BANKWEST CURTIN ECONOMICS CENTRE

HOUSING AFFORDABILITY IN WESTERN AUSTRALIA 2023

Building for the future

Ryan Brierty, Alex Buckland, Adam Crowe, Alan Duncan and Steven Rowley

Focus on Western Australia Report Series, No.17
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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.

This report was written by: Alex Buckland and Alan Duncan from the Bankwest Curtin Economics Centre at Curtin University, and Ryan Brierty, Adam Crowe and Steven Rowley from the School of Accounting, Economics and Finance at Curtin University.

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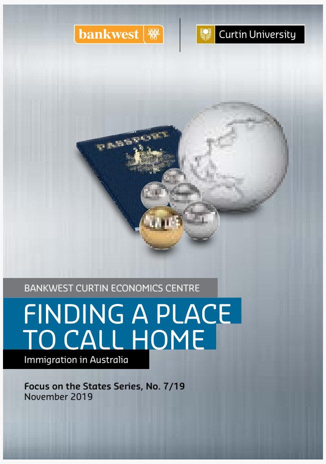

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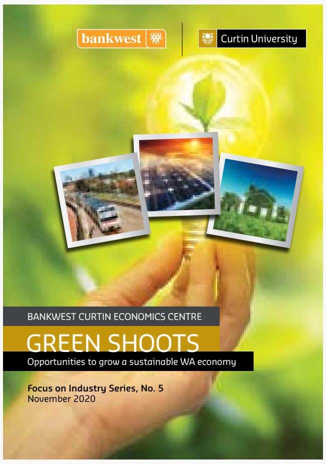

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CONTENTS

LIST OF FIGURES

LIST OF TABLES

FOREWORD

Housing is a key priority that is dominating the national conversation.

Open a newspaper or head to a news website and you won't get far without seeing the latest headlines on the state of housing across Australia.

It's a pressing issue for policy makers with announcements coming out almost daily, but it also represents a growing concern for families across the length and breadth of the country.

Can we afford to keep a roof over our heads? When will I be able to move into my new home? Where can I find a place to live? And what can be done to ease the current pressures faced by both renters and mortgage holders?

Our new report, *Housing Affordability in Western Australia 2023: Building for the future*, seeks to complement the raft of work currently in the public domain and shed new light on the steps that should be taken to ensure that Australia has the housing supply to meets people's needs and aspirations, that supports local businesses and communities, and drives growth of our state and national economies.

Our new research compares Western Australia to other jurisdictions for both homeowners and renters to get a sense of where WA sits both in terms of overall affordability and where the key pressures and pinch points exist that people are facing from rising interest rates, construction project delays and escalating rental costs.

The analysis in our report shows how historically low vacancy rates have been driving punishingly high rental cost inflation leading to growing financial hardship for millions of renters on low incomes.

In navigating to a more affordable rental landscape, it's clear that supply is key.

And yet WA continues to face challenges in delivering enough housing stock to the market to service people's needs and aspirations.

Housing strategy is not just limited to delivering high quality housing.

It is key to supporting population growth and migration, our skills strategy, and the economic and social development of Australia's regions.

Whatever is decided in the housing policy space has huge repercussions across the full constellation of government policies and strategies.

Our new work is a timely addition to the current conversation on housing affordability in Australia, and a valuable addition of evidence to drive discussion on housing solutions in WA and across the country.

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

EXECUTIVE SUMMARY

Much has changed in the two years since the last Bankwest Curtin Economics Centre housing affordability report. Interest rates have risen from 0.1 per cent to 3.6 per cent, increasing mortgage payments for a household on a variable interest rate by around $1,000 a month on a loan of $600,000. These extra payments add to cost of living pressures driven by inflation and could lead to an increase in mortgage defaults. Borrowing capacity for new purchasers has fallen sharply making it more difficult to break into home ownership. Listings for sale remain well below the 10 year average, reducing choice and making households less likely to put their home on the market. The lack of established supply and the relative affordability of the WA housing market has underpinned price growth in the state and prevented the type of price falls seen in NSW and Victoria.

The rental market is in crisis. Vacancy rates have been largely below 1 per cent since September 2020, and rents have risen from around $350 per week at the end of 2019 to $550 for a house and $500 for a unit in April 2023. There is little respite on the horizon for renters as demand continues to remain strong and supply weak.

Dwellings completions on the back of major building activity stimulated by the HomeBuilder and Building Bonus COVID-19 stimulus payments have been delayed due to labour and material shortages. Over 27,000 dwellings were under construction at the end of 2022 but rates of completion remain slow and financial pressure continues to build on those consumers paying rent while servicing the debt on their new dwelling. Eventually completions will feed through into supply and this report estimates around 10,000 households will gradually leave the rental sector and move into their new dwelling. However, REIWA estimate around 19,000 dwellings have left the rental sector in the last two years as landlords have taken advantage of price growth and disposed of their property. This means supply in the rental sector will remain constrained meaning little relief for tenants.

We expect new dwelling supply over at least the next two years to be well below 15 year average levels of 20,000 dwellings, once the stimulus dwellings are completed. This is due to the high cost of building driven by historically high rates of construction cost inflation, although increases are now moderating. Increased cost and build times mean households are reluctant to build and increased costs mean it is very difficult for developers to deliver financially feasible multi-residential developments. However, demand remains strong and the market could turn very quickly.

The report highlights key priorities for governments around housing affordability, including the need to deliver significant and ongoing investment in social housing, more investment in homelessness services and balanced residential tenancy reform. It is encouraging the see the commitment of the state government to increase social housing supply and grow the housing workforce, while a similar commitment to addressing the private rental crisis would be welcome.

Key Insights

Housing affordability is deteriorating but WA is more affordable than the east coast

Interest rate rises, dwelling price and rent increases have made housing less affordable in Western Australia. Strong, COVID-19 driven demand has pushed up prices and rents in regional WA while the availability of dwellings for sale across the state remains low. According to Corelogic (Corelogic 2023) the median dwelling value in Greater Perth is just under $573,000, $450,000 below Greater Sydney, $180,000 below Greater Melbourne and $80,000 below Greater Adelaide. Only Darwin has a lower median value than Perth. In the regions, regional WA is cheaper than everywhere but regional SA, however affordability is anything but uniform in location.

Mortgage interest rate rises have increased monthly payments for households and those households switching from fixed interest mortgages to variable rate in the coming months will see the interest rate on the payment rise by 3 per cent per annum, or $1,000 per month on a $600,000 loan, and $1,700 on a $1m mortgage.

House rents in Perth have risen by 13 per cent over the last year (CoreLogic 2023), the greater rise of any capital city, while unit rents have increased by 13.6 per cent. These increases are placing significant financial pressure on renters.

Evidence presented in this report from analysis of the Australian Housing Conditions Data Infrastructure survey shows only 43 per cent of WA renters have enough money left over for savings after paying rent and a third cannot afford non-essential expenditure. 15 per cent of WA renters rate their housing as unaffordable which equates to around 40,000 households.

Rental affordability has deteriorated rapidly across the state with rents rising by 50 per cent in Broome over 5 years, 82 per cent in Karratha and 93 per cent in Port Hedland. Rents across Greater Perth have risen between 28 per cent (Mundaring) and 43 per cent (Melville). While the median rent to income ratio remains below 25 per cent across WA, the lower quartile rent to income ratio averages 31 per cent in Greater Perth and 34 per cent in regional WA. This means the households on low incomes are paying over 30 per cent of their income to rent even the cheapest dwellings in the state.

Housing supply remains problematic

The housing stock in WA remains dominated by separate houses (75.5 per cent in Greater Perth and 81.5 per cent in regional WA). There has been little change in dwelling structure over a decade despite state government's attempts to increase the rate of infill development. On a positive note, rates of home ownership have actually increased slightly in WA over the last 10 years, in stark contrast to other parts of the country.

The COVID-19 stimulus grants increased building approvals and dwelling commencements sharply in WA but these housing starts have yet to feed through into completions and deliver new stock to the market. Delays in completing dwellings due to labour shortages have provided disastrous for many households and builders. At the end of 2022 there were 27,000 dwellings under construction compared to around 12,000 at the end of 2019. Once this surge in supply passes through WA will return to pre-pandemic levels of supply which, as noted by NHFIC (2023), is below that necessary to meet rates of household formation.

New supply is likely to be well below the long-term average over the next 2 to 3 years because high construction costs mean much new development is not financially feasible for the industry and the time it takes to deliver new supply once development becomes profitable again. The lack of new supply will underpin dwelling prices and provide little relief for renters.

Supporting new housing supply

WA is almost totally reliant on the private sector to deliver new supply. New development is stimulated by profit with market conditions being the biggest driver of profit outcomes. Incentivising the demand side through grants and other incentives increases supply but also delivers negative, unintended consequences such as rising prices so should be avoided. Directly facilitating new supply is a better option. Construction cost growth is easing, which will help new supply, but it will take time for revenues to increase to a level where they outweigh these cost increases and make previously unviable projects financially feasible again.

Reducing the costs of urban regulation and supporting the provision of new infrastructure would be a positive step in stimulating supply and the state government's announcement of an $80m infrastructure fund to unlock infill sites is a good start. Making the development approval system as efficient as possible, reducing timeframes and costs can also improve the profitability of sites and increase new supply.

The strategic release of land for fast tracked development in areas where there is high demand will deliver new housing. Supply in these high value areas may be controversial, and many sites constrained, but these are the sites the development industry wants to develop and can be brought to the market quickly.

Government should explore all options to partner with the housing industry to deliver new developments quickly to the market. It takes too long to deliver new development on government owned land and the process must be streamlined.

State government has announced a number of initiatives to increase labour supply in the construction industry in an attempt to accelerate dwelling completions and deliver capacity in the industry to respond to future demand pressures. This is positive but if the workforce does increase, there needs to be sufficient work going forward to maintain the increased capacity. With a likely contraction of supply once the HomeBuilder driven completions work through the system, government should take advantage of this capacity, accelerate its social housing development program and identify opportunities to partner with the not-for-profit and private sectors to deliver a range of affordable housing products to cater for an ever growing need.

The private rental sector is in crisis

Given the affordability crisis currently impacting Western Australians, which has pushed many households into housing stress, precarious housing arrangements and homelessness, something needs to be done to address the issue. Reforms to Commonwealth Rent Assistance are essential and state government should consider financial support for low income renters mirroring the support introduced during COVID-19 which saved many renters from homelessness.

Minimum conditions, rent increases, rights to dwelling modification and pets are critical issues that need to be addressed in the review of the residential tenancies act. While affordability is deteriorating, less attention has been paid to the issue of housing conditions which, as highlighted in this report, have far more impact on a household's satisfaction with their dwelling. No ground eviction undermines security of tenure and, in a tight market, makes tenants very reluctant to exercise their limited rights. Tenancy reform to improve security of tenure and enable renters to make a house feel more like a home, as is the case in other states and comparator countries, is critical to establish a fair and stable sector. It is well documented that Australian tenants have fewer rights than renters in almost every other OECD country (OECD 2023).

The rights of tenants need to be balanced with the rights of landlords and reflect the fact the market is reliant on small investors who make decisions to buy and sell based on a range of factors which add a level of volatility to supply. At a time when rental vacancy rates are at historic lows, government needs to balance the vital need for rental reform against the potential impact on supply. Reforms designed to aid tenants might have the opposite effect if supply were to contract even further. Likewise, options such as rent freezes or rent caps could have unintended consequences in such a tightly constrained market and may not end up being beneficial to tenants. A thorough assessment of the reforms that would deliver a private rental system equitable for both tenants and landlords is required.

Enabling policy settings that stimulate build-to-rent investment and the subsequent provision of dwellings into the private rental sector should be a priority for the state. Federal government recently announced a reduction to the Managed Investment Trust withholding tax rate from 30 per cent to 15 per cent and an increase in the depreciation rate from 2.5 per cent to 4 per cent which will increase the viability of build-to-rent projects. Additional support from state government in the form of reduced land tax rates, as recently announced in Queensland, should be available to build-to-rent investors who deliver an element of affordable (below market) housing within the development, ideally in partnership with the community housing sector.

Funding social housing and homelessness services

In January 2023, the state government announced a commitment of $2.4 billion over a four-year period to increase the quantity and improve the quality of social housing (Carey 2023a). This funding brings together the collective investment across various government programs, including the Social Housing Economic Recovery Package announced during the early months of the pandemic. In a debate in WA Parliament on 22 March 2023, WA Housing Minister Mr John Carey reported that 1,100 social homes had been completed with just under 1,000 under construction (Hansard 2023). An additional 492 social homes have been acquired since July 2021, under the state government's spot purchase program (Minister for Housing 2023). A further $450m was recently announced by the McGowan government[1] for the provision of 700 new houses.

The funding commitment to the provision of new social housing is welcome. However, government needs to fund the provision of around 900 social housing dwellings per annum just to maintain social housing at its current level as a proportion of total stock (3.8 per cent). This requires significant on-going investment, justifiable because social housing is critical infrastructure and such investment is essential to the state.

Government should deliver greater investment in homelessness support services and an expansion of funding to support Housing First initiatives. It is encouraging to see government establish a Housing First Homelessness Advisory Group which will hopefully be the start of a big investment in housing first programs.

