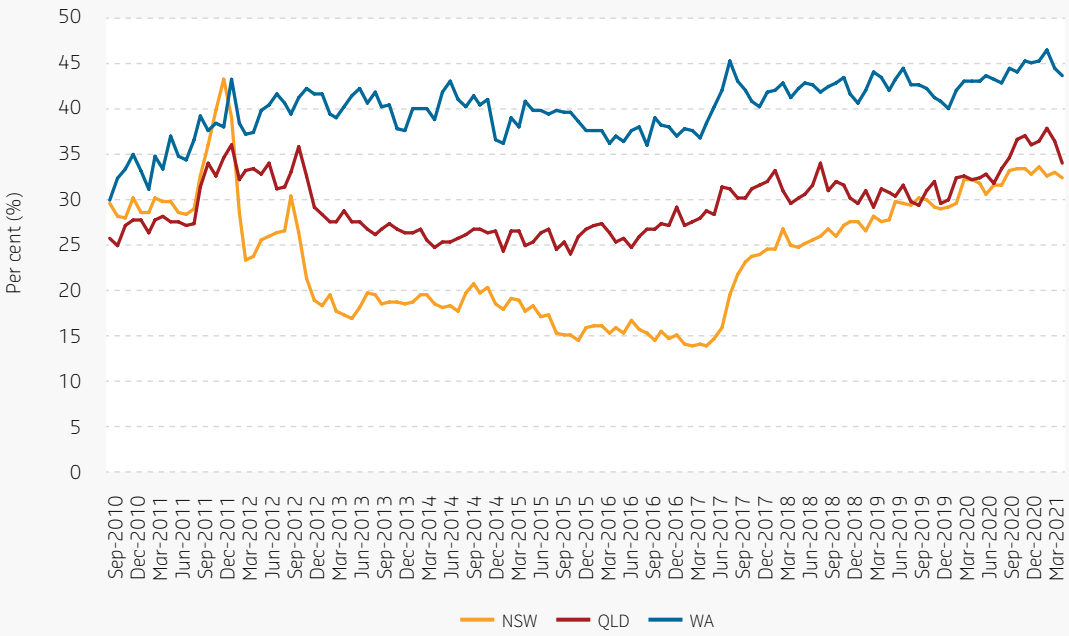
FIRST HOME BUYERS

Many first home buyers have been helped by significant levels of government intervention in the past decade in an attempt to stop the decline of home ownership in Australia.

Figure 50 describes first home buyers as a proportion of all new loan commitments with WA over 40 per cent for much of the last 10 years, much higher than both NSW and QLD. During 2014, the proportion of first home buyer activity in WA was almost 25 per cent higher than NSW and 20 per cent higher than QLD. The gap has closed in recent years, with greater first home buyer activity in NSW in particular, partly due to falling prices and partly due to incentives. While the HomeBuilder stimulus works through in the loan commitment data, we can expect the proportion of first home buyers to increase. First home buyers are important for outcomes for the whole market as strong first home buyer activity allows existing homeowners to trade up, increasing activity and therefore revenue for government (Costello *et al.*, 2018).

FIGURE 50

First home buyers as a share of all new loan commitments: WA, QLD and NSW

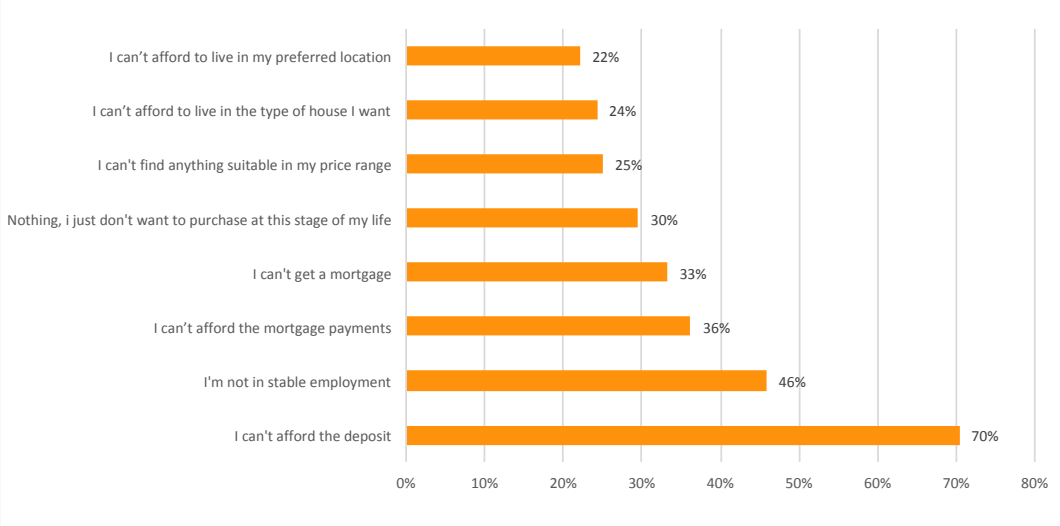


Source: ABS 5601 Lending indicators, Households, housing finance, owner occupiers, new loan commitments, numbers and values. ABS 5601 Lending indicators, Households, housing finance, first home buyers, owner occupiers, new loan commitments, numbers and values.

The main barrier to home ownership is the deposit, as shown in Figure 51, with 70 per cent of potential purchasers within the sample citing this as the biggest issue. Therefore, schemes which help first home buyers to save, such as the First Home Super Saver scheme (FHSS), and low deposit home loans such as Keystart and the New Home Guarantee, are an effective way to help first home buyers into the market. Stamp duty relief also reduces the savings required to enter home ownership. The figure below also shows how a lack of income is a big barrier for many households resulting in an inability to obtain a mortgage.

FIGURE 51

Barriers to home ownership: All renters



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

There are 1,066 respondents in the survey sample currently living in their first home, 330 of which are in WA. Only 244 of the 1,066 have been in their dwelling for less than three years, 42 of which purchased within the last year.

Table 35 describes the sample. While noting this is a very limited sample upon which to draw any conclusions about recent first home buyer activity, there are some general issues we can explore.

TABLE 35

Profile of survey first home buyers

Age of purchase: first dwelling	
	(%)
18-24	17
25-34	48
35-44	25
45-54	7
55-64	2
65+	0
I cannot remember	2

Duration in current dwelling	
	(%)
Less than one year	5
1-3 years	18
3-5 years	19
5-10 years	20
10-15 years	12
More than 15 years	27

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

First home buyers have often required help from a relative to access homeownership. Table 36 describes the help they have received. While over 60 per cent of all respondents claimed not to have received any help at all, recent purchasers were far more likely to say they received help compared to those purchasing more than 10 years ago. Help is typically required to overcome the deposit gap and gifts or loans are the most common form of assistance.

TABLE 36

Help from parents/grandparents to buy first home

	NSW	QLD	WA	ALL
	(%)	(%)	(%)	(%)
No	56	63	69	63
Cash gift to help with a deposit	18	14	12	15
Cash loan to help with a deposit	13	12	9	11
Mortgage guarantee	13	8	7	9
Rent free/subsidised accommodation to boost savings	7	6	4	6
Help with childcare	6	5	3	5
Gifted their investment property for free or at a discount	7	4	3	5
Other	3	2	3	2

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

The main reasons for home purchase revolve less around financial issues and more around a sense of home (Table 37). Only 6 per cent of respondents bought as an investment and 2 per cent for fear of missing out. The main reasons were around a place to call home and to bring up a family. For a quarter, ownership was considered a better option than renting.

TABLE 37

Main motivation for first dwelling purchase

	NSW	QLD	WA	ALL
	(%)	(%)	(%)	(%)
As an investment	6	7	4	6
I want a place to call home	23	24	24	24
So I have somewhere to entertain and socialise	2	1	0	1
So I have somewhere to bring up a family	19	17	20	19
It was a better option than renting	20	22	20	21
It offers a sense of security	12	13	15	13
I want to be independent	13	11	12	12
Available government incentives	2	2	2	2
Fear of missing out	2	1	1	1
Other (Please Write)	1	2	3	2

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

There were some differences between the purchase motives of those that bought recently (last two years) and those that bought more than five years ago. New households were slightly more likely to have bought as an investment (8% compared to 5%), more likely to have bought because it was a better option than renting (24% compared to 18%) but far less likely to have bought for a place to call home (18% compared to 27%).

Survey respondents were asked to select all the recent government incentives they had heard about. The results were split between all first home buyers, some of which had been in their home for more than a decade, and those who were recent purchasers, having bought in the last two years. There are differences, as recent buyers are more likely to have looked into recently introduced incentives. First home buyer grants, partly because they are one of the longest running incentives, were the most well-known amongst the all first home buyers, but recent buyers were also aware of stamp duty relief, although a surprisingly small number considering the scale of the benefit. Less than a quarter of recent buyers were aware of more recent government incentives such as the First Home Super Savers scheme.

Single parent in the private rental sector - The Jones Family's story

I am a 25 to 34 year old female living with my partner in a four-bedroom house that we rent from a private landlord (private arrangement). It is located in a suburb of a regional city, outside the State capital. We are both employmed full time and live a short drive (up to 10 minutes) from work, which is our preference. The COVID-19 pandemic has not changed the way I work. Our annual income is $90,000 - $124,999.