1 https://www.abc.net.au/news/2023-05-01/social-housing-and-homeless-get-511-million-boost-in-wa-budget/102285586

INTRODUCTION

Housing affordability in Western Australia, and in Australia more generally, has deteriorated rapidly over the last two years.

Property prices have risen strongly but interest rate increases over the past year are affecting the capacities of particularly younger or newer mortgage holders to manage their finances.

The state's rental market presents an ongoing challenge for those not willing or able to put their foot on the first rung of the property ladder. Vacancy rates have plummeted to historic lows, and this has driven sharp increases in rental costs on the back of the state's return to population growth.

The places that people can reasonably locate to have have shifted further out to the urban fringes of the city. And prices are rising in regional areas of the state as a result of recent population flows, which means that many of our regions are no longer a cheaper alternative to the capital city.

This latest report in the Bankwest Curtin Economics Centre's Focus on Western Australia report series explores the evolving costs of housing in Western Australia and explores some of the key challenges faced by many households in the current housing market environment.

The report uses recent housing transactions data at the local area level to identify and explain recent trends in the state's regional housing markets.

The report highlights the variability in affordable housing options for people living in different parts of the state, and examines the degree to which the housing market in the state is meeting the range of needs and aspirations of all Western Australian families.

The report includes findings from the most recent Australian Housing Conditions Data Infrastructure (AHCDI) survey - a new national survey that measures householders' satisfaction with their housing circumstances, including housing conditions and affordability as well as housing aspirations.

The AHCDI survey sheds new light on the trade-offs Australia householders are having to make to afford their current home.

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 the experience of 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 THE COVID-19 PANDEMIC HAS BEEN THE RELATIVE STRENGTH OF ACTIVITY IN HOUSING MARKETS ACROSS THE COUNTRY."

HOUSING MARKET TRENDS IN AUSTRALIA

INTRODUCTION

Australia's housing market has endured something of a roller coaster ride since the onset of the COVID-19 pandemic in March 2020.

Stimulus measures put in place by Commonwealth and state governments from the latter half of 2020 led to escalated housing market activity and rising prices from the end of 2020 to the first quarter of 2022.

However, house prices experienced a downturn for the remainder of 2022 in most states, with some degree of stabilisation over the first quarter of 2023 according to the most recent evidence from Corelogic.

The housing stimulus measures encouraged both existing owners and first home buyers to consider new dwelling purchases.

However, a tight rental market with historically low vacancy rates has added upward pressure to rental costs over at least the past year. And there are no signs yet of such pressure abating for most states - and certainly in Western Australia - over the short-term given that new housing supply from the approvals has yet to come on stream.

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

HOUSE PRICES IN AUSTRALIA: A NATIONAL COMPARISON

The most recent Corelogic Home Value Index for April 2023 reports the median value of all dwellings to be just over $572,800 in Perth compared to $1,031,000 in Sydney and $751,125 in Melbourne.

The Corelogic Home Value Index is a hedonic price that adjusts for different property attributes across states. Instead, Figure 1 shows the trajectories of unmodified sales prices specifically for houses in different states.

On this metric, the median sales prices for Perth currently ranks second lowest across all states and territories, with Corelogic's house price series for Perth levelling out at around $670,000 by January 2023.

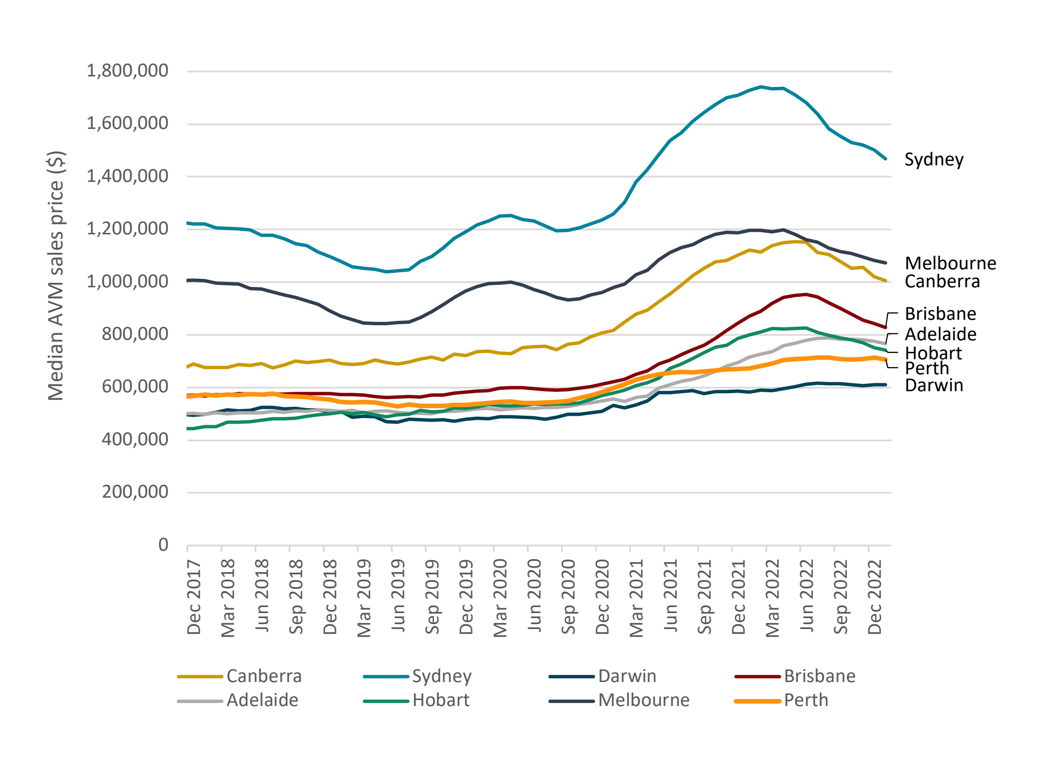
In comparison, the median house price in Sydney reached $1,625,000 as at January 2023 followed by $1,100,000 in Melbourne and just over $1,050,000 in Canberra.

The median house price for Perth currently ranks second lowest across all states and territories.

The latest Corelogic Home Value Index for April 2023 reports the median value of all dwellings to be just over $572,800 in Perth compared to $1,031,000 in Sydney and $751,125 in Melbourne.

FIGURE 1

Median (12 month) house price by state and territory: 2017 to 2023



Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic Market Trends data, February 2017 to January 2023.

Perth ranks second lowest among states for the price of residential units at around $430,000 in January 2023, substantially behind Sydney (at $795,000) and Melbourne (at $545,000).

The trajectory of property values has been somewhat less volatile in Western Australia compared to other jurisdictions since the onset of the COVID-19 pandemic.

Perth's house prices appreciated by 7.7 per cent during the first year of the pandemic, between March 2020 and March 2021 – slightly behind Sydney (at 9.9 per cent) and Melbourne (at 8.1 per cent) over the initial phase of the pandemic.

House price growth accelerated massively in the eastern states capital cities in the year to March 2022 – by 29 per cent in Sydney, 23 per cent in Brisbane and 14 per cent in Melbourne.

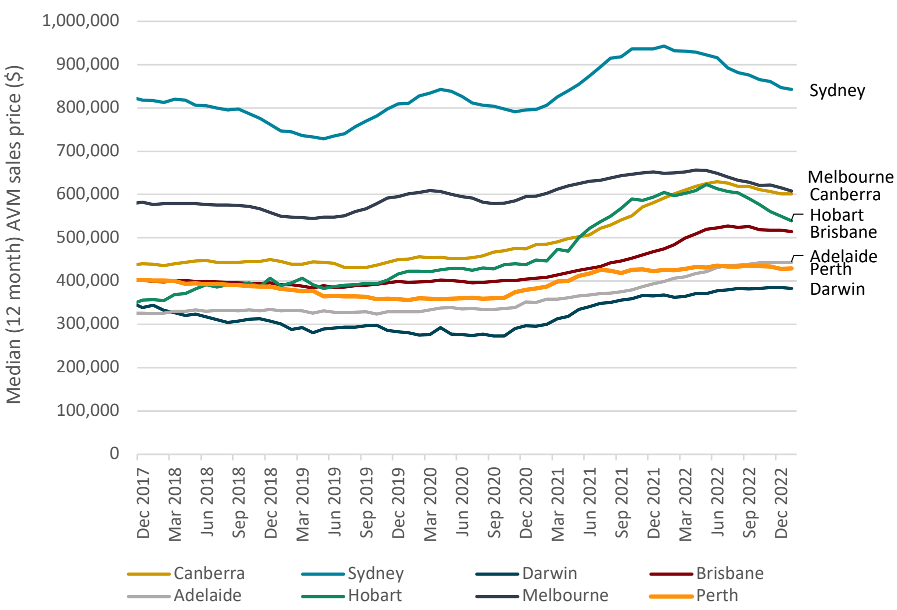
In comparison, Perth's prices grew by a more controlled 7.3 per cent over the same period.

The ranking of residential unit prices across states and territories is substantially the same as for house prices (Figure 2).

Perth ranks second lowest among states for the price of residential units at around $430,000 in January 2023, well behind Sydney (at $795,000) and Melbourne (at $545,000).

FIGURE 2

Median (12 month) residential unit sales price by state and territory: 2017 to 2023



Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic Market Trends data, February 2017 to January 2023.

TABLE 1

Average yearly sales price for houses by state/territory and region: 2018 to 2022

States and territories	House - median sales prices by metro and regional area, 2018-2022					Annual change in house sales price by metro and regional area, 2018-2022					
Sub-region	2018 $'000s	2019 $'000s	2020 $'000s	2021 $'000s	2022 $'000s	year to Dec 2019 change ($'000s)	year to Dec 2020 change ($'000s)	year to Dec 2021 change ($'000s)	year to Dec 2022 change ($'000s)	2018-2023 change ($'000s)	change (%)
Sydney	1,214	1,141	1,196	1,410	1,664	-72	+55	+213	+254	+450	+37%
Melbourne	897	865	908	1,021	1,116	-32	+43	+113	+96	+219	+24%
Brisbane	568	577	591	665	802	+9	+14	+74	+137	+234	+41%
Adelaide	501	512	520	573	688	+11	+8	+52	+116	+187	+37%
Perth	581	568	570	629	659	-13	+2	+59	+30	+79	+14%
Hobart	461	493	534	628	767	+32	+41	+95	+139	+306	+66%
Darwin	491	479	489	549	601	-11	+10	+60	+53	+111	+23%
Canberra	701	724	753	868	1,049	+23	+29	+114	+182	+348	+50%
Capital cities	817	788	830	947	1,062	-29	+42	+117	+114	+245	+30%
Rest of NSW	490	491	518	600	721	+1	+27	+82	+121	+231	+47%
Rest of VIC	377	393	422	501	587	+16	+30	+79	+86	+210	+56%
Rest of QLD	479	478	492	550	622	-1	+14	+57	+73	+143	+30%
Rest of SA	298	305	311	324	361	+7	+7	+13	+36	+62	+21%
Rest of WA	291	283	296	344	370	-9	+14	+48	+25	+78	+27%
Rest of TAS	293	306	336	399	504	+14	+29	+64	+105	+211	+72%
Rest of NT	430	427	419	426	458	-3	-8	+7	+32	+28	+6%
Rest of Australia	437	440	463	530	611	+3	+24	+67	+81	+174	+40%

Notes: Data are full-year averages of monthly median (12 month) sales prices for capital cities and balance of state.
Insufficient information on sales transactions for the 'Rest of ACT' regional category.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on Corelogic data from 2017 to 2022

TABLE 2

Average yearly sales price for residential units by state/territory and region: 2018 to 2022

States and territories	Units - median sales prices by metro and regional area, 2018-2022					Annual change in unit sales price by metro and regional area, 2018-2022					
Sub-region	2018 $'000s	2019 $'000s	2020 $'000s	2021 $'000s	2022 $'000s	year to Dec 2019 change ($'000s)	year to Dec 2020 change ($'000s)	year to Dec 2021 change ($'000s)	year to Dec 2022 change ($'000s)	2018-2023 change ($'000s)	change (%)
Sydney	803	772	788	845	886	-31	+16	+57	+42	+83	+10%
Melbourne	567	576	613	652	672	+9	+37	+39	+21	+105	+19%
Brisbane	411	409	411	430	469	-2	+2	+19	+39	+58	+14%
Adelaide	373	377	393	406	411	+4	+16	+13	+5	+38	+10%
Perth	446	424	406	427	439	-23	-18	+21	+12	-8	-2%
Hobart	377	404	437	491	586	+26	+34	+54	+95	+208	+55%
Darwin	363	329	298	348	393	-34	-30	+49	+46	+30	+8%
Canberra	435	435	450	496	558	+0	+15	+46	+63	+123	+28%
Capital cities	623	603	628	661	679	-20	+25	+33	+18	+56	+9%
Rest of NSW	448	442	457	510	585	-6	+15	+53	+75	+137	+31%
Rest of VIC	302	306	333	382	433	+4	+27	+49	+51	+131	+43%
Rest of QLD	388	390	401	443	499	+2	+11	+42	+56	+111	+29%
Rest of SA	215	252	243	243	263	+36	-9	+0	+19	+47	+22%
Rest of WA	291	283	296	344	370	-9	+14	+48	+25	+78	+27%
Rest of TAS	259	274	286	322	388	+15	+12	+36	+67	+130	+50%
Rest of NT	316	311	301	300	302	-5	-10	-0	+1	-14	-4%
Rest of Australia	390	388	401	446	501	-2	+13	+45	+55	+112	+29%

Notes: Data are full-year averages of monthly median (12 month) sales prices for capital cities and balance of state.
Insufficient information on sales transactions for the 'Rest of ACT' regional category.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on Corelogic data from 2017 to 2022

TRENDS IN HOUSING MARKET ACTIVITY

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.