Housing decisions

We have been living in this house for less than one year. The main reason we moved here was for employment. In making the decision to live in this house, factors that we would not compromise on were the number of bedrooms, air conditioning, solar panels, size of the lot, and outdoor space. It was essential that our neighbourhood was safe and secure, offered easy access to a major road, work, shops and was also walkable in design. The most important factor however was affordability. We are not living in our preferred location, but I am living less than 5km away. Our preferred tenure at the moment is the private rental sector with a short term lease up to 12 months. The COVID-19 pandemic hasn't impacted upon our dwelling or location preferences.

Housing affordability

My housing is affordable. I rarely have difficulty meeting my housing costs and have not fallen behind on paying my rent. After paying housing costs, we do have enough left for essential as well as non-essential expenditure as well as being able to put income towards savings or investment.

Our current financial situation is poor, which is about the same when compared to two years ago. An increase of 10% rent would have a moderate impact on our financial situation. I think our financial situation will be about the same two years from now.

Accessing home ownership

The factors preventing us from buying our own home is that we can't afford to live in the type of house that we want and we can't get a mortgage. If we were to buy tomorrow we would have $160,000 cash that we could use as a deposit *"[We have] Been saving for a house deposit for 8 years. Combined with my partner we have a deposit of $160,000 for our first home to live in and both saving 60% of our wage each week yet still cannot get approved because we both don't earn enough apparently."* We expect to need $200,000 in order to purchase the type of dwelling we want. We would be prepared to move 10-20 kilometres from our preferred location in order to purchase a dwelling.

The incentives that would be important to us in purchasing a dwelling would be stamp duty relief. The COVID-19 pandemic has not made me feel less secure in my home and the moratorium on rental evictions made no difference to us.

TABLE 38

Knowledge of government incentives

	ALL	Recent purchasers (last 2 years)
	(%)	(%)
First Home Buyers grants	38	46
Government-backed low deposit mortgage programs (Eg. Keystart)	13	19
Shared Equity/Ownership	7	11
Stamp duty relief/exemption/rebate	18	48
Australian HomeBuilder scheme and/or	12	28
First Home Buyer Loan Deposit Scheme	14	30
First Home Super Saver Scheme	12	24
State/Territory building bonus (only available in WA)	8	15

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Respondents were also asked which incentives were actually important to them in their decision to purchase a home. Around a half viewed the First Home Owner Grant as important to their purchasing decision, with stamp duty relief highlighted by just 28 per cent, which may reflect the fact that unlike other grants, you do not have to apply for the relief. All the other incentives were important to around 1 in 6 buyers while, overall, just 1 in 5 stated incentives were not important at all.

We can conclude from the responses that the range of different incentives have a very important role in the purchase decision. Forty eight per cent of those purchasing in the last six months said government incentives allowed them to bring forward their decision to purchase, this compares to around 26 per cent for those buying more than five years ago.

Forty three per cent of very recent purchasers stated they would not have been able to buy without the incentives. Only 10 per cent said incentives had no impact. Around a quarter of recent purchasers said incentives allowed them to secure a larger mortgage than they otherwise would have done, and 40 per cent avoided lenders mortgage insurance (LMI). These results show the importance of incentives to first home buyers and that the First Home Owner Grant, in particular, seems embedded in the first home buyer decision.

Single parent recently entered home ownership - The Williams Family's story

I am a single parent aged 45-54. We live in a four-bedroom house in a regional town. We own the house with a mortgage, which is my preferred tenure at the moment. I work full time and we live a short (up to 10 minute) drive to work, which is my preference. The COVID-19 pandemic did not change the way I work. I have a postgraduate qualification and an annual income of $90,000 - $124,999.

Housing decisions

We have lived in our house for less than one year. When selecting the dwelling, I would not compromise on the number of bedrooms or the air conditioning. It was essential that the neighbourhood was safe and secure and in close proximity to schools/child care. The neighbourhood characteristics – its amenities, safety and security – were the most important factor in the decision to select this home. We did purchase in our preferred location. The COVID-19 pandemic did not impact on my preferences for dwelling or location.

Accessing first home ownership

We are recent first home buyers and only purchased our home in the last six months. My main motivation for purchasing a house was that *"rentals are in short supply."* I was aware of the First Home Owner Grant and First Home Buyer Loan Deposit Scheme, both of which were important in my decision to build my first home. The government incentives and programs allowed me to bring forward my purchase date, secure a larger mortgage and avoid mortgage lending insurance (LMI). Overall, the grants allowed me to purchase a house, which I wouldn't have been able to do without them.

Housing affordability

I regard my house to be very affordable. I spend 20-29.9% of my income on my housing costs and have never had difficulty paying my mortgage or fallen behind on payments. After paying housing costs we do have enough left for essential as well as non-essential expenditure as well as being able to put income towards savings or investment. If urgent maintenance was needed I could cover up to a maximum of $2000. *"I am lucky that I have been able to buy a home. I am waiting for it to be finished being built. I am on a periodical lease so can be tossed out any time."*

I would describe my current financial situation as being comfortable. I feel worse off at the moment than two years ago, this is because of a general feeling of economic uncertainty. A 10% increase in mortgage costs would have a moderate impact on my financial situation. I anticipate that I will be financially better off in two years' time than I am now.

TABLE 39

Incentives/programs and their importance in the purchase decision

	Recent purchasers (last 2 years)	last 5 years	ALL
	(%)	(%)	(%)
First Home Buyers grant	52	45	29
Government-backed low deposit mortgage programs (Eg. Keystart)	16	14	6
Shared Equity/Ownership programs	16	12	5
Stamp duty relief/exemption/rebate	28	27	12
Australian HomeBuilder scheme	19	-	-
First Home Buyer Loan Deposit Scheme	16	-	-
First Home Super Saver Scheme	10	-	-
State/Territory building grant (only available in WA)	4	-	-
None of these were important	19	23	57

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Single parent living in home with a mortgage - The White Family's story

I am a female aged between 45 and 54 years and I live with my child(ren) in a three-bedroom apartment which I own with a mortgage in an outer suburb of a capital city. I work full time and drive 20-30 minutes to get there, but would prefer to live within cycling distance of my work. The COVID-19 pandemic has resulted in me working at home more often than I did before. I have an annual income between $90,000 and $124,999.

Housing decisions

I have been living in my apartment for between 5 and 10 years. When selecting my home, I would not compromise on the dwelling type, adequate parking, air conditioning, outdoor space and the high speed internet. It was essential that my neighbourhood was safe and secure and had a walkable design. I also wanted to be in close proximity to schools/child care. I did not buy in my preferred location but I am living less than 5km away. The COVID-19 pandemic has not impacted upon my dwelling or location preferences.

First home ownership

When I purchased my first home I was aged between 35 and 44 years. My motivation for buying was that I wanted a place to call home. I had assistance to purchase from parents/grandparents in the form of a cash loan to help with a deposit. When I made the purchase, the First Home Owner Grants was important in my decision to buy and I wouldn't have been able to do so without it.

Housing affordability

I regard my house to be affordable. Although I spend 40-49.9% of my income on my housing costs, this is by choice to get onto the housing ladder. *"The only reason my mortgage payments are so big was because I had to borrow at least 95%. It impacts things like being able to save for a new car, or school fees or major holidays."*

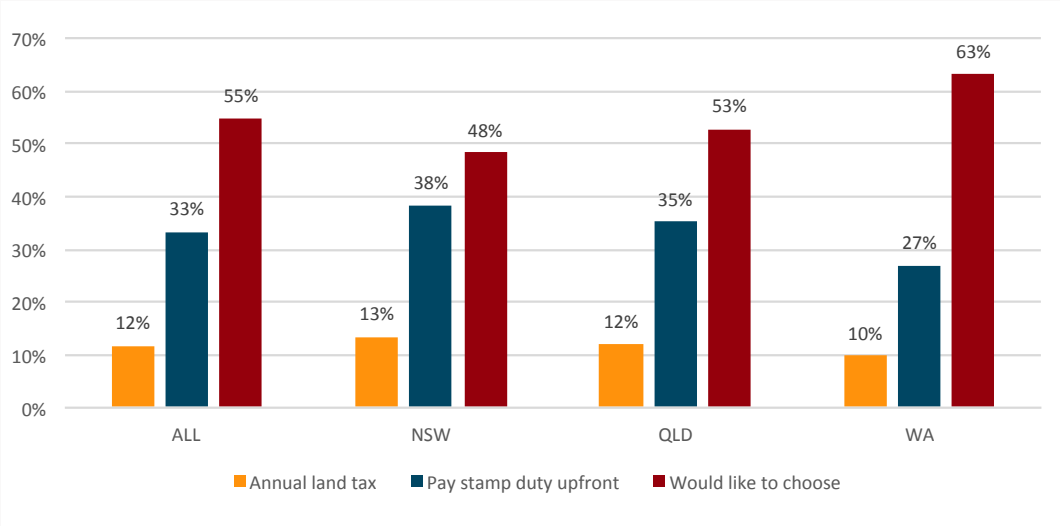
I have never had difficulty paying my mortgage and have not fallen behind on repayments. I am currently ahead on my mortgage repayments. After paying housing costs I do have enough left for essential as well as non-essential expenditure but not enough to be able to put income towards savings or investment. If urgent maintenance was needed on my property the maximum I could cover would be up to $2,000.

I would describe my current financial situation as being comfortable. My financial situation now is about the same as it was two years ago. A 10% increase on my weekly mortgage repayments would have a major impact on my current financial situation. Looking ahead, I think my financial situation will be better two years from now.

The NSW government is consulting around changes to stamp duty with a proposal that would see purchasers able to choose between paying stamp duty as a once off, upfront cost on purchase or an annual, land based, property tax. Stamp duty reform has long been discussed in WA with industry broadly in favour because the initial affordability benefits from a reduction in the required deposit would likely increase market activity and deliver greater household mobility. Given the discussion in NSW, the survey asked all survey respondents whether they would prefer to pay stamp duty as per normal, an annual land tax or choose which method on purchase. Figure 52 presents the results after removing the 1 in 5 respondents unsure of their favoured option. A far greater proportion of respondents favoured the current system of stamp duty over an annual land tax (33% compared to 12%) while the most popular option was the ability to choose between either method of tax. Stamp duty reform may therefore be a more complex political decision than simply replacing the upfront payment with an annual land tax.

FIGURE 52

Options for stamp duty reform: All respondents



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Buying a home

The survey included an open-ended question asking first home buyers what they wish they had known about before purchasing. A variety of factors were identified by respondents ranging from navigating the housing market; the nuances of debt financing; choosing a home that aligns with personal, financial, and locational needs and circumstances (and how these needs and circumstances can change over time); as well as the resources (time and cost) required to upkeep property.

Although a proportion of respondents described their home-buying experience as positive, the majority described the process of home ownership as stressful, strenuous, and complicated. One respondent said that 'it sucks being a homeowner' while another cautioned prospective homebuyers 'not to

do it'. At the core of respondent responses, the need for a more comprehensive and holistic understanding of the housing system was underscored.

The purchasing process and timing constraints

During periods of constrained housing supply, coupled with increased demand, prospective homebuyers can feel pressured to make hasty decisions that can have unanticipated consequences. In such contexts, many respondents wished they had taken more time during the house hunting phase to ensure that they were purchasing a home that met their criteria and fell within their financial capabilities. Feeling 'rushed' to submit an offer in a competitive market was frequently registered among respondents. By a similar token, others wished that they would have waited for more favourable market conditions, remarking that they should have purchased a home more in line with their personal and financial circumstances. As a respondent conveyed, 'I wish I would have waited 6 more months. I could have scored [a] better deal.'

Selecting a house, housing characteristics and quality

Following the event of finding a potential home, knowledge around assessing the building quality and property conditions before purchasing was recognised as a challenging feat. While some emphasised the importance of having carried out both building and pest inspections prior to purchasing, several respondents described a host of issues associated with pre-existing structural damage that — in the absence of a qualified building inspection — inevitably led to increased housing costs.

In addition to housing quality, some respondents wished they had been more attentive to the size of the house they were purchasing. On the one hand, a trend to overconsume housing was observed as a factor constraining affordability. Indeed, several respondents regretted not having bought smaller homes as well as foregoing costly amenities such as swimming pools. Conversely, changing family dynamics, such as having children, was disclosed as a factor omitted from the initial house-buying process/decision. As one respondent noted, 'I wish I had known how many children I would end up having so I could have built a bigger house'. The under consumption of housing can trigger a range of challenges which can intensify during times of constrained housing supply.

Geographical considerations

Locality was also identified as an under-considered factor during the home purchasing process. Many respondents emphasised the theme of safety as something they had overlooked. This was frequently expressed in relation to crime, proximity to high-traffic areas and exposure to environmental hazards such as bushfires and flooding. Respondents also reflected on the need to be more attentive to proximity to social infrastructure including schools, shops, parks, as well as access to adequate telecommunications connectivity with limited internet access representing a key point of frustration among some respondents. As a respondent explained, 'three houses including mine do not have access to ADSL internet.' Changing family dynamics also emphasised the need to assess the broader neighbourhood profile before purchasing. This was most notable among child-rearing respondents who highlighted the importance of schools within proximity to the home.

Choosing a suitable financial product

Taking on a mortgage loan that aligns with one's financial and personal circumstances was identified as a crucial point of consideration. Notably, the survey findings demonstrated a limited understanding of debt financing. For example, the fundamentals of compound interest, variable and fixed interest rates, as well

as lenders mortgage insurance (LMI) were revealed as mortgage-related components that require greater comprehension and literacy. In the absence of this knowledge, several respondents felt as though they had been taken advantage of by the debt-financing system, with one respondent referring to the 'dream of owning your own home' as 'predatory marketing by banks and industries' while another indicated they were unaware that 'mortgage repayments have a lot of interest'. The implications of taking on too much debt as well as fluctuating interest rates were not recognised by all respondents.

Reflecting on the home-financing process, respondents wished they had known 'what options are out there in terms of finance' and that they had worked with reputable and qualified housing industry professionals. In turn, many respondents conveyed that they could have secured a more competitive mortgage rate given a stronger understanding of the debt financing system.

Government incentives

At the time of buying, many respondents were unaware of Federal and State/Territory level government incentives that offer home buying assistance, including the First Home Owner Grant, stamp duty relief schemes and the First Home Super Saver scheme, for example. Additional homeowner related subsidies such as Western Australia's Solar Hot Water Heater scheme were also referred to as important, albeit time-limited, cost-saving incentives.

Additional costs beyond the purchase price

In correlation to the identified housing-finance literacy deficit, many respondents called for greater transparency regarding the entire home buying process, including a more comprehensive breakdown of upfront and ongoing costs. In addition to servicing the mortgage, respondents routinely referred to the costs associated with home ownership as 'hidden costs'. Failing to fully appreciate such costs prior to buying were identified as having a significant impact on day-to-day life. Such costs include the upfront costs of purchasing, local government rates, general housing maintenance, insurance and strata fees.

For example, many respondents emphasised the unanticipated costs related to electrical and plumbing, interior and exterior repairs, weathering and water damage, poor insulation and energy inefficiencies, landscaping, and pest control. Notably, those who bought older properties underestimated the true costs required to cover maintenance and repairs, with some conveying being financially under-prepared for these ongoing expenses. One respondent lamented that 'maintenance is so expensive, and unpredictable', while another cautioned prospective first home buyers to maintain a housing-specific 'contingency fund of say $10,000 to cover any unexpected repairs and costs/bills'. Other factors related to home improvements, such as the process of seeking council approval before undertaking renovation projects have routinely been omitted from the house buying decision.

Beyond the initial upfront costs and in addition to servicing the mortgage, the collective ongoing fees and general costs can add up to several thousand dollars per year. Although the exact amount will vary depending on a suite of factors, respondents reflected on the importance of calculating such costs of owning a home prior to buying. Having a clearer sense of the true expenses dedicated to owning a home may contribute to better home-purchasing outcomes that are sensitive to personal and financial goals and circumstances. In this regard, many respondents wished there was greater transparency regarding all the extra costs involved beyond the initial purchase of their dwelling.

Middle-aged couple in recently purchased home - The Kelly Family's story

I am a female aged between 25 and 34 year living in a couple household with no children. Our home is a two-bedroom apartment which we own with a mortgage in a suburb on the outskirts of a capital city. We both work full time and live more than a 30 minute drive from my work, I would however prefer to be within walking distance.

The COVID-19 pandemic has changed the way in which I work as I now work at home more often than I did before. Luckily my house is suitable to working from home for sustained periods of time. We have an annual income of $200,000 or over.

Housing decisions

We have been living in our home for less than one year. The main factor in the decision to move was to access home ownership. When selecting the dwelling we would not compromise on the number of bedrooms, air conditioning, outdoor space or high speed internet. It was essential that our neighbourhood was safe and secure and had easy access to work, shops and entertainment such as cafes, bars, restaurants as well as being in close proximity to family/friends and have a walkable neighbourhood design. The most important factor in the decision to select our current dwelling was however, the size of the dwelling including the number of bedrooms. We did manage to purchase in our preferred location.

First home purchase

We purchased our first home between 6 and 12 months ago. We did receive assistance to purchase from parents/grandparents in the form of a cash gift to help with a deposit as well as being able to live rent free or with subsidised accommodation to boost savings.

We had heard of the First Home Owner Grant, but this was not important in our decision to buy the home. Government incentives generally had no impact on our purchasing behaviour. Our motivation for buying our first home was that it offered a sense of security.

The COVID-19 pandemic and the resulting recovery package had no impact on our ability to buy our first home. *"We got very lucky during COVID-19. Had been looking for a place for 2 years and they were all small 2 bedroom apartments with 1 bathroom. During lockdown a 2 bedroom, 2.5 bath townhouse came on the market and we ended up paying far less than what the small 2 bedroom apartments were going for pre-pandemic. We also paid 200k less for it than the owner paid 2 years prior. The stars aligned for us. Within a couple of weeks of buying, the market went hot again."*

Housing affordability

I regard my house to be affordable. I spend 30-39.9% of my income on my housing costs by choice to access a preferred house type/size. I have never had difficulty paying my mortgage and have not fallen behind on repayments. After paying housing costs, we do have enough left for essential as well as non-essential expenditure but do not have enough to put income towards savings or investment.

If urgent maintenance was needed on my home, we could cover expenses over $10,000.

I would describe our current financial situation as being comfortable. This is an improvement on my financial situation two years ago because our income has increased. However, a 10% increase on our weekly mortgage repayments would have a major impact on our current financial situation. Looking ahead, I think our financial situation will be about the same two years from now.