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 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 2022). The extent to which this new supply eases pressure on the private rental market is uncertain as it depends on how many households that have taken advantage of grants to build a new dwelling currently live 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[2] and a further 22,671 WA Building Bonus applications[3].

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 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 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.

We have yet to see the strong growth in dwellings approvals and commencement during the latter half of 2020 translate into more completions in 2023 (see a full discussion later in the report).

Shortages of construction sector workers and materials have yet to be overcome, and the bottlenecks in the system have created challenges for the construction sector in meeting this accelerated demand. It is to be hoped that completions will start to rise, and more new dwellings will come on stream, over the remainder of 2023.

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

3 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.

The housing stimulus measures that were introduced over the course of the COVID-19 pandemic drove a huge rise in dwelling approvals which naturally translated into a growth in housing loan commitments as people sought to finance property purchases.

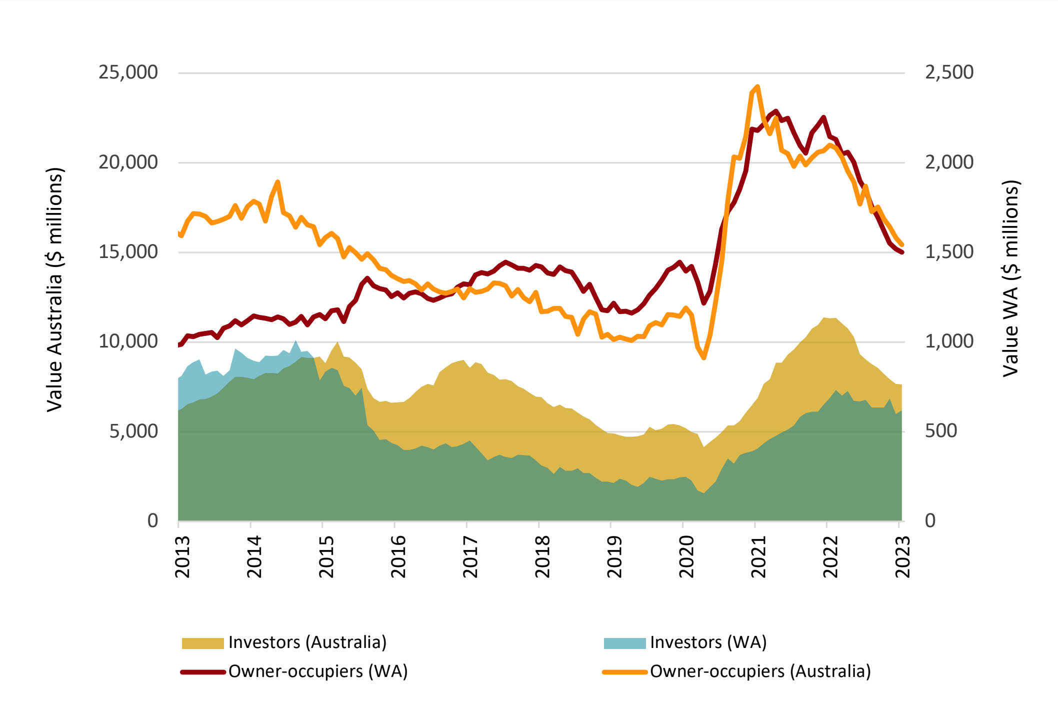
Housing loans in WA reached a peak in February 2021, with around $2.4 billion in loans allocated to the housing sector – twice the value of the previous year (Figure 3).

However, the value of loans both to homeowners and investors has fallen substantially since 2022 following the ending of the housing stimulus measures and the uncertainty from progressive increases in mortgage rates since April 2022.

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.

FIGURE 3

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 (March 2023) using ABS Cat 5601, Tables 4 and 14.

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.

And the trajectories of the RBA cash rate and home loan rates from 2022, along with prospects for mortgage rates into the latter half of 2023, provide important insights into what may eventuate for housing affordability over the next year.

There are serious concerns that the precipitous increases in the cash rate over the past year is having a material and significant impact on the capacities of homeowners and prospective new purchasers to service loans -and this pressure will continue into 2023 despite the RBA's most recent cash rate hold.

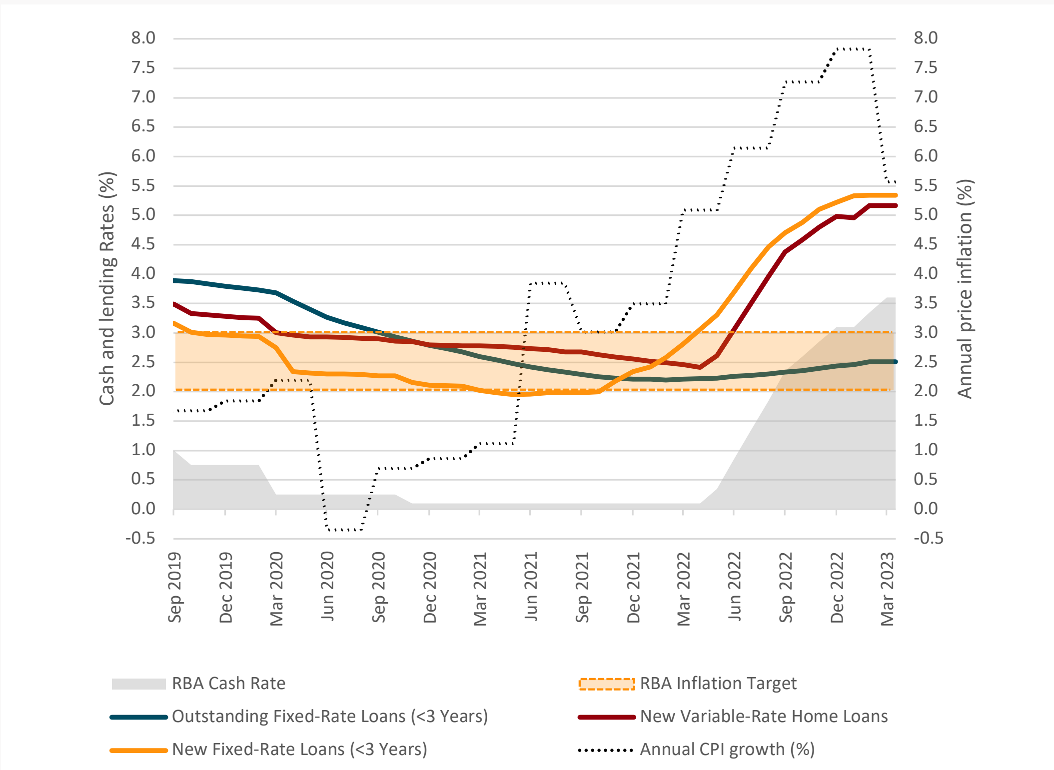
The RBA's own data on average fixed and variable mortgage rates (Figure 4) provides compelling grounds for these concerns.

The average loan rate among those currently holding fixed-rate mortgages of up to three years is around 2.5 per cent. This compares to an average rate of 5.34 per cent for new fixed rate loans – a difference of 2.8 percentage points.

For families coming to the end of their fixed rate term and looking to refinance borrowing of $700,000 over 25 years, the average loan rate differential translates to an extra $1,088 per month in mortgage repayments – equivalent to around 35 per cent extra on current payments.

FIGURE 4

RBA cash rates, fixed and variable mortgage rates and annual CPI growth: 2019 to 2023



Source: Bankwest Curtin Economics Centre | Sourced from RBA Housing Lending Rates (Table F06HIST).

And data on loan defaults suggests that there is some reality to the concern that rising cash rates are escalating the financial pressures faced by homeowners – particularly new borrowers.

Figure 5 compares mortgage delinquency rates as a share of current balances by vintage of loan and the number of months since establishment of loan.

What is immediately apparent from this analysis is the higher mortgage delinquency rates for 2022 vintage loans starting at around 6 months since loan establishment. The rate of delinquency has risen to 1.26 per cent of the current loan balances for this borrowing cohort – around 4.7 times the average delinquency rate for the 2020 and 2021 cohorts at the same interval since loan establishment.

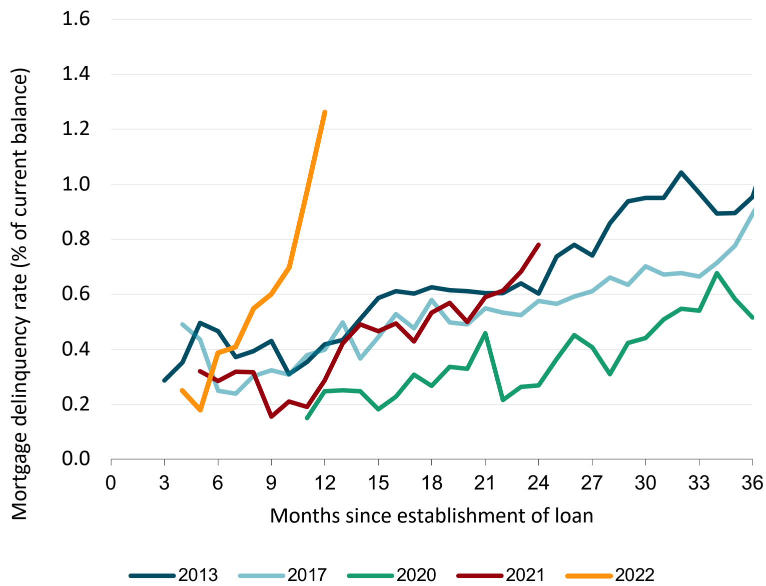
This comparison brings into focus the extra cost pressures that new mortgage holders have experienced during 2022 and will continue to face over the course of 2023 as they move from current fixed rate mortgages to new loan products.

With this evidence in mind, it is imperative that new borrowers are educated in financial literacy and supported in the discipline required to service their mortgage payments.

This is particularly the case for those who have committed to home ownership for the first time during the past two years, and who have never previously experienced a period of rising interest rates.

FIGURE 5

Mortgage delinquency rates (30+ days) by loan vintage and months since establishment of loan: 2017 to 2022



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

There has also been a shift in the mix of Residential Mortgage Backed Securities (RMBS) over the last three years by type of loan issuer (Figure 6).

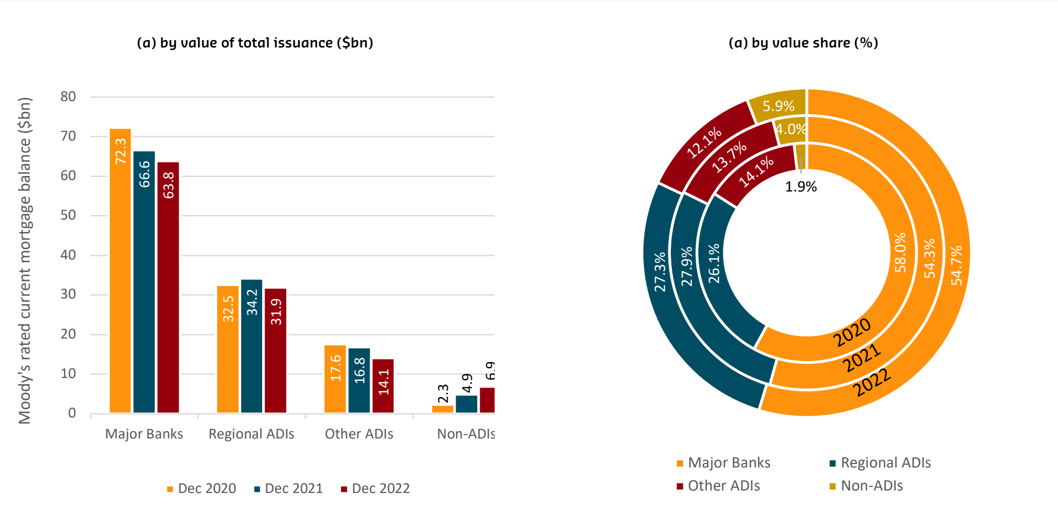
More than half of all mortgage lending is provided by Australia's major banks, and around a quarter from regional Authorised Deposit-Taking Institutions (ADIs). But what is interesting is the increase in 2022 in the share of the total value of mortgage-backed securities from non-ADI lenders.

Non-ADI entities accounted for around 1.9 per cent of the total lending value in 2020, but this share has more than tripled to 5.9 per cent by 2022.

This suggests that the source of loan products is changing, and that this is potentially more the case among younger or newer borrowers who may either not have approached ADI lenders or who may be looking to source alternative loan products from lending insituitions that sit outside the supervision of the Australian Prudential Regulation Authority (APRA).

FIGURE 6

Value of Residential Mortgage Backed Securities (RMBS) by type of loan issuer: 2020 to 2022



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

HOUSING SUPPLY IN WESTERN AUSTRALIA

INTRODUCTION

Housing supply and housing affordability are closely linked. A shortage of new and established housing puts pressure on rents and prices, with the extent of that pressure depending upon the level of demand. Australia is currently experiencing an under-supply of residential housing, affecting both ownership and rental markets. The National Housing Finance and Investment Corporation estimates a housing supply shortage of 106,000 dwellings by 2027, with Perth expected to see the biggest gap between new supply and household formation amounting to 25,200 dwellings over the next 5 years (NHFIC 2023).

The supply of new build housing peaked in mid-2022 with 244,000 dwellings under construction due to the COVID-19 fiscal and monetary policy stimulus measures (NHFIC 2023). However, since the stimulus, new housing supply as measured through building approvals and dwelling commencements, has collapsed due to increased construction costs, a pull forward of demand due to stimulus incentives and a further reduction in demand due to interest rate rises.

During 2022, the seasonally adjusted total dwelling units approved for building has dropped by almost 50 per cent from a March 2021 peak of 23,237 (ABS, 2023c). In WA, the reduction in building approvals was significantly greater after peaking at 2,659 in March 2021, with approvals falling by 68 per cent to 859 in February 2023 (ABS, 2023c).

The fall in building approvals coincided with reduced greenfield land sales throughout Australia. Land sales fell by 49 per cent nationwide in 2022 with Perth experiencing a 30 per cent decline (UDIA, 2023). The strong preference for detached dwellings over other forms of housing may partially explain the smaller decline in Perth greenfield land sales.

Perth recorded a 20 per cent drop in the completion of multi-unit dwellings in 2022, the most significant capital city decline, with Australia experiencing a 3 per cent reduction overall (UDIA, 2023).

The high costs of construction, long lead times and a lack of rental options have pushed demand into the established residential market. Combined capital city listings peaked in November 2018, after which the volume of properties on the market has decreased by almost 50 per cent. This means less housing on the market for sale creating price pressures.

The under-supply of established dwellings, new builds, and increased migration has placed pressure on the rental market throughout Australia. The combined capital city rental vacancy rate has declined from approximately 4 per cent in the first half of 2020 to 0.9 per cent in February 2023 (UDIA, 2023). Perth has experienced a greater decline in the vacancy rate due to a large number of property investors exiting the market (REIWA 2023). The historically low vacancy rates have continued to increase rents, with units rising by 13.4 per cent and detached dwellings by 8.8 per cent nationwide (UDIA, 2023). Considering the forecast migration rates over the next 12 months and the limited supply of new housing, the vacancy rate is not expected to improve, placing further upward pressure on rents.

In this chapter we explore the two main sources of dwelling supply – established dwellings for sale and new dwelling supply and discuss how supply has contributed to the current state of the WA residential market.

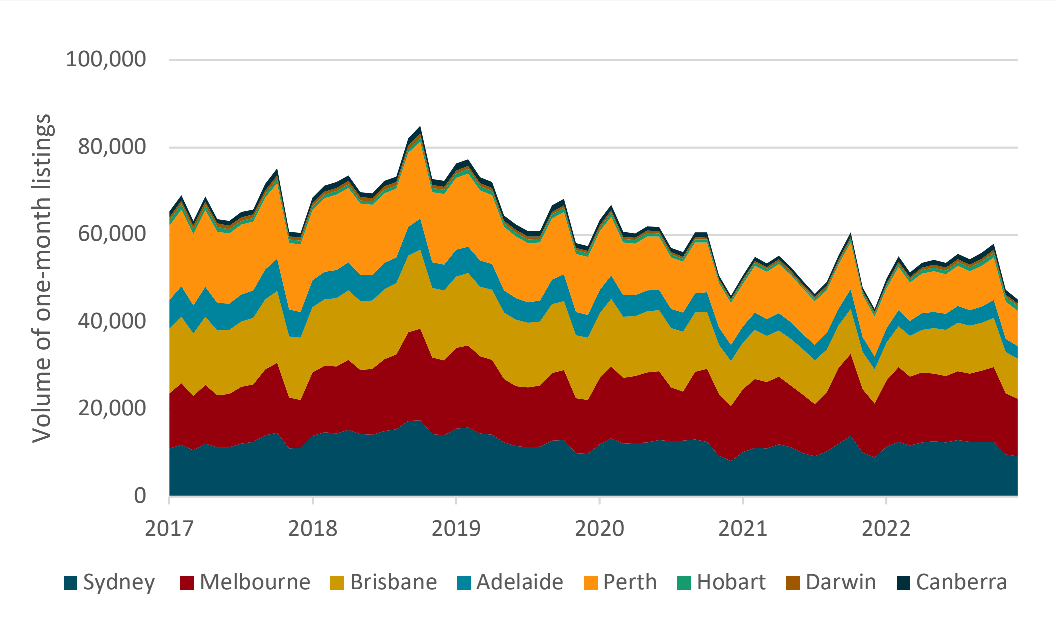
THE SUPPLY OF ESTABLISHED DWELLINGS

The supply of established, or existing, dwellings are those available for sale or rent on the private market. The number of listings for sale or rent provides the measure of established supply with low listings meaning less choice for home buyers or renters, usually resulting in upward pressure on prices/rents, unless demand is particularly weak.

The supply of established residential listings for sale in Australia was already declining before the COVID-19 pandemic. However, the effects of COVID-19 and the monetary and fiscal stimulus policies maintained the downward trend which continued into the second half of 2022. Figure 7 illustrates the national decline in established dwellings for sale since the peak in 2018 and the variation within the five major state capitals. Listing falls were most significant in Brisbane, Adelaide and Perth while Sydney remained relatively consistent. Meanwhile Melbourne experienced a slight increase in listings, given the effect of prolonged COVID-19 lockdowns and the increased demand for non-urban locations.

FIGURE 7

Listings for sale: Selected capital cities

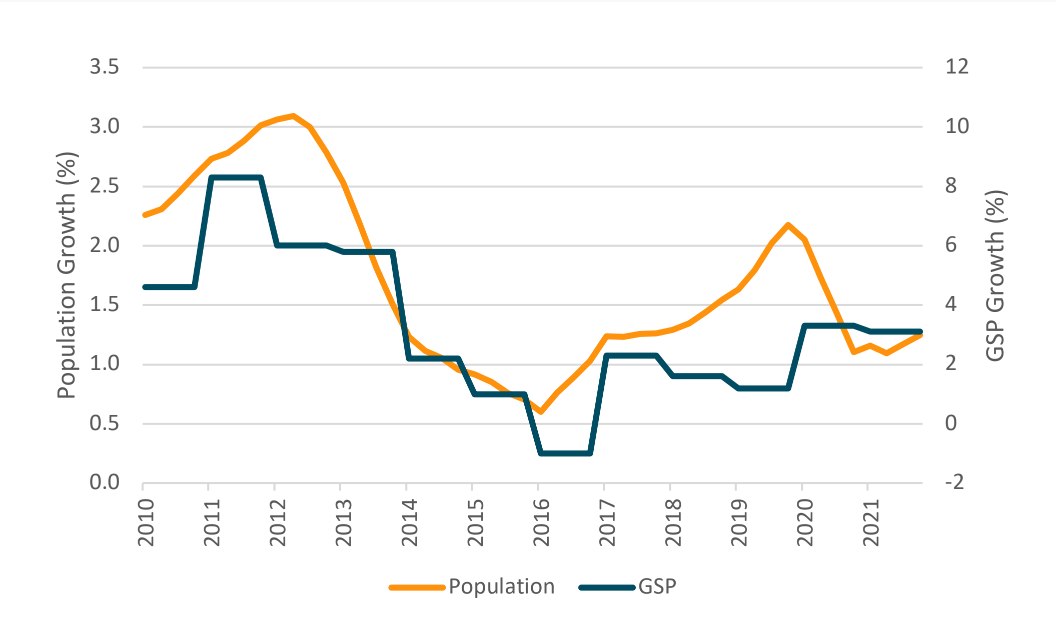


Source: CoreLogic RP data volume one-month house listing data.

The current under-supply of established residential listings in Perth can be traced back a decade. Following the end of WA's mining boom in 2014, Perth experienced an over-supply of listings for sale, primarily due to the drop in population growth as interstate migrants exited the state. There is a strong correlation in WA between economic growth, driven largely by the mining export sector, employment and population growth, and Figure 8 illustrates that correlation using Gross State Product and population growth. WA's annual population growth declined from a peak of approximately 3 per cent at the end of 2012 to 0.6 per cent during mid-2016 (ABS, 2023), with the over-supply of listings peaking around this time.

FIGURE 8

WA Gross State Product and population growth



Source: Australian Bureau of Statistics (2022, November 18). Australian National Accounts: State Accounts. Australian Bureau of Statistics (2023, March 15). National State and Territory Population.

From 2017 to the beginning of 2019, CoreLogic one-month listing data show the supply of approximately 17,000 dwellings remained relatively consistent. This compares to a figure of around 8,500 listings in 2023. The over-supply of listings and low population growth contributed to an extended period of negative property growth between 2015 and 2020 during which Perth's median house price fell from $537,000 to $495,000 (ABS, 2023a). This took Perth from the second most expensive capital city to the second most affordable in the space of under five years (Table 3). In WA, the drop in median house prices was not limited to Perth, with the rest of WA recording a fall from $370,000 to $310,000 (ABS, 2023a). This decline was driven by falls in the mining related regional markets.

TABLE 3

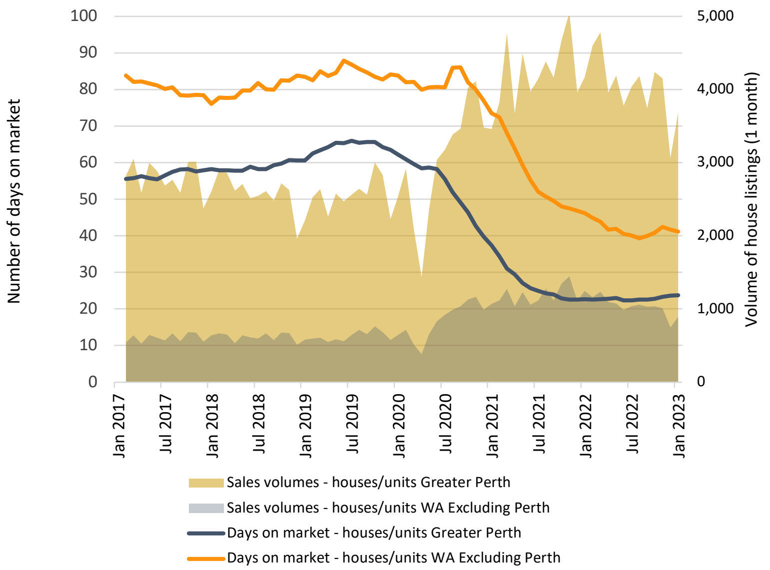
ABS capital city median house prices 2015 to 2019

Capital City	Median house price March quarter 2015	Median house price December quarter 2019	change (%)
Sydney	$792,500	$985,000	24.29
Melbourne	$525,000	$760,000	44.76
Brisbane	$462,800	$550,000	18.84
Adelaide	$415,500	$485,000	16.73
Perth	$536,500	$495,000	-7.74
Hobart	$360,000	$517,000	43.61

Source: Australian Bureau of Statistics. (2023).

FIGURE 9

Sales volumes and number of days on market: Perth and WA, 2017 to 2023

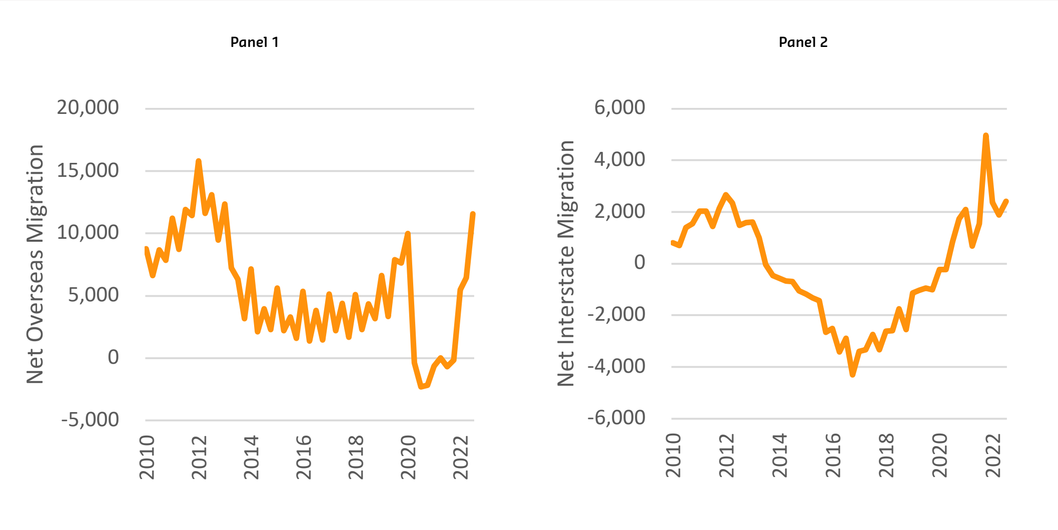


Notes: Median rental costs and vacancy rates are sourced from data produced by the Real Estate Institute of Australia (REIA). Median rents are presented for a standard three-bedroomed house. Data are for Perth metro area.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5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

Perth started rapidly absorbing the excess listings during 2019 as population growth increased from 1.5 to 2.0 per cent, a level of population growth surpassing WA's long-term (10 year) average of 1.8 per cent annual growth. The population growth, driven by increased overseas migration and improvements in interstate migration, demonstrated by panels one and two in Figure 10, coincided with listings declining to approximately 13,300 by the start of 2020. The increased population growth and decline in the over-supply of listings in the second half of 2019 is generally regarded as the beginning of Perth's property market recovery. During the first six months of 2020, CoreLogic's volume of one-month listings fell from 13,341 to 12,437, nearly a 7 per cent decline.