THE PRIVATE RENTAL SECTOR

Previous research published by BCEC (James *et al*., 2018) highlighted how the private rental sector was performing relatively well for those on moderate or higher incomes, but those at the bottom end struggled. Little has changed in 2021, although it has become harder for lower income tenants due to a falling vacancy rate and rising rents. REIWA reported the April vacancy rate across Greater Perth to be 1 per cent, up from 0.9 per cent in March but a fall from 2.4 per cent in April[4].

The vacancy rate in regional centres ranged from a high of just 1.3 per cent in Geraldton to 0.5 per cent in Albany, Esperance and Kalgoorlie. Also, according to REIWA there were just 1,575 houses to rent and 1,295 units across Greater Perth to give a total of 2,870, a fall from 5,162 this time last year[5]. As a result of the shortage of supply, the Greater Perth median house rent rose from $375 in March 2020 to $430 in March 2021 and units from $340 to $290 over the same period[6]. Median rents have therefore increased around 15 per cent in a year. In the survey, over 40 per cent of renters said a 10 per cent increase in rent would have a major impact on their financial position so a 15 per cent increase in rents would have serious implications for household wellbeing.

A survey of 15,000 renters conducted in June 2020 (Baker *et al*., 2020) discussed some of the key challenges, and changes, in the rental sector and the impact of the COVID-19 pandemic. Key findings included the financial impact of COVID-19 on renters, the impact of lockdowns on mental health and the relationship between landlords and tenants. More broadly, the survey examined issues around rental housing conditions highlighting how a combination of unaffordable and poor-quality housing delivered the lowest ratings of dwelling satisfaction and how a quarter of renters live in housing that makes them sick (Baker *et al*., 2020).

Their survey was part of a wider debate around the private rental sector in the media and throughout the industry. COVID-19 disproportionately affected renters given the household profile of those in the private rental sector: younger with lower incomes. To try and combat the impact of COVID-19 on people who lost their jobs, a rental moratorium was introduced by the WA State government to protect tenants affected by COVID-19, ending on March 28th. It prevented evictions, unless there were exceptional circumstances; banned rent increases during the period and converted fixed term tenancies into periodic tenancies if they expired during the moratorium and another fixed term tenancy could not be agreed[7].

In the BCEC survey, 45 per cent of private renters had an income below $60k. Of these renters, 50 per cent were paying over 30 per cent of their income in housing costs so can be considered, using the traditional measure, to be in rental stress. Applying these figures to WA and a conservative estimate of 250,000 households in the private rental sector, would mean around 55,000 households in rental stress. This is a similar figure to the number of private rental households that regard their housing as unaffordable, and these are the households most vulnerable to increasing rents in the sector. The proportion of private renters rating their housing as unaffordable has fallen from 30 per cent in 2015 to 21 per cent in 2021, which is no change on the 2019 figure. As per the other BCEC surveys,

4 https://reiwa.com.au/the-wa-market/rental-vacancy-rates/.

5 https://reiwa.com.au/the-wa-market/perth-metro/#rental-report.

6 https://reiwa.com.au/the-wa-market/perth-metro/#rental-report.

7 https://www.commerce.wa.gov.au/consumer-protection/residential-tenancies-covid-19-response.

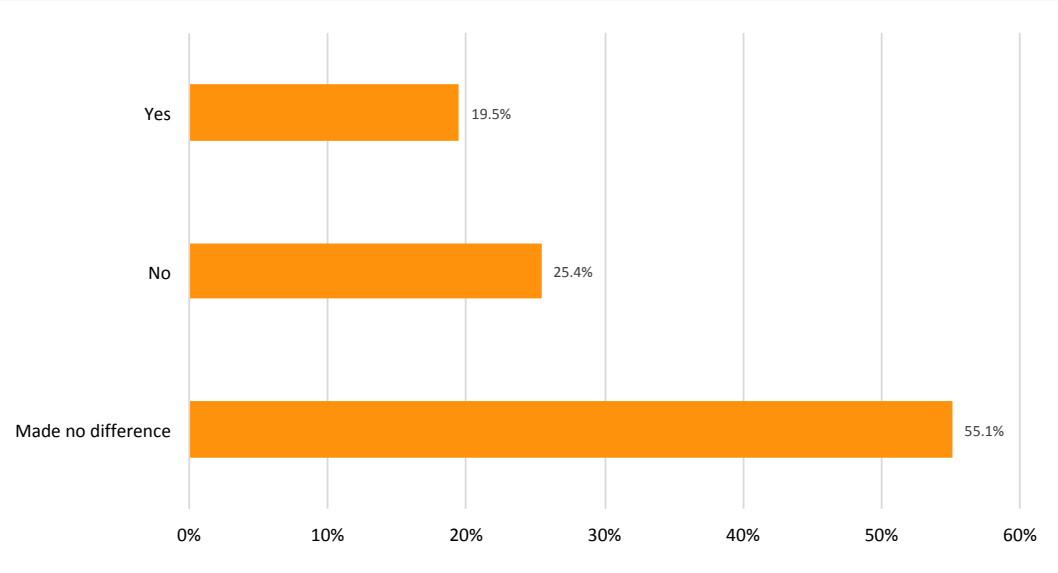
housing affordability outcomes in the private rental sector are worse than for households who own with a mortgage.

The BCEC survey asked all 1,333 private renters in the survey if COVID-19 made them feel less secure in their homes. Thirty-four per cent stated it did, ranging from 38 per cent in QLD to 30 per cent in WA. In comparison, just 1 in 5 households with a mortgage said COVID-19 made them feel less secure in their homes. Respondents were also asked whether the rental moratorium made them feel more secure.

Twenty-three per cent in WA stated it did, compared to 20 per cent in NSW and 17 per cent in QLD. There were no identified gender differences and it was those in the range 25-34 where it made the biggest difference (25%). There is no reliable data on just how many tenants the moratorium saved from eviction or protected from unaffordable rent increases but it seems to have made a difference to the mental wellbeing of 1 in 5 renters.

FIGURE 53

Did the rental moratorium make you feel more secure in your home? All renters



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Table 40 describes the main housing affordability indicators for respondents in the private rental sector. Just over 20 per cent of households in the private rental sector regard their housing as unaffordable, the largest proportion of any tenure. This means with around 250,000 private renters in WA, 50,000 private rental households are in what they regard as unaffordable housing and with rents currently rising, this figure is set to increase. An even greater number are frequently struggling to meet their rental payments and 34 per cent regard themselves as poor or very poor. Over half of all renters are unable to save or invest after paying rent which makes it very difficult to break into home ownership, even with government schemes to help reduce the deposit gap. Unless you have someone who is willing to gift or lend the deposit, home ownership will always seem out of reach for the large proportion of households unable to save.

Worryingly, 42 per cent of all rental households stated a 10 per cent increase in rent would have a major impact on their financial wellbeing. That would equate to over 100,000 rental households potentially vulnerable to sharp increases in rents.

TABLE 40

Affordability outcomes for all private renters

	Private renters
	(%)
Affordability rating = Unaffordable	20
Affordability rating = Affordable	30
Proportion paying over 30%	43
Proportion able to meet essential expenditure	87
Proportion able to meet non-essential expenditure	56
Proportion able to save/invest	45
Frequently unable to meet housing costs	37
Fallen behind on mortgage/rent last 12 months	16
Financial situation - poor or very poor	34
Major impact of a 10% increase in rent	42

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

As highlighted in previous BCEC work on the private rental sector (James *et al*., 2018) and within other research (MacDonald *et al*., 2016), discrimination is common in the private rental sector and tends to get worse when markets tighten and there is competition for tenants. Moderate-income households are often competing with low-income households to secure the same property and certain groups, such a one parent families and Indigenous families, have reported discrimination when it comes to a landlord choosing a tenant (James *et al*., 2018).

Single parent in the private rental sector - The Regan Family's story

I am a single mother aged between 18 and 24 years who lives in a three-bedroom house which I rent from a private landlord (via a real estate agent). We live in the suburb of a city, outside the State capital and managed to find a rental property in our preferred location.

We live a short drive, up to 10 minutes from my work, which is the distance that I prefer. I work part time and am happy with the number of hours of work per week and have an annual income of $90,000 - $124,999. The COVID-19 pandemic has reduced the number of hours that I work. My house is not suitable to working from home for sustained periods of time because it is too small.

Housing Decisions

We were forced to move here due to circumstances beyond our control less than a year ago. *"During COVID-19 we were renting a house previously to our current home and we were forced out as the owner wanted to move back in and renovate, we had to find a new rental within 2 months which was extremely difficult as we had pets and the market was REALLY competitive at the time. On top of that the owner of the home was incredibly difficult to deal with and made getting the bond back almost impossible for us."*

When choosing this home the characterstics of the dwelling important to me are the number of bedrooms, air conditioning and outdoor space. We also needed a location that had easy access to public transport, my work, and to shops. However the most important factor in selecting this dwelling was that it was the best option available at short notice. My preferred tenure would be renting in the private rental sector on a long term lease of two years.

The COVID-19 pandemic has changed what I want from my dwelling and location. I want more indoor space and to live in an area with more amenities such as public transport, shops, healthcare, etc which is closer to family/friends. However, the pandemic has not made me feel less secure in my home, I don't feel like I would be forced to move. Similarly, the moratorium on rental evictions did not make me feel any more secure in my home.