FIGURE 10

WA quarterly net overseas (Panel 1) and net interstate migration (Panel 2)

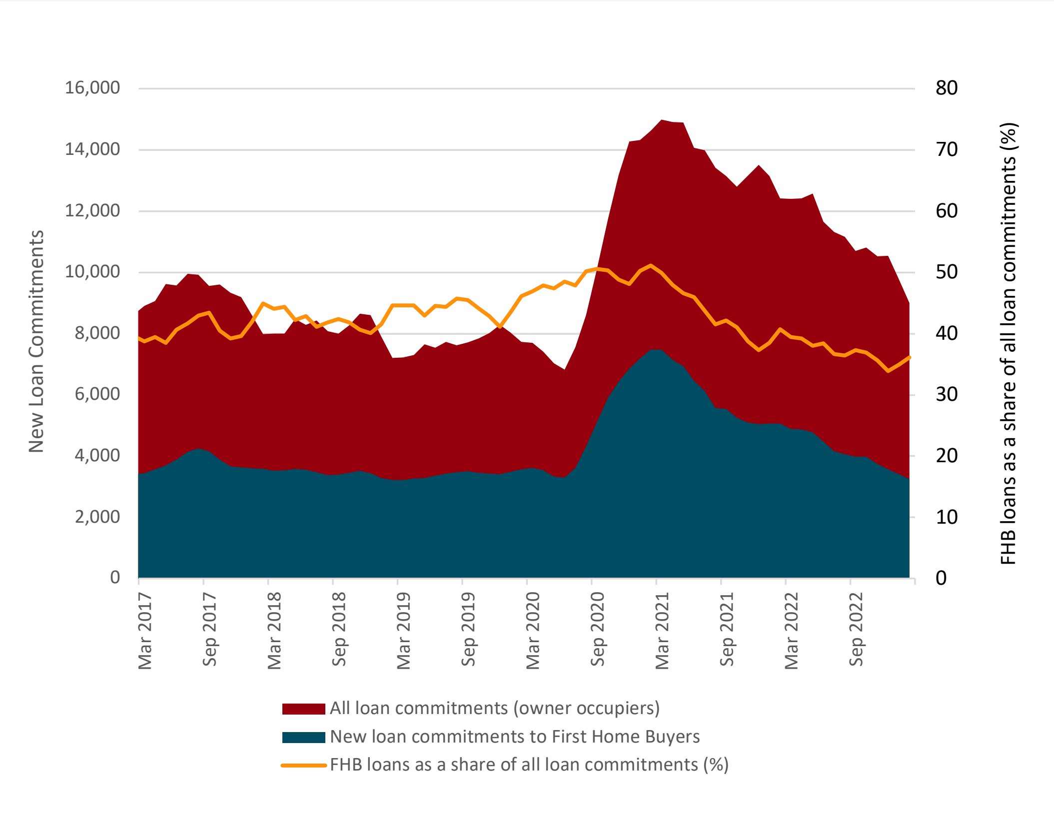


Source: Australian Bureau of Statistics (2023, March 15). National State and Territory Population. Calculations: Author's own.

The monetary and fiscal stimulus policies resulting from COVID-19 incentivised first home buyers into the market, increasing their share of all new loan commitments. Before the pandemic, WA first home buyers comprised approximately 40 per cent of WA residential owners' new loan commitments, as shown in Figure 11. By August 2020, the percentage of first home buyers increased to 45 per cent, then peaked at 50 per cent by January 2021.

FIGURE 11

WA first home buyer new loan commitments as a percentage of total owner occupier ew loan commitments



Source: Australian Bureau of Statistics (2023, April 4). Lending indicators. Calculations: Author's own.

In the second half of 2020, Perth's listings fell by nearly 20 per cent. The fall in listings was mainly due to the increase in first home buyers activity but also strong net interstate migration. The drop in listings helped fuel an 8 per cent rise in dwelling prices in the second half of 2020, with CoreLogic median sales price increasing from $488,914 to $524,579 (Figure 12).

Ongoing delays in construction, increased building costs from supply chain disruptions and trade shortages, as well as rising interest rates led to a 67 per cent fall in building approvals between March 2021 and February 2023.

The trend away from newly constructed dwellings, coupled with the fear of missing out (FOMO), drove a higher demand for established homes in Perth throughout 2021.

The high levels of demand continued to absorb listings in 2021, and the supply of listings fell by nearly 6 per cent. The decrease in listings and increased demand in the second half of 2020 and 2021 occurred despite population growth falling from 2.2 per cent in the March 2020 quarter to 1.2 per cent in the December 2021 quarter.

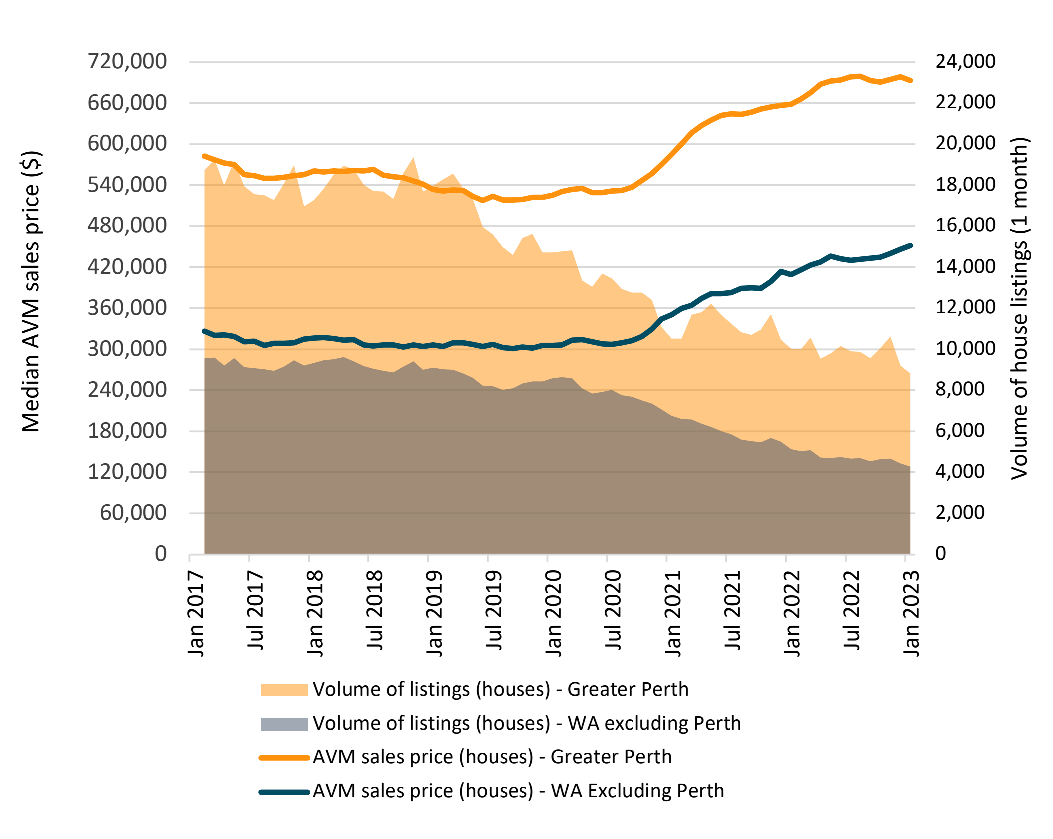
Furthermore, the low level of established dwelling supply discouraged potential sellers from entering the market due to the limited options to buy if they sold, contributing to a cycle of under-supply. The lack of established residential supply and high demand levels led to real estate agents reporting multiple offers for a listing, driving up prices by 13 per cent in 2021, with median house prices increasing from $524,579 to $593,837.

As the international borders were reopened and restrictions to interstate travel were lifted in the first half of 2022, WA's population grew from 1.2 per cent in December 2021 to 1.8 per cent in the September 2022 quarter. However, in May 2022, the RBA began raising the cash rate to combat rampant inflation and increased the rate every month throughout 2022. Furthermore, the number of monthly first home buyer new loan commitments in 2022 fell by 40 per cent from 1,844 to 1,109 (ABS 2023b). Despite the increase in interest rates and the fall in first home buyers, listings continued to decline as the population growth rate increased. One-month listings fell by a further 11 per cent in 2022.

The under-supply in listings maintained Perth's property price growth despite the increased interest rates, with median prices increasing from $593,837 at the start of 2022 to peak at $631,497 by the end of July. However, from August to December 2022, prices declined by a marginal 1 per cent to $623,851 due to the tightened borrowing constraints from increased interest rates.

FIGURE 12

Perth median house prices and sales volumes: 2017 to 2023



Source: CoreLogic RPdata median sales AVM value data.

DWELLING STOCK

The release of the 2021 ABS census data provides an opportunity to examine just how housing in Western Australia has changed over the last decade. The data provide details of the existing dwelling stock - its tenure, size and the composition of households occupying these dwellings. We start by comparing the 10 year change in stock across five states. WA's stock remains at 11 per cent of Australia's total while Victoria saw the biggest increase in stock over the 10 years and South Australia the lowest. WA added 187,000 dwellings in 10 years, so around 2 per cent per annum from 2011. This net addition of 18,700 equates to the construction of just under 21,000 dwellings per annum, when taking into account demolition rates of around 10 per cent per annum.

TABLE 4

Dwelling stock changes

	2011 stock	Proportion of total stock (%)	2021 stock	Proportion of total stock (%)	Change based on relative share of 2011 stock
NSW	2,864,532	31	3,357,780	31	0.98
VIC	2,277,971	25	2,805,664	26	1.03
QLD	1,826,453	20	2,190,415	20	1.01
SA	727,678	8	806,978	7	0.93
WA	960,719	11	1,147,855	11	1
Australia	**9,116,138**		**10,850,036**		**1**

Source: ABS Table builder pro, 2021, 2011 census data.

Splitting WA into Greater Perth and Rest of State, we find supply in regional WA only increased by 13 per cent in 10 years compared to 22 per cent in Greater Perth. All regional areas across the country reduced their share of stock over the decade with Greater Melbourne and Greater Brisbane seeing the strongest growth.

TABLE 5

Stock changes by greater capital city statistical areas

	2011 Stock	2021 Stock	10 year change count	10 year change %	Change based on relative share of 2011 stock
Greater capital city area					
Greater Perth	**726,004**	**882,374**	**156,370**	**22**	**1.02**
Greater Sydney	**1,720,334**	**2,076,284**	**355,950**	**21**	**1.01**
Greater Melbourne	1,636,170	2,057,482	421,312	26	1.06
Greater Brisbane	821,062	1,016,682	195,620	24	1.04
Greater Adelaide	533,512	593,881	60,369	11	0.94
Balance of state					
Rest of WA	234,715	265,481	30,766	13	0.95
Rest of NSW	1,144,198	1,281,496	137,298	12	0.94
Rest of Vic.	641,801	748,182	106,381	17	0.98
Rest of Qld	1,005,391	1,173,733	168,342	17	0.98
Rest of SA	194,166	213,097	18,931	10	0.92
Australia	**9,116,130**	**10,850,036**	**1,733,915**	**19**	**1.00**

Source: ABS Table builder pro, 2021, 2011 census data.

Table 6 compares population and dwelling stock growth over 5 and 10 year periods. Population and stock growth have been very similar over the two periods, largely because without significant changes to household structures, for example much bigger households, it is difficult for population to grow faster than stock. Demand caused by population growth pressures would result in substantial dwelling rent and price rises which is not something WA experienced during the 2016 to 2021 period. Smaller households, including an increase in single person households, would result in dwelling stock growth exceeding population growth and, as we will see later, there has certainly been an increase in such smaller households.

TABLE 6

Population and dwelling stock changes

	Population	Population: 5-year growth (%)	Stock: 5-year growth (%)	Population: 10-year growth (%)	Stock: 10-year growth (%)
Western Australia	2,676,904	6	7	18	19
New South Wales	8,069,984	7	9	16	17
Victoria	6,472,911	9	11	21	23
Queensland	5,210,647	8	10	17	20
South Australia	1,776,877	6	5	12	11
Total	25,484,647	7	9	17	19

Source: ABS Table builder pro, 2021, 2016, 2011 census data.

FIGURE 13

10 year dwelling and population growth by state

Source: ABS Table builder pro, 2021, 2011 census data.

For Table 7 we switch from state to WA Local Government Area (LGA) level. Here we examine the total dwelling stock in 2021 in the 20 largest LGAs, and include the proportion of the state's stock. Stirling is by far the largest LGA in WA making up almost 9 per cent of the state's stock of 1.15 million dwellings. The next four largest LGAs or situated towards the urban periphery. Busselton is now the largest regional LGA, followed by Albany and Geraldton.