Housing affordability

My housing is unaffordable. I spend between 20-29.9% of my income on my housing costs. However, *"I believe housing affordability can be a problem in Australia, especially in major towns/cities. And ESPECIALLY if you own pets, which most people do."* I do experience difficulty in meeting my rent most months though and there have been occasions in the last 12 months where I have fallen behind in my rent.

After paying rent, I have enough left for essential items including bills, basic food and drink, clothes, transport, but there is not enough for non-essential expenditure such as social activities or holidays, nor is there enough for savings or investment.

I would describe my current financial situation as being poor, which is about the same as two years ago. A 10% increase in my rent would have a major impact on my financial situation. I anticipate that my financial situation will improve and will be better in two years from now.

Accessing home ownership

The barrier preventing me from buying my own home is that I can't afford the deposit. At the moment I have only $600 cash that I could put towards a deposit so the government's new Family Home Guarantee won't help me. However, government incentives that help me save a deposit would assist me to purchase a dwelling.

The end of the moratorium was met with increasing rents across the State.

While the survey highlights 20 per cent rating their housing as unaffordable, it did not cover those households struggling to break into the market or currently dealing with rent increases. To examine these issues, we interviewed three representatives from organisations dealing with tenants struggling in the private rental sector.

All three reported an increase in the number of people seeking housing support. Prior to COVID-19, the private rental sector was already unaffordable to many households on low incomes with many already in housing stress (Rowley and James 2018).

The end of the moratorium was met with increasing rents across the State. Lower income households continue to present to service providers and include *"individuals that would already be precariously housed such as lone parents or one income families or households that are newly arrived to the country, individuals on Jobseeker allowance..."* (Interviewee 2). They are, however, finding themselves in more vulnerable positions than in the past as a result of the risk of eviction due to breaches or rent arrears, or rent increases beyond their capacity to pay. These observations were also true for those in the social housing sector. Those in the private rental sector were also affected by landlords selling properties to capitalise on higher prices after five years of poor rental returns.

Interviewees spoke of an additional cohort of households, who would previously have been housed in stable scenarios, presenting to providers for assistance as this interviewee explains: *"Individuals who would have ordinarily remained stably housed ... have paid their rent, have no ongoing issues with their tenancy are also facing eviction due to the increase in rent requirements that are being requested of tenants or that people are being evicted so that rent can be increased by a landlord".* (Interviewee 2)

As one interviewee explained, *"People who are calling [service providers] are those who have generally not been in contact with welfare services before..."* (Interviewee 1). It is those households who would have *"been on the borderline previously, they were just able to maintain their tenancy, just manage to pay their rent, they are now being further impacted"* (Interviewee 2) by the increased rents in the private rental market. Difficulties accessing affordable housing are being felt across a broad spectrum *"...its young people, its old people, its families and particularly people in a certain income bracket that can't afford the rents that are on the market at the moment"* (Interviewee 1).

Often these challenges are not for lack of trying. The tight market means that many people are looking at the same property, rents are being bid higher and some of these families may be regarded as *"being less attractive as another tenant because they might have pets or they might have kids..."* (Interviewee 1). As one interviewee explained, the competitive nature of the market adds to the stress of finding a home. These households are employing strategies in a bid to avoid homelessness, some are *"signing leases that they know they can't afford"* (Interviewee 1) and deal with the consequences, such as the inability to sustain the rent and pay for essential purchases, later. This has shifted the pressure from housing providers to those services that assist tenants with their legal and financial difficulties.

The moratorium is regarded as having successfully supported tenants through a time of uncertainty. However, on the other side, the lack of investment in social housing supply and in some regional locations, new supply in general, has placed pressure on low income households who are now competing against an emerging cohort vying for affordable housing options in the private rental market. Service providers and peak bodies agree that the solution is multifaceted incorporating:

- investment by government in social housing across the State,
- identification of vacant properties that could be released into the private rental market,
- provision of additional emergency relief funds to assist households to remain in their homes
- increased support for social landlords
- increased crisis accommodation to support people to remain housed.

Interviewees spoke of an additional cohort of households, who would previously have been housed in stable scenarios, presenting to providers for assistance.

THE IMPACT OF COVID-19

As discussed above, Baker et al. (2020) highlight the impact of COVID-19 on the private rental sector through a large survey of 15,000 renters. The BCEC survey covers respondents from all tenures and sought to uncover how COVID-19 has affected what households want from their housing and their patterns of work. The impact of the moratorium was discussed above.

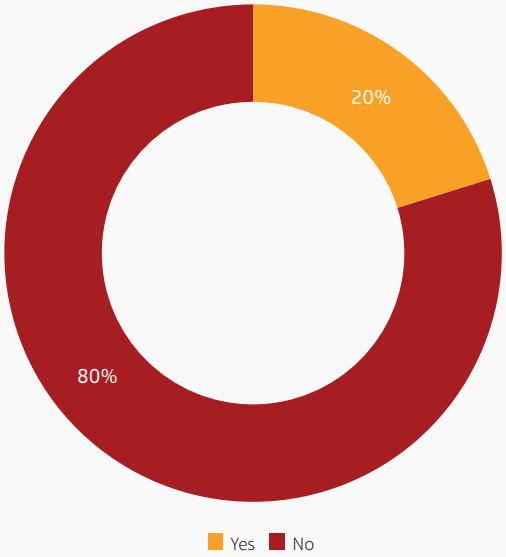
Twenty per cent of all respondents stated COVID-19 has changed what they want from their dwelling, ranging from 17 per cent in WA up to 23 per cent in NSW, with QLD in between the other two States. Twenty six per cent of social housing tenants and 24 per cent of private renters answered yes compared to 23 per cent of those owning with a mortgage, 20 per cent of those living with their parents and just 10 per cent of outright owners. Removing those outright owners gives an overall figure of 23.4 per cent believing COVID-19 has changed what they want from their dwelling.

There was little difference by location with 19 per cent of regional respondents saying COVID-19 had changed what they want from their dwelling compared to 20 per cent of metropolitan respondents. In terms of household type, multi-generational households were most likely to answer yes at 31 per cent, likely a factor of crowding, with couples living with children the next most likely at 28 per cent. One parent families were next at 24 per cent. Couples with no children were least likely at just 12.5 per cent and one person households at 15 per cent. It seems the more crowded the dwelling, the more likely the household is to have answered yes. In terms of age there were clear patterns with only four per cent of those over 65 and 8.5 per cent of those 55-64 stating COVID-19 had changed what they want from a dwelling, however 30 per cent of 35-44 and 29 per cent of 25-34 answered yes, with these groups linked to households containing children.

Finally, it was the higher income groups most likely to answer yes to the question with the figure 30 per cent for those earning over $175k, dropping down steadily to just 14 per cent for those earning under $31k. The response to the question may be related to the possibility of eventuating change.

FIGURE 54

Has COVID-19 changed what you want from your dwelling or location? All respondents



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Table 41 describes how dwelling factors have changed for those respondents answering yes to the question above. It should be noted that the numbers are small when split into States and then separate groups. In this respect, this analysis reports the whole sample (806 in total). The table is split into owners and those renting/living with their parents as the two groups were given slightly different choice lists. Over 40 per cent of renters wanted their own place as a result of their COVID-19 experiences, while 40 per cent of owners wanted more outdoor space, which was also a popular choice with the rental group. More indoor space was also popular, consistent with the proportions of child-rearing households who reported they had changed what they want from housing. Quite a large proportion wanted to change their location, 18 and 13 per cent from metropolitan to regional and 16 and 13 per cent from regional to metropolitan. If these figures played out, this would mean significant demand pressures on regional locations given the population balance between the broad areas. There were also quite large numbers wanting to move States altogether.

TABLE 41

Impact of COVID-19 on what households want from their dwelling/location

	Owners	Renters / Living with Parents
	(%)	(%)
I want my own place	-	42
I want more outdoor space	40	34
I want more indoor space	30	27
I want a dwelling more suitable for working from home	31	25
I want to move to a less crowded location	28	-
I want more security from my dwelling i.e. less chance of being evicted	-	25
I want to move closer to family/friends	26	20
A dwelling with better internet connectivity	23	14
I want to move to an area with more amenities (public transport, shops, healthcare etc.)	21	17
I want to move to a regional/rural location	18	13
I want to move to the middle/outer suburbs of a City	16	13
I want to move to another State/Territory	13	9

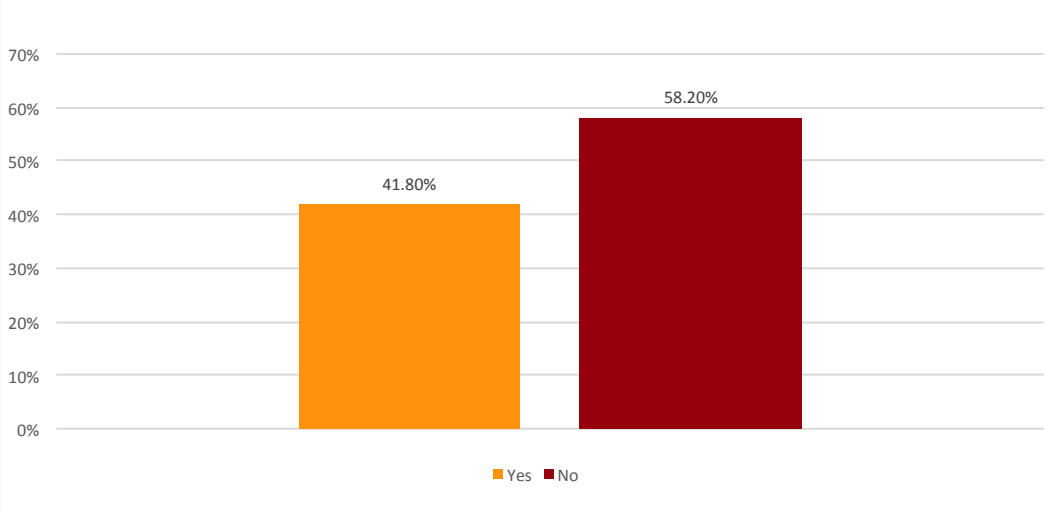
Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

The table above shows 31 per cent of owners and 25 per cent of renters wanted a dwelling more suitable for work and around 1 in 5 wanted better internet connectivity. When asked if their dwelling was suitable for working from home for long periods, three quarters said it was. The main reasons why dwellings were not considered appropriate were a lack of suitable equipment (a third), the dwelling is too small (30%), too many distractions (22%) or too noisy (18%) and internet issues (too slow, 13% or unreliable, 12%). Other reasons given mainly surrounded the fact that the job could not be conducted from home (28%).

To gather more detail about COVID-19 and work, the survey asked respondents whether the pandemic had changed the way they worked and almost 42 per cent replied yes. By State, the yes answer ranged from 47.5 per cent in NSW down to 35 per cent in WA, with QLD once again in the middle.

FIGURE 55

Has COVID-19 changed the way you work?



Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Following up on the answer, respondents were asked how work had changed and, as can be seen from Table 42, the most common response was working from home more often. A further 23 per cent said that COVID had reduced the number of hours worked and 19 per cent now permanently work from home.

TABLE 42

Impact of COVID-19 on work

	(%)
I work at home more often than I did before	47
It has reduced the number of hours I work	23
I work at home permanently now	19
I have changed jobs as a result of COVID-19	14

Source: Bankwest Curtin Economics Centre | BCEC Housing Affordability Survey 2021.

Young couple living in the private rental sector - Emily and Joshua's story

I am an 18 to 24 year old female, living with my partner in a three-bedroom house in an outer suburb in a capital city. We rent from a private landlord, although would prefer to be owner occupiers. We both work full time and our household income is $125,000 - $149,999 a year. The COVID-19 pandemic has changed the way I work. I now permanently work from home, which I prefer. However, my home is not suitable for working from home for sustained periods of time as there is no air conditioning or heating in the bedrooms needed for offices.

Housing decisions

We have been living in this house for less than one year. We were forced to move to a dwelling that was more suitable to our household needs. When we moved, we would not compromise on a number of factors including the dwelling type, number of bedrooms and living areas, parking, air conditioning, outdoor space and high speed internet. It was essential that the neigbourhood had easy access to public transport, work, health services, shops, and entertainment. The single most important factor in the decision to select our current dwelling was the size, including the number of bedrooms. We are not renting in our preferred location, rather we are living 10-20 km away from it.

The COVID-19 pandemic has impacted on our housing preferences. I want more security from my dwelling through owning my own place. I would also like more indoor space, a dwelling more suitable for working from home, more outdoor space and better parking. I'd also like to live in an area with more amenities.

Housing affordability

Financially we are comfortable, which is an improvement on two years ago when I was a university student and did not work full time in my field of study. An increase of 10% on our rent would have a moderate impact on our financial situation. I anticipate that my financial situation in two years will be better than now.

Our house is quite affordable. We spend around 10-19.9% of our income on housing costs, have very rarely had difficulty paying rent and have not fallen behind on our rent. After paying housing costs we do have enough left for essential as well as non-essential expenditure as well as being able to put income towards savings or investment.

Before the COVID-19 pandemic *"Both me and my partner were working full time in an office so now [that we] have to be at home full time to work - we had to move to a bigger house which means double the amount of rent we are paying, moving quite far from my ideal location but had to move to an area close to public transport for when work resumes back in the office. I'm having to pay more but without an increase in the quality of life. I am lucky that I can afford it but if I was earning minimum full time wage I'd would not have been."*

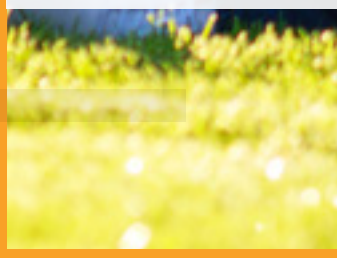
Accessing home ownership

The factors preventing me from buying my own home are that I can't afford to live in my preferred location, live in the type of house I want and I can't afford the deposit. At the moment I have $5000 cash that I could use as a deposit, but I think I will need $50,000 in order to purchase the type of dwelling I want. In order to purchase a dwelling affordable to me, I anticipate I would have to move 20-30 kilometres away from my ideal location.

If I were to purchase a dwelling a government grant to help with deposit and stamp duty relief would be important, as would government assistance with saving towards a deposit.

The COVID-19 pandemic has made me feel less secure in my home. The moratorium on rental evictions, however, made no difference to the security I feel in my home.

"THE RESULTS OF THE 2021 BCEC SURVEY **SHOW IMPROVEMENTS IN HOUSING AFFORDABILITY** ON THE PREVIOUS THREE SURVEYS ACROSS A RANGE OF METRICS."



DISCUSSION AND CONCLUSION

DISCUSSION AND CONCLUSION

The results of the 2021 BCEC survey show improvements in housing affordability on the previous three surveys 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, there are still large numbers of vulnerable households for which the situation has not improved, and indeed, is likely to deteriorate following the end of the rental moratorium and increasing rents. Improvements have largely been in the ownership tenures while rental affordability remains at similar levels to 2019. However, affordability is likely to decline, for those new purchasers and renters at least, due to recent increases in dwelling prices and rents.

There are a number of reasons behind patterns of affordability. First, dwelling prices fell during the period 2015 to 2020, reducing entry costs for new home owners, partly due to stagnant population growth, a faltering economy, significant new supply over a 3-year period and a lack of consumer confidence. Rents also fell during this time, again due to slow/low population growth and an increase in supply. House prices are still at roughly 2015 levels, however rents started to rise around June 2020 and are now higher than they were during the 2015 survey. For households with a mortgage, interest rates are at their lowest level on record, reducing mortgage payments, making housing for existing owners more affordable. While owner occupiers have benefited from economic conditions, tenants in the private rental sector, where the majority of low-income households reside, have not seen such affordability improvements and, as the survey has shown, increasing rents will have a major impact on the financial wellbeing of households.

The HomeBuilder and Building Bonus incentives combined with stamp duty rebates, including for multi-residential developments, and first home owner grants provided up to $70k in incentives for eligible first home buyers in WA[8]. Analysis in this report shows that the incentives have had a major impact on the new build market, increasing activity from what were historically low levels.

This pent-up demand, coupled with generous incentives and growing consumer confidence resulted in an upturn in activity in both the new and established markets. The duration of this "wave" of activity in the new and established markers will depend on the extent to which buyers have brought forward their decision to purchase (around half according to our survey) and what happens with population growth into 2022 and beyond. Industry forecasts expect new dwelling activity to drop off after the HomeBuilder/Building Bonus activity works its way through the system (HIFG, 2021). There are too many unknowns to predict what will happen to the market going forward, but what the COVID-19 stimulus has shown is how sensitive first home buyers are to incentives and how quickly they will make a decision to build/buy once that deposit hurdle is overcome. This does provide clear evidence of how governments can stimulate construction activity in any future economic crisis.

Other government schemes to help households overcome the deposit gap include the First Home Super Saver Scheme (FHSS) where first home buyers can save up to $50k in their superannuation fund with the associated tax benefits, and the New Home Guarantee (NHG), allowing 10,000 first-home buyers to build a new home or buy a newly built home with a five per cent

8 WA Government (2020f) Transfer Duty Fact Sheet, Government of Western Australia, https://www.wa.gov.au/government/publications/transfer-duty-fs.

deposit. Another addition, this time for single parent families, is the Family Home Guarantee (FHG), which will allow 10,000 applicants over four years to purchase a home with as little as two per cent deposit. The FHSS is a useful scheme for those potential buyers who earn enough income to be able to save towards a deposit, but it is only likely to help buyers bring forward a decision to purchase rather than be the difference between being able to buy and not being able to buy. The NHG is another scheme which will help potential buyers into the market sooner, and given the numbers are so small, makes little difference to broad discussions around affordability. The FHG targets the group most in need of assistance, single parent families, yet the settings will do little to help those on low incomes who will be unable to secure or service the mortgage and the low-price ceilings, just $400k in WA, provide little choice in the way of dwellings.

The most effective scheme to overcome deposit gap remains Keystart in WA. Keystart has enabled tens of thousands of Western Australians to enter home ownership with just a two per cent deposit. Keystart was designed to encourage borrowers to transition to traditional mortgage products once they have built up equity in their dwelling. This has proven difficult with declining prices over the last few years, however price growth in the current market should make it easier for customers to transition to cheaper mortgage products. Shared equity products are another way of reducing the upfront costs of purchasing. Any expansion of Keystart would have a positive impact on the WA housing market.

The survey has shown that first home owner grants remain the most well-known, and important, grant to help plug the deposit gap for the building of a new home. 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*., 2018). The downside is that grants also distort markets and are inequitable.