TABLE 7

Dwelling stock by WA suburb (top LGAs) and 10 year change

Local Government Area	Total number of dwellings 2021	Proportion of state's stock	Change in dwellings over 10 Years	Growth (%)
Stirling	102,015	8.9%	12,604	14.1
Wanneroo	77,968	6.8%	21,699	38.6
Joondalup	62,090	5.4%	3,616	6.2
Swan	58,752	5.1%	17,413	42.1
Rockingham	54,806	4.8%	12,448	29.4
Cockburn	48,323	4.2%	12,777	35.9
Gosnells	47,040	4.1%	6,755	16.8
Mandurah	44,057	3.9%	8,745	24.8
Melville	42,831	3.7%	2,809	7.0
Canning	37,148	3.2%	3,697	11.1
Armadale	36,240	3.2%	11,244	45.0
Bayswater	32,109	2.8%	4,312	15.5

Source: ABS Table builder pro, 2021 census data.

The outer suburbs feature predominantly among the top areas in terms of Western Australia's growth in dwelling numbers, with Stirling and the City of Perth being notable exceptions. In percentage terms, a number of regional centres, including mining towns such as Port Hedland and East Pilbara as well as Broome, Exmouth, Capel, Augusta Margaret River and Murray all grew by more than 20 per cent during the decade to 2021.

TABLE 8

WA suburbs with fastest 10 year growth in dwelling stock

Local Government Area	Change in Dwellings over 10 Years	Growth (%)
Serpentine-Jarrahdale	4,796	74
Perth	6,662	61
Kwinana	6,134	53
Armadale	11,244	45
Swan	17,413	42
Wanneroo	21,699	38
Cockburn	12,777	36
Busselton	5,408	34
Port Hedland	1,878	31
Capel	1,656	30
Augusta Margaret River	2,064	30
Rockingham	12,448	29
Chittering	512	27
Exmouth	557	26
Belmont	4,243	26
Mandurah	8,745	25
East Pilbara	695	24
Harvey	2,189	23
Dardanup	1,099	22
Murray	1,440	21
Broome	1,638	21

Source: ABS Table builder pro, 2021 census data.

DWELLING TENURE

Much has been written about the decline in home ownership in Australia over the last decade (see for example ABS 2022) and Figure 14 highlights change across five capital cities.The figure shows big declines in outright ownership and ownership with a mortgage in Greater Sydney, Greater Melbourne and Greater Brisbane. In Greater Perth, outright ownership decline by 1.1 per cent but was offset by ownership with a mortgage growing at 1.6 per cent, leading to a small increase overall in ownership. While the rental sector has increased significantly in other capital cities there has been a very small contraction in Perth. For the Rest of WA, home ownership has increased by almost 2 per cent over the decade.

Overall, Greater Perth has the highest home ownership rate of any capital city, while Rest of WA has one of the lowest rates of ownership across regional areas (Table 9).

TABLE 9

Tenure breakdown: Greater capital cities and rest of state

	Owned outright	Owned with a mortgage	Ownership [1]	Rented
Metro areas				
Greater Sydney	24%	41%	65%	35%
Greater Melbourne	26%	44%	70%	30%
Greater Brisbane	22%	43%	65%	35%
Greater Adelaide	26%	45%	71%	29%
Greater Perth	**24%**	**49%**	**73%**	**27%**
Greater Hobart	29%	41%	69%	31%
Greater Darwin	17%	40%	57%	43%
Australian Capital Territory	22%	46%	69%	31%
Australian Capital Territory				
Rest of NSW	32%	39%	71%	29%
Rest of Vic.	33%	41%	75%	25%
Rest of Qld	28%	39%	66%	33%
Rest of SA	35%	37%	72%	28%
Rest of WA	**29%**	**35%**	**64%**	**35%**
Rest of Tas.	34%	39%	73%	27%
Rest of NT	15%	15%	30%	68%

Source: ABS Table builder pro, 2021 census data.

FIGURE 14

10 year change in dwelling tenure: state comparisons

Source: ABS Table builder pro, 2021, 2011 census data.

LGA level analysis highlights large variations across the state. Ownership rates range from 76.1 per cent in Joondalup down to just 14.1 per cent in East Pilbara.

Rates of ownership dip in inner LGAs due to prices, but also in many regional towns where employer and holiday accommodation is common.

TABLE 10

Dwelling tenure in Western Australia: selected suburbs, 2021

Local Government Area	Number of Bedrooms					
	0	1	2	3	4	5
Albany	0%	0%	-1%	-2%	2%	1%
Armadale	0%	-1%	-1%	-3%	5%	0%
Augusta Margaret River	0%	0%	-1%	-4%	4%	1%
Bassendean	0%	1%	-1%	-3%	2%	1%
Bayswater	0%	0%	-3%	-1%	3%	1%
Belmont	0%	3%	4%	-9%	1%	1%
Broome	0%	1%	-1%	-4%	2%	1%
Bunbury	0%	0%	-1%	0%	1%	0%
Busselton	0%	0%	-2%	-3%	3%	1%
Cambridge	0%	0%	0%	-4%	2%	2%
Canning	0%	0%	0%	-3%	2%	1%
Capel	0%	1%	0%	0%	-3%	1%
Claremont	0%	1%	0%	-4%	2%	1%
Cockburn	0%	1%	2%	-1%	-2%	0%
East Pilbara	2%	8%	-3%	-7%	-1%	1%
Esperance	0%	-1%	0%	-2%	2%	1%
Fremantle	0%	2%	-2%	-2%	2%	1%
Gosnells	0%	0%	1%	-2%	0%	1%
Greater Geraldton	0%	-1%	-1%	-4%	5%	1%
Harvey	0%	1%	-1%	-2%	2%	1%
Joondalup	0%	0%	1%	-2%	-1%	1%
Kalamunda	0%	0%	0%	-1%	0%	1%
Kalgoorlie-Boulder	-1%	-1%	0%	-2%	3%	1%
Karratha	-1%	-1%	-1%	-3%	5%	1%
Kwinana	0%	0%	-2%	-1%	3%	0%
Mandurah	0%	0%	-1%	-1%	1%	1%
Melville	0%	0%	0%	-3%	2%	1%
Murray	0%	0%	-2%	-4%	4%	1%
Nedlands	0%	0%	-2%	-3%	2%	3%
Perth	0%	1%	0%	-1%	0%	0%
Port Hedland	0%	4%	2%	-5%	0%	0%
Rockingham	0%	0%	0%	-1%	0%	1%
Serpentine-Jarrahdale	0%	0%	-2%	-1%	4%	0%
South Perth	0%	0%	-2%	-2%	4%	1%
Stirling	0%	0%	-1%	-1%	1%	1%
Subiaco	0%	0%	-1%	-1%	2%	1%
Swan	0%	0%	0%	0%	0%	0%
Victoria Park	0%	0%	-1%	-2%	3%	1%
Vincent	0%	2%	0%	-4%	2%	0%
Wanneroo	0%	0%	0%	1%	-4%	4%
Total	**0%**	**0%**	**0%**	**-2%**	**2%**	**1%**

Source: ABS Table builder pro, 2021 census data.

Some LGAs have seen ownership rates grow faster than others, and while there are exceptions, it is the more expensive, inner areas where rates have dropped whereas the more affordable outer suburbs, and many regional areas, have seen rates rise. Part of the growth is due to affordability, the opportunities first home buyers have had to enter the market in WA through schemes such as Keystart and a very strong culture of ownership in the state. The COVID-19 stimulus through HomeBuilder and the building bonus scheme will boost ownership rates in those outer suburbs where detached housing, the major beneficiary of the schemes, is prevalent.

DWELLING STRUCTURE

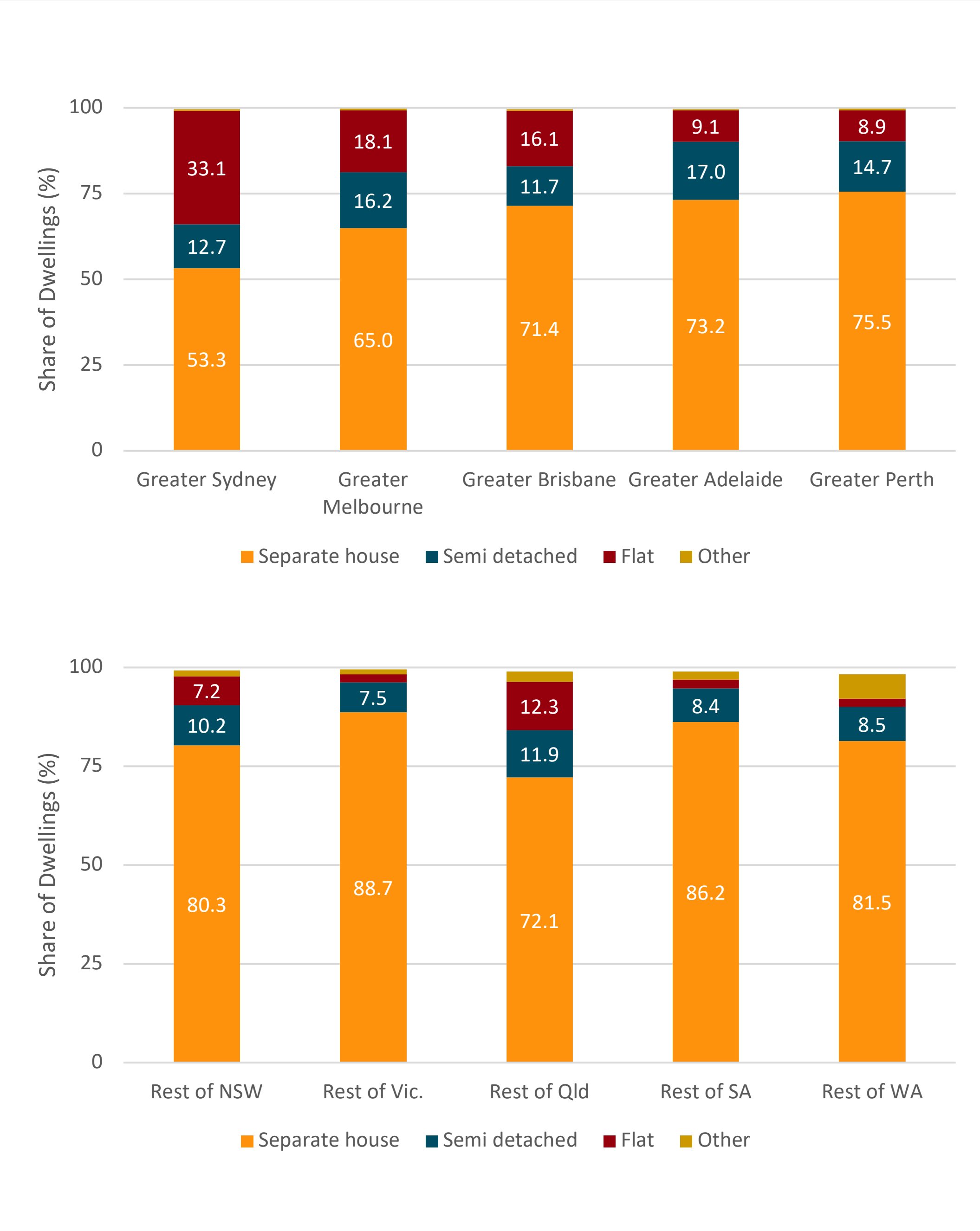
The analysis of dwelling structure over time is difficult due to changes in the data collection methods of the ABS. Comparisons of 2011 and 2021 in Greater Perth point to an increase in the proportion of semi-detached dwellings and a decline in apartments (2 per cent and 1 per cent respectively). The whole housing industry knows this is not the case. Instead, we simply look at how Greater Perth and the Rest of WA compares with other locations in Australia.

Figure 15 makes the comparisons with Greater Perth offering the least housing diversity across the major state capitals with 76 per cent comprising separate houses compared to just 53 per cent in Greater Sydney. The Rest of WA has the greatest proportion of "Other" dwellings including caravans, cabins, tents, improvised homes and "sleepers out". The proportion of separate houses is on a par with regional NSW.

The lack of housing diversity in WA is the subject of much debate and efforts to increase diversity have fallen short, not due to a lack of effort on behalf of policy makers but because it is still far easier, with much less risk, to deliver separate dwellings on greenfield land than multi-residential dwellings on infill sites. The COVID-19 stimulus grants and increased construction costs over the last 2 years have derailed the progress that was being made to increase the proportion of infill development, a proportion which had reached 44 per cent in 2020, falling back to 29 per cent in 2021 (Urban Growth Monitor 2023) and destined to fall further in 2022 and 2023.