Stamp duty relief is also essential for first home buyers as without it the deposit gap would be even larger for households, and insurmountable for many. With recent consultation in NSW to reform stamp duty and provide a choice for buyers between an upfront, one off payment and an annual land tax, the BCEC survey asked respondents which option they would prefer. There has been much discussion over the last few years about replacing stamp duty with an annual land tax as it would reduce the upfront costs of purchase, thereby reducing the deposit requirement helping buyers into ownership, whilst also encouraging more household mobility as households are more likely to move if the upfront costs are lower. The survey did not find much support for an annual tax, although there was significant support for being able to choose how to pay. The current stamp duty arrangements were surprisingly popular. With more education around potential different arrangements, there may be more support for land tax but for now the decision to retain stamp duty seems largely around lost revenue for State Treasuries as there aren't too many supporters of what is widely regarded as a very inefficient tax. The recent budget in Victoria actually announced an increase in stamp duty rates for property transactions over $2m which provides an interesting message around the future of the tax in that State.

SOCIAL HOUSING AND THE PRIVATE RENTAL MARKET

The private rental market is becoming increasingly important with around a third of households residing in this sector and an increasing number will remain tenants throughout their entire housing career. While affordability has improved since 2015, rents have increased in the last 12 months and the availability of rental stock is very poor with a vacancy rate around one per cent. The 2021 BCEC survey highlighted the vulnerability of low-income private rental sector tenants and how an increase in rents will have a major impact on financial wellbeing for more than 40 per cent of these. If tenants are unable to sustain their rents, eviction awaits and without the safety net of an adequate social housing system, the next step is homelessness.

COVID-19 did stimulate government intervention in the private rental sector including the rental moratorium and the residential rent relief grant scheme. The residential rent relief grant scheme provides grants to eligible tenants for 75 per cent of rent arrears, up to a maximum of $4,000, including any rent that was waived or reduced during the moratorium emergency period. There is also support for tenants who are struggling financially to meet rent payments after the end of the emergency period on March 28th. Grants are capped at $2,000 per tenancy[9].

Almost a quarter of survey respondents commented that the rental moratorium made them feel more secure in their homes. It is likely the removal of no grounds eviction would have a similar impact. Tenancy reform is underway in WA and James *et al*., (2018) provided a number of recommendations around what needs to be done to increase tenure security in the private rental sector. Shelter WA in their "Unlock Housing" report, also set out a number of options to make tenants more secure in their homes[10].

However, ultimately tenants need somewhere safe and secure to live, which is also affordable and good quality (Baker *et al*., 2020). When the vacancy rate is as low as it is in many parts of WA, it is the low-income, vulnerable tenants who suffer the most. Rent rises may force some tenants to vacate their home and seek more affordable options, which often don't exist, particularly as low-income tenants are often forced to compete with households on much higher incomes. Landlords tend to choose those tenants they perceive as being most likely to be able to meet their rent commitments, favouring higher income tenants. Discrimination can, and does, occur (James *et al*., 2018).

The only real solution is the supply of more private rental housing onto the market to ease demand pressures. Given the majority of rental housing is delivered by small scale, private investors, it is market conditions and the promise of financial returns which drive new investment. Current conditions in the WA market are certainly conducive to such investment with rising rents and prices, but it takes time for new investment to feed through into new supply. In the short term, to deliver housing for those most in need, government has a role to play. So what could government do to increase security and supply in the private rental market? Below are a number of options government could consider:

- Enable existing, vulnerable tenants to stay in their current rental property through financial support.
- Ensure tenancy reform delivers more security for tenants, while not inhibiting private sector investment.

9 https://www.commerce.wa.gov.au/consumer-protection/residential-tenancies-covid-19-response#Residential%20Rent%20Relief%20Grant%20Scheme.

10 https://www.unlockhousing.com.au/wp-content/uploads/2021/05/UNLOCK-HOUSING_election-platform_final.pdf.

- Fund the delivery of short term, temporary accommodation on available land, or within suitable commercial space at the end of its economic life, until the vacancy rate eases and market availability improves. There has been discussion around government leasing unsold apartment stock from developers but in a market with rising prices, developers are unlikely to want their available stock tied up in the rental market so new provision is required.

- Reforms to CRA and an increase in income support would reduce the numbers of private renters in rental stress (Ong *et al*., 2021) making them far less vulnerable to homelessness and reducing stress on social housing supply.

- Create the conditions for the development of a large-scale build to rent sector. This will require tax reform to increase the potential financial returns to investors and stimulate development. Partnerships between government and the private sector could deliver build to rent outcomes that include an element of affordable rental housing.

- Introduce a replacement for the National Rental Affordability Scheme (NRAS) to deliver a large-scale supply of affordable rental housing. Administered through the National Housing Finance and Investment Corporation (NHFIC), a scheme could incentivise the private and community housing sectors to deliver long term, below market rental dwellings. While NRAS had its problems, it did demonstrate how affordable rental supply could be delivered relatively quickly through tax incentives (Rowley *et al*., 2016). There should also be provision for affordable rentals for key worker housing which is already an issue in other States and tends to become a problem as affordability declines (Gilbert *et al*., 2021).

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, it is critical for meeting housing need. Funding for public housing needs to increase significantly, and rapidly, 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. Shelter WA recommended the provision of 12,000 new social housing units and an extensive refurbishment program[11]. Given the waiting list for social housing and potentially well over 50,000 vulnerable private rental households, the provision of at least 2,000 social housing dwellings per annum for the next decade would begin to address a growing need. With expectations that building activity will fall when the current wave of stimulus activity works through the industry, government could support jobs through large scale investment in social housing which would deliver both short- and long-term benefits for the State.

There have been recent commitments to increase the supply of social housing. The Australian Labour Party has committed to building 20,000 social housing units over 5 years[12] while the Victorian government has promised 9,300 social housing units over 4 years[13]. The return of social housing to the political debate highlights its importance in times of declining affordability.

11 https://www.unlockhousing.com.au/wp-content/uploads/2021/05/UNLOCK-HOUSING_election-platform_final.pdf.

12 https://www.theguardian.com/australia-news/2021/may/13/anthony-albanese-pledges-10bn-social-housing-fund-in-labors-federal-budget-reply.

13 https://theconversation.com/victorias-5-4bn-big-housing-build-it-is-big-but-the-social-housing-challenge-is-even-bigger-150161.

Aside from direct Commonwealth and State government spending on social housing, additional interventions could include:

- The community housing sector has a major role to play in delivering housing for those in need. There has been limited support for community housing providers in WA when compared to other States and government support for the affordable housing industry is essential to supplement direct social housing provision (Pawson *et al*., 2016, Milligan *et al*., 2017). NHFIC has delivered some positive outcomes for community housing providers in WA but the State government should provide additional support to enable the sector to grow and deliver a substantial proportion of the annual social housing supply necessary to meet need.

- There are countless organisations working to deliver affordable housing in small developments across the States, from below market rent to Housing First initiatives. More funding should be made available to support these organisations as the sum of all these initiatives makes a difference to the overall supply of affordable housing.

- The Victorian State government recently announced a new tax at 50 per cent on windfall gains from re-zoned land. 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 re-zoning that delivers an uplift in land value with the benefits flowing to the local community in the form of affordable housing. While inclusionary zoning could deliver a flow of affordable housing from certain sites with the necessary value characteristics, other sites couldn't sustain such a contribution or social housing may not be appropriate. In such a case options such as delivering dwellings only available to first home buyers and/or key workers could be subsidised through the uplift to deliver different affordable housing products.

- Government should maximise affordable housing contributions from government owned land and from Development WA schemes wherever possible. A stretch target of 30 per cent affordable housing on all such sites should be implemented.

- Community title offers new opportunities to deliver affordable housing and market housing side by side, on the same land and opportunities should be explored to demonstrate to the private sector how this can work.

HOMELESSNESS INTERVENTIONS

The rising rate of homelessness underscores the urgent need for increased funding for targeted intervention programs. The *2021 BCEC Housing Affordability Survey* demonstrates that even a slight increase in rents would have significant implications for more than 40 per cent of low-income private rental sector tenants, which could push many into homelessness.

Over 9,000 people identified as homeless in WA on census night (ABS, 2016), while almost 25,000 received support from homelessness services between 2016-17 (Department of Communities, 2021). Of those experiencing homelessness, 29 per cent identify as First Nations people (WAAEH, 2019), while 42 per cent of all homelessness is due to family and domestic violence (Shelter WA, 2021). The pandemic's impact on homelessness has been severe, with some homelessness providers reporting increases of up to 700 per cent accessing services (Shelter WA, 2021). Notably, a sharp rise in the number of women and children needing housing support in relation to family and domestic violence has been observed (Shepherd, 2020).

Recent government intervention directly targeting homelessness includes $72m for Housing First initiatives (Department of Communities, 2019) and $6.1m in response to homelessness encampments located in East Perth[14] and Fremantle[15]. Yet while the 2020 Social Housing Economic Recovery Package (SHERP) allocated additional funding to the 10-year State homelessness strategy (WA Government, 2021), evidence shows that a more robust commitment is required to address the net decrease in social housing homes and the subsequent joint waitlist of over 30,000 applicants (Shelter WA, 2020). Given the average wait time of 2.5 years to access a home, the delivery of 260 new social homes each year under the WA Housing Strategy 2030-2030 will not meet this growing demand.

In response to increased demand on the homelessness sector, a coalition of peak bodies, community sector organisations and homelessness services launched the 'Unlock Housing' campaign in 2021, calling on the State government to commit to a $4.4b co-investment package over four years to substantially increase the supply of social and affordable housing, and in turn, end homelessness (Shelter WA, 2021). The proposal underscores the need for greater investment in permanent housing solutions for those experiencing chronic homelessness, following a Housing First approach. Domestic and international Housing First initiatives have demonstrated how rapid rehousing with ongoing wrap-around support can effectively reduce homelessness (Clarke *et al*., 2020; Holmes et al., 2020; Parsell *et al*., 2013; Tsemberis, 2010; Vallesi *et al*., 2018). In addition to improved social, health and well-being outcomes, Housing First programs across Australia have consistently delivered cost benefits to the public purse/taxpayer. This can be observed not only through higher rates of client retention compared to the conventional staircase approach to homelessness intervention (Parsell *et al*., 2016), but also through reduced shelter, health and court system related costs (see Wood *et al*., 2019; Vallesi *et al*., 2018; Vallesi *et al*., 2020 for WA examples).

14 https://www.mediaStatements.wa.gov.au/Pages/McGowan/2020/12/3-point-8-million-dollars-to-support-Lord-Street-Bridge-rough-sleepers.aspx

15 https://heraldonlinejournal.com/2021/01/29/State-finds-2-3m-for-homelessness/

Increased support for initiatives such as Common Ground[16] and RUAH's Zero Project[17] would deliver improved social, health and housing outcomes for people with high and complex needs. Despite the past success of local Housing First programs such as 50 Lives and 50 Homes, dependency on existing priority waitlists represent key barriers that limit the speed and scale of client placement. Indeed, recent research revealed that the average wait time to house high-need clients through the rapid-rehousing program ranged between 30 and 69 weeks (Vallesi *et al*., 2020). Further government support is needed to realise the full potential of Housing First initiatives across Western Australia.

Relatedly, it is essential that a collaborative cross-sector and cross-agency approach is taken to ensure homelessness intervention programs can meet their targets. Despite a growing number of projects committed to providing permanent, supportive housing solutions for people experiencing homelessness, disparate operational goals of health, social and housing services can inadvertently obstruct the progress of homelessness intervention programs (see Johnson, Parkinson and Parsell, 2012).

Government should also ramp up support for small-scale organisations providing low-cost housing targeting the homelessness section. For instance, increased funding opportunities and making government-owned land available, even just for temporary projects, would create the conditions to expedite the development of a range of Housing First-style projects and, in turn, relieve pressure from the homelessness and social housing sectors. Allocating unused, well-located government-owned land and buildings to the social and affordable housing sector represents a fast and cost-effective mechanism to address growing housing need. Moreover, the creation of a State investment fund for non-registered community housing providers would increase the homebuilding capacity of small-scale not-for-profits who remain outside the eligibility criteria for funding through the National Housing Finance and Investment Corporation (NHFIC)[18].

16 https://www.communities.wa.gov.au/strategies/homelessness-strategy/common-ground/.

17 https://www.ruah.org.au/services-support/housing-and-homelessness/zero-project/.

18 https://www.nhfic.gov.au/.

REGIONAL WA

As this report shows, while perceptions of affordability do not differ greatly between regional and metropolitan WA, regional WA contains some of the most unaffordable locations in the State when comparing median incomes with rents and prices, and many areas are suffering from an acute shortage of rental accommodation. Such a shortage has major implications for the local economy as they cannot attract and retain employees. Temporary accommodation to increase short term supply in the private rental sector is essential. Partnerships between government and local industries such as the tourism, hospitality and mining sectors to deliver temporary accommodation options would benefit both businesses and the local community. Such provision requires land and funding, but the social and economic benefits from the provision of accommodation outweigh the direct costs. Regulation of short-term holiday accommodation is also required when there is a crisis in the local rental market.

Of course, an increase in social housing is as important in the regions as it is in metropolitan locations, as is the funding for support services and crisis accommodation for what will be a rapidly growing homelessness problem in the absence of affordable housing.

Housing supply is generally slower to respond in regional areas while demand can spike very quickly, resulting in rapid rent and price rises as markets are more geographically constrained. Governments need to be able to respond quickly to supply shortages by banking land ready for development. While Development WA have successfully delivered land into the regions, more needs to be done to ensure the market can respond to supply challenges.

HOUSING AFFORDABILITY: THE COSTS OF RUNNING A HOUSEHOLD

While the direct costs of housing tend to be the primary focus of housing affordability debates, running and maintenance costs receive less attention but are actually easier to control than mortgage or rental payments as they are not driven by market forces. Better housing design, delivering passive heating and cooling and water saving features are just two examples that can improve housing affordability by reducing household running costs.

The national construction codes should ensure adoption of measures to improve the energy efficiency of new dwellings, reducing running costs. Consumers can already work with builders to maximise potential savings through quality design and sustainability features. However, more needs to be done to demonstrate that paying for upfront features that reduce running costs have long-term financial benefits. Lenders could offer better mortgage terms for dwellings that meet 7* Nathers[19] ratings, for example, given that a household's residual income is likely to be higher with reduced dwelling running costs. Government can also ensure public dwellings set the standard when it comes to energy efficiency given reduced running costs are essential for social housing tenants. Development WA have delivered a number of demonstration projects, notably WGV[20], showing what can be done in this space. Government and industry should work together to ensure new dwellings meet the standards necessary to reduce the carbon footprint of housing. That may necessitate an upfront affordability hit for consumers to deliver long term affordability and sustainability benefits.

19 https://www.nathers.gov.au/.

20 https://developmentwa.com.au/projects/residential/white-gum-valley/overview.

COVID-19 – A LASTING IMPACT

The *2021 BCEC Housing Affordability Survey* has once again highlighted that affordability and location are the key factors behind dwelling choice, with households relatively flexible around dwelling type and size, but unwilling to compromise on the safety and security of the neighbourhood and, for the majority, the security of ownership. COVID-19 has changed what 1 in 5 households want from their housing, largely around additional indoor and outdoor space and access to amenities. Working from home is now more common and dwelling design needs to accommodate the demand for flexible space.

COVID-19 has reinforced a requirement for the provision of dwellings offering diversity and choice, across a range of price points, and across the State. While a house continues to be the preference (Stone *et al*., 2020), it can be in a variety of forms, not just the traditional detached version. Developers are starting to increase housing diversity on greenfield developments and government is working on the challenge of delivering well designed, quality development within infill locations through development of the medium density design codes. Infill areas present a development challenge (see Rowley *et al*., 2017) but quality outcomes are vital to ensure not only an increase in housing supply but also sustainable outcomes that are not considered outdated in a decade. Another challenge is how different infill locations can support different types of development; high value areas can support all types while low value areas cannot support apartment development or high cost housing products because the revenue is not sufficient to deliver appropriate development profits. Design guidelines therefore need to strike a balance between requirements for high quality, but potentially costly, design outcomes and the need for new housing supply. Some flexibility in design guidelines allowing them to adapt to the value profile of local areas is necessary otherwise infill development will not occur in these locations until revenues are sufficient to deliver profitable development.

COVID-19 may well deliver a sustained increase in demand for housing in regional locations, be that a permanent shift or continued demand for second homes. It highlights the need for adequate affordable housing supply in regional markets which operate differently to metropolitan locations, particularly remote areas and holiday destinations. In such cases, it is up to government to ensure an adequate supply of land and housing to meet demand as the local housing industry often does not have the capacity to respond quickly to demand pressures that, as COVID-19 has shown, can occur very quickly and quite unexpectedly. Such housing supply is essential for local economies and local communities.

PRIORITIES FOR GOVERNMENT

- Increased investment in social housing to deliver 2,000 dwellings per annum to address existing and future housing need. Social housing development will also support the housing industry, which might be necessary when the impact of COVID-19 housing stimulus measures comes to an end.

- Financial support for private renters struggling to maintain their existing tenancies and the funding and delivery of temporary private rental accommodation, especially in regional areas, to support local households, businesses and communities.

- Increased funding support for private sector and not-for-profit organisations delivering small scale affordable housing opportunities for low-income households. Increased funding for Housing First initiatives.

- Tax reform to create the conditions for large scale build to rent developments, ideally in partnership with government and the community housing sector in order to secure an element of affordable rental housing within such developments.

- CRA and income support reform to lift households in the private rental sector out of housing stress and reduce pressure on social housing and homelessness services.

- Stamp duty reform to reduce the upfront costs of purchasing and increase household mobility.

- Continued planning reform and guidance to encourage more dwelling diversity across the State, delivering housing options for households across the income spectrum. Design guidelines, such as the medium density design codes, while recognising the importance of good quality design, must also factor in design flexibility for lower value areas to enable the delivery of quality, but affordable dwellings.

- The State government should collaboratively design a system to ensure local communities benefit from the windfall gains resulting from re-zoning. These gains should be carefully and transparently directed to deliver a benefit to the local community through the provision of affordable housing of a variety of forms for example social housing, key worker housing, discounted rental dwelling and housing specifically for first home buyers.

- Finally, a long term goal should be structural reform of the housing system to ensure it delivers secure housing opportunities for all households. This necessitates a complete rethink of current policy settings around tax, housing subsidies and housing supply, with an end goal of delivering housing affordable to households across the income spectrum. Without such reform, the gap between households who can and cannot access home ownership will grow, delivering increasingly inequitable outcomes with negative economic repercussions.


Maple Road
Small Street
Market Road
Eagle Road
Columbine Street

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