FIGURE 15

Dwelling structure by state capitals and regions



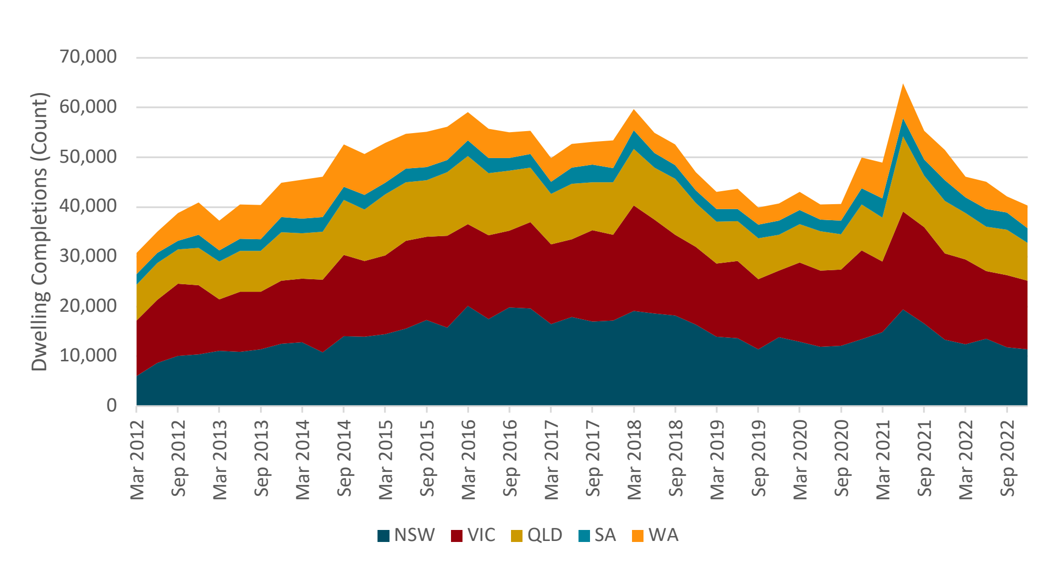
Source: ABS Table Builder pro 2011 census data.

NEW HOUSING SUPPLY

The ABS collect data on dwelling commencements and completions which help track new dwelling supply over time. Figure 16 shows dwelling commencements for the five main states from 2012. Commencements will eventually become a dwelling completion adding to dwelling stock. Commencements grew in all states from 2012 to the end of 2015, largely fuelled by population growth and increasing dwelling prices. From mid 2018 dwelling commencements declined across the country before COVID-19 stimulus measures delivered a boost to supply, most noticeably in WA, SA and QLD. Since the peak in March 2021, commencements have declined steadily. The COVID-19 stimulus pushed commencements to their highest level ever recorded in Australia during June 2021, with the record very much driven by new house approvals.

FIGURE 16

Total dwelling commencements by state

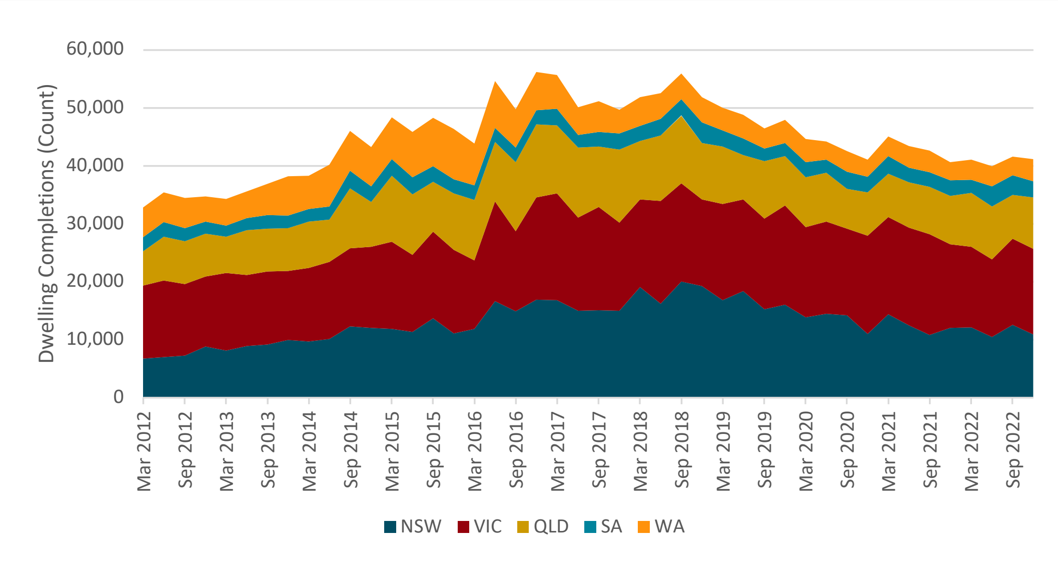


Source: ABS Building activity, Australia.

Dwelling completions have lagged well behind with the 2021 spike in commencements yet to feed through to completions. Completions are well down on 2018 levels although commencements are expected to feed through into completions throughout 2023 - the delay due to the sheer volume of work leading to blockages.

FIGURE 17

Total dwelling completions by state



Source: ABS Building activity, Australia April 2023.

Table 11 shows how commencements fell across the country from their 2021 peak, falling by a third in WA, while completions have remained flat. An increase in completions throughout 2023 should have a minor, positive impact on private rental markets across the country as existing tenants move into their newly completed homes. However, completions will not be evenly distributed so any impact on rental markets will certainly not be uniform. The impact on the rental sector will also depend on the proportion of new completions that will be occupied by existing tenants.

TABLE 11

Dwelling commencements and completions by state

Dwelling Commencements	NSW	VIC	QLD	SA	WA
2021	64,495	70,387	44,828	14,956	26,005
2022	49,095	58,944	34,993	13,128	17,404
Change	-23.6%	-16.3%	-22.1%	-12.3%	-33.1%
Dwelling Completions	**NSW**	**VIC**	**QLD**	**SA**	**WA**
2021	49,494	65,310	31,868	10,770	13,953
2022	46,048	59,978	34,751	12,003	13,977
Change	-7.4%	-13.0%	9.4%	11.8%	0.2%

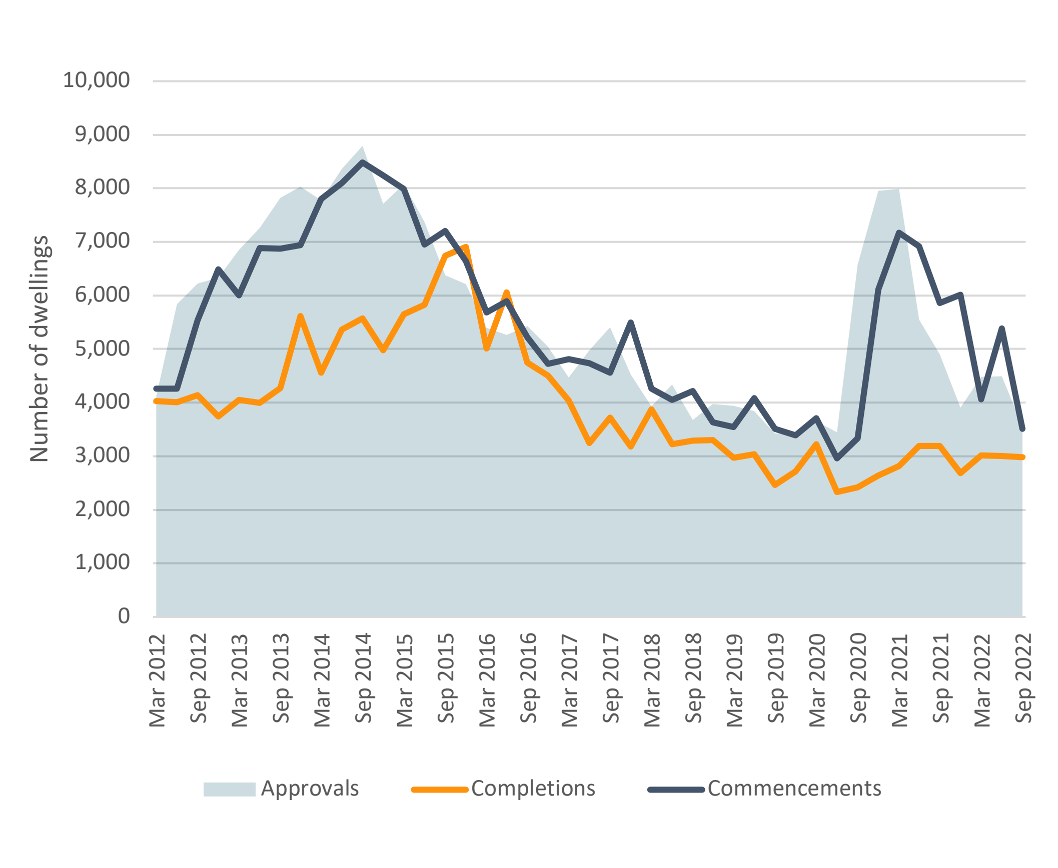
Source: ABS Building activity, Australia April 2023.

Figure 18 highlights, for WA, the lag between commencements and completions caused by construction blockages. It should be noted that while there was a big increase in dwelling commencements resulting from COVID-19, the number of total dwelling commencements was far from a record in WA. In 2014 there were 32,000 commencements compared to 26,000 in 2021. The difference between the ability of the industry to deliver those 32,000 commencements in 2015 and the pattern of completions in 2022 is stark. The 60,000 commencements across 2013 and 2014 delivered 32,000 completions in 2015 and 28,500 in 2016. The 26,000 commencements in 2021 have yet to deliver any increase in completions.

Given the amount of work under construction, completions into 2023 should be well in excess of 20,000 dwellings, delivering a level of new supply not seen since 2017. Figure 19 shows the number of dwellings under construction in WA with levels very similar to the 2014/15 boom period.

FIGURE 18

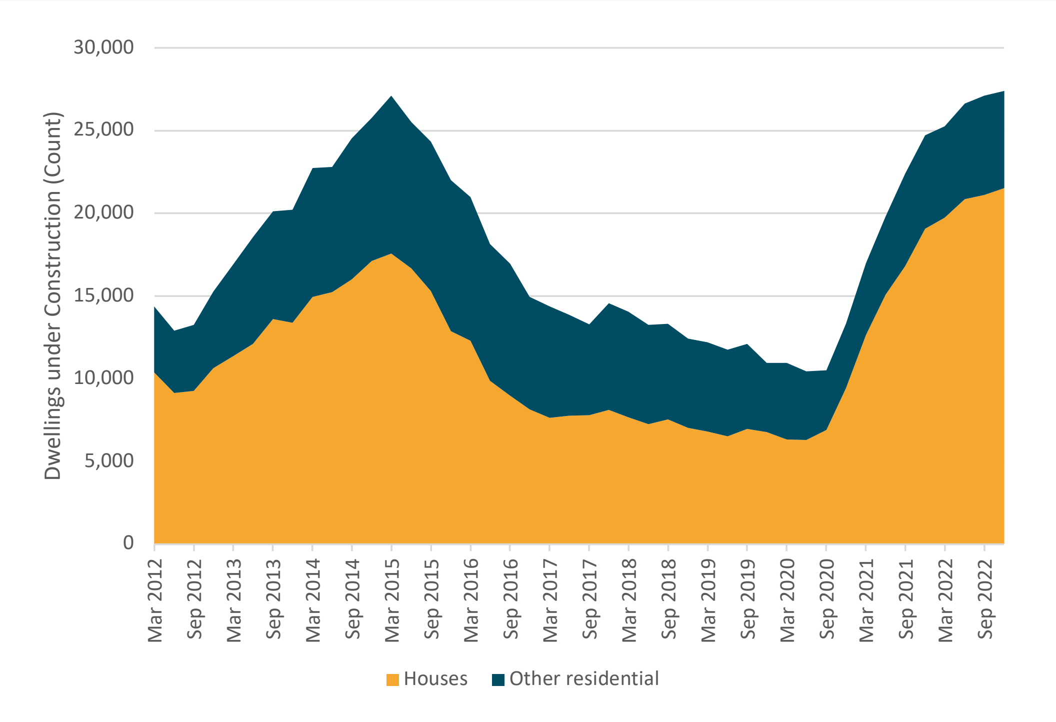
Dwelling commencements and completions in WA



Source: ABS Building activity, Australia April 2023.

FIGURE 19

Dwellings under construction in WA



Source: ABS Building activity, Australia April 2023.

Figure 19 does provide some encouraging data on housing supply for the next 12 months with 27,000 dwellings under construction in December 2022. This should result in a doubling of the 14,000 completions in 2022. The big difference between 2023 and 2015 is the number of other residential dwellings under construction. Any increase over the next 2 years in unlikely due to recent construction cost rises meaning revenues are not sufficient to make development financially feasible in all but the highest value locations in the state.

Building approvals provide useful data to track future supply by dwelling type. Figure 20 compares building approvals by dwelling type across a 10 year period for WA, NSW and SA. For WA the figure clearly shows the dominance of separate houses and how supply collapsed after 2015 for 5 years. Supply in NSW is almost as volatile as WA with a far greater proportion of apartments while housing supply is much more stable in SA, with a greater proportion of townhouse style product. The volatility of the WA market, when compared to SA, can be attributed to much larger fluctuations in population and dwelling price growth resulting from an economy dominated by a volatile resources industry.

The lack of dwelling diversity in WA is a major concern. The net infill rate was just 29 per cent in 2021, down from 44 per cent in 2020, 43 per cent in 2019, and 38 per cent in 2018 (Urban Growth monitor 2023). This is due to an increase in greenfield production as a result of the COVID-19 stimulus measures but also a big drop in net infill development from 6,670 dwellings in 2017 to just 2,450 in 2021. Construction cost increases and labour shortages will see further constraints in infill delivery exacerbating the contraction of new supply highlighted by the data above. The net infill rate is likely to drop further in 2023.

The state cannot continue to rely on greenfield development to supply the majority of new housing. The UDIA's Housing Ready report (UDIAWA 2022) highlighted how future land supply is increasingly fragmented, environmentally constrained with significant infrastructure requirements and infill development has been focused on "easy" sites which are almost exhausted. Delivering a diverse supply of new housing relies on favourable market conditions but also access to suitable sites. While the former is beyond the control of government, government needs to do all it can to ensure a steady supply of developable sites, both infill and greenfield, that can be quickly brought to market by the private sector in response to consumer demand.

FIGURE 20

Building approvals by type of building: WA, NSW and SA

WA'S CONSTRUCTION SECTOR WORKFORCE

Western Australia's construction sector workforce has a key role to play in supporting the completion of construction projects and expanding the state's housing supply into the future. And yet the sector has faced severe and persistent skills shortages in many of the construction sector trades that are essential to deliver new housing stock.

Evidence of the profile of the construction sector workforce in Western Australia can be provided by comparing ABS Census data between 2016 and 2021 on the number and location of construction trades workers.

This information provides a basis for skills shortages in the construction sector to be identified by mapping employment growth against current data on job vacancies across construction trades and occupations.

The skills profile in Table 12 shows just how heavily the construction sector workforce depends on finishing trades, with electricians, carpenters and joiners, bricklayers and stonemasons, plumbers and painters, plasterers and tilers featuring among the top skills required by building companies.

There has been a noticeable increase in the counts of construction managers, contract, program, and project administrators and civil engineering professionals.

But this analysis also reveals that employment growth in WA has not kept pace with the growth in job vacancies for most of the trades. The shortages of plasterers, wall and floor tilers, carpenters and plumbers are especially acute.

TABLE 12

Construction sector occupations in WA: counts and growth, 2006-2021

Construction Occupations in Western Australia	Census count 2016	Census count 2021	5 year change (count)	Internet vacancies 2016	Internet vacancies March 2022-2023	Growth in Internet vacancies (%)	Employment growth less vacancies growth (count)	NSC future demand rating	NSC labour market rating
Electricians	9,145	9,126	-19	532	653	+22.7	-140	Strong	S
Carpenters and Joiners	7,417	7,219	-198	147	179	+21.9	-230	Soft	S
Construction Managers	6,209	6,352	143	324	431	+33.2	+36	Moderate	S
Plumbers	6,494	6,243	-251	171	183	+7.0	-263	Soft	S
Architectural, Building and Surveying Technicians	4,409	4,745	336	228	245	+7.2	+319	Moderate	NS
Painting Trades Workers	3,953	3,692	-261	114	114	+0.0	-261	Soft	S
Building and Plumbing Labourers	3,220	3,529	309	200	233	+16.3	+276	Moderate	NS
Bricklayers and Stonemasons	4,032	3,334	-698	25	23	-8.0	-696	Soft	S
Structural Steel Construction Workers	2,670	2,600	-70	171	148	-13.2	-48	Moderate	NS
Earthmoving Plant Operators	2,546	2,551	5	317	314	-0.8	+8	Moderate	NS
Plasterers	3,697	2,522	-1,175	9	12	+42.8	-1,179	Moderate	S
Structural Steel and Welding Trades Workers	2,373	2,271	-102	495	505	+2.0	-112	Moderate	NS
Concreters	2,181	2,171	-10	31	36	+17.0	-15	Moderate	NS
Wall and Floor Tilers	2,285	1,858	-427	10	12	+23.4	-429	Moderate	S
Gardeners	1,992	1,824	-168	106	125	+18.6	-188	Moderate	S
Contract, Program and Project Administrators	1,610	1,762	152	238	328	+37.6	+62	Strong	NS
Truck Drivers	1,474	1,663	189	425	453	+6.4	+162	Moderate	S
Handypersons	1,629	1,539	-90	82	109	+32.4	-117	-	-
Metal Fitters and Machinists	1,356	1,330	-26	672	822	+22.3	-176	Moderate	NS
Civil Engineering Professionals	1,150	1,321	171	354	525	+48.0	+1	Moderate	S
Total	**110,359**	**111,860**	**1,501**	**25,541**	**32,088**	**+25.6**	**-5,046**		

Source: Bankwest Curtin Economics Centre | ABS Census of Population 2021 and National Skills Commission Skills Priority List, 2022.

The worker shortages experienced by construction companies in Western Australia tend to be amplified by competing demands for skills across other strong sectors of the WA economy.

Table 13 lists the top three competing industries for the most common construction occupations, and shows that the mining industry employs the second largest share of electricians - some 21 per cent of the total stock of electricians in WA.

Mining also employs the second highest shares of structural steel construction workers and earthmoving plant operators, both over one fifth of the stock of workers in these occupations.

This makes clear that WA's construction sector is in competition with mining and manufacturing for many of the high-demand construction trades that are in current shortage.

TABLE 13

Top construction occupations by number of workers, and next-highest industries in terms of employment: WA, 2021

Major Construction Occupations	Employed in Construction	Share (%)	Competing Industries		
Electricians	9,146	56.4	Mining (21.0%)	Manufacturing (7.6%)	Electricity, Gas, Water and Waste Services (4.1%)
Carpenters and Joiners	7,257	88.7	Manufacturing (3.4%)	Mining (2.2%)	Administrative and Support Services (1.0%)
Construction Managers	6,363	74.3	Professional, Scientific and Technical Services (6.4%)	Public Administration and Safety (3.3%)	Mining (3.1%)
Plumbers	6,252	86.4	Mining (3.8%)	Electricity, Gas, Water and Waste Services (2.4%)	Public Administration and Safety (1.7%)
Architectural, Building and Surveying Technicians	4,762	63.7	Professional, Scientific and Technical Services (15.9%)	Public Administration and Safety (5.6%)	Mining (5.2%)
Painting Trades Workers	3,713	93.0	Manufacturing (1.5%)	Mining (1.0%)	Health Care and Social Assistance (0.8%)
Building and Plumbing Labourers	3,548	78.8	Electricity, Gas, Water and Waste Services (6.0%)	Mining (3.2%)	Manufacturing (3.1%)
Bricklayers and Stonemasons	3,361	90.1	Manufacturing (8.2%)	Administrative and Support Services (0.5%)	Electricity, Gas, Water and Waste Services (0.3%)
Structural Steel Construction Workers	2,633	65.4	Mining (22.1%)	Manufacturing (4.0%)	Administrative and Support Services (2.3%)
Earthmoving Plant Operators	2,570	58.9	Mining (21.3%)	Public Administration and Safety (5.4%)	Manufacturing (2.9%)

Source: Bankwest Curtin Economics Centre | ABS Census of Population, 2021.

Construction skills shortages matter to housing outcomes in Western Australia.

Periods of construction worker shortages are typically followed by a period of lower rental vacancies 12 months after the fact (Figure 21) and while the supply of construction workers is by no means the sole factor influencing vacancies, the results of economic modelling confirm a strong leading relationship between the two variables at the national level.

The association between lower rental vacancy rates and unmet demand for construction workers is likely to stem from the fact that skills shortages contribute to longer dwelling completion times and lower housing supply.

As evidence of this channel of influence, Figure 22 demonstrates that rising construction worker job vacancy rates coincide with longer building times - most notably apartments but also to a lesser extent for house and townhouses as well. This lengthier completion time then results in a reduced rate of housing completions roughly 6 months later.

Many regions of WA simply don't have reliable access to construction workers in the local area, leading to a labour supply shortage and a constrained housing supply shortage.

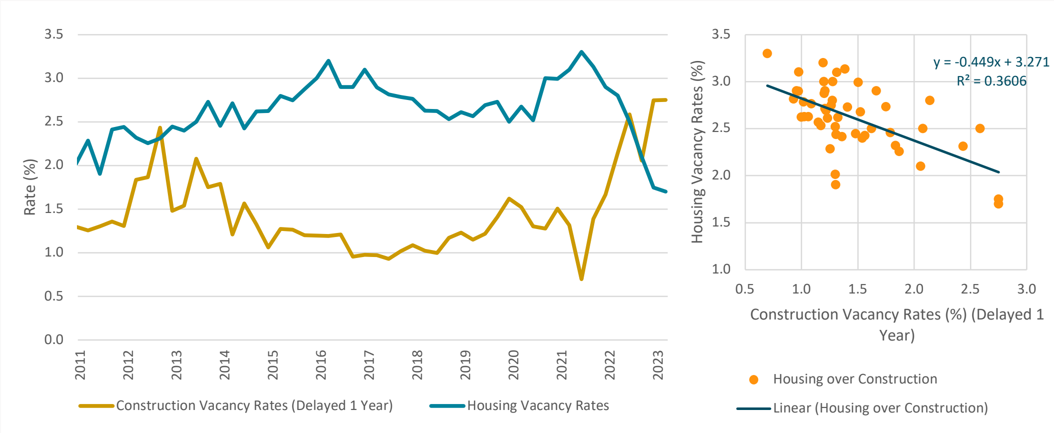
Even when construction workers are in more abundant supply, this may not resolve the skills shortages being experienced by building companies given that construction workers do not exclusively work on housing. Demand for construction workers from a housing perspective also needs to compete for demand from offices, retailing, and industrial perspectives as well.

In rural areas, where LGAs can span thousands of kilometres, it is always difficult to attract a non-mining construction workforce.

Strong transport infrastructure is necessary for construction workers to reach rural areas and will likely be a factor in ensuring that housing stocks remain sustainable in these locations.

FIGURE 21

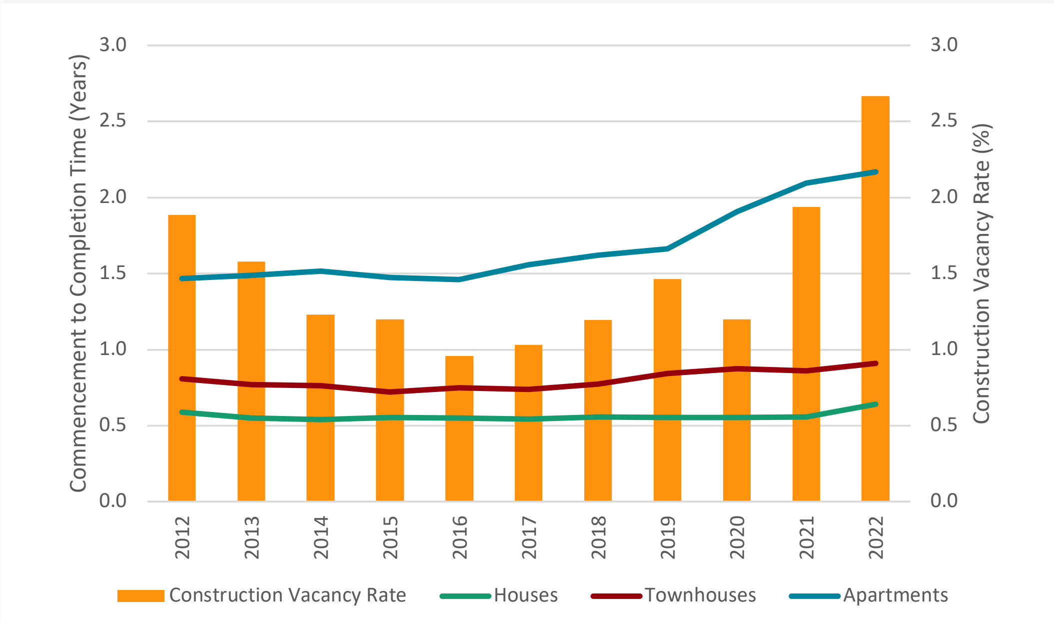
Construction skills shortages and rental vacancy rates: Australia, 2010 to 2023



Source: Bankwest Curtin Economics Centre | Author's calculations from ABS CAT's 6354 and 6291, alongside REIA Vacancy Rate Data.

FIGURE 22

Construction worker vacancy rates, and construction times for housing: by type of dwelling: Australia, 2012 to 2022



Source: Bankwest Curtin Economics Centre | Author's calculations from ABS CAT 8752.

THE COST OF HOUSING IN WESTERN AUSTRALIA

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 employing a detailed suburb-level analysis and examine how transaction prices and volumes have changed since the Centre's previous Housing Affordability report in 2021.

Suburb-level data provided by Corelogic enables an examination of price movements across Perth suburbs as well as WA's regional centres.

A COMPARISON OF HOUSE PRICES ACROSS WA SUBURBS AND REGIONS

In Figure 23, we map the median value of property transactions for suburbs within each sub-regional area of Perth using data provided by Corelogic for the December 2022 quarter. 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.

The map shown in Figure 23 highlights the huge variation in prices across areas of Greater Perth, with prices highest for houses in the inner city, to the Western Suburbs along the Swan river and along the coastline from City Beach in the north to Cottesloe, Mosman Park and Fremantle.

Houses in Peppermint Grove attracted a median sales value of $3.4 million in 2022, with Dalkeith ($3.3 million) and Cottesloe ($2.9 million) featuring as the most expensive suburbs – with median standardised (AVM) house sales in Cottesloe growing by more than 37 per cent over the last two years.

Trigg ($1.5 million), North Beach ($1.3 million) and Sorrento ($1.28 million) feature among the more expensive localities towards the north of Perth, with Joondalup ($565,000) and Wanneroo ($479,500) showing larger sales volumes with lower median house sales values over the past two years.

Median transactions values in the more affordable precincts of Gosnells ($357,000), Butler ($416,000) and Bentley ($487,000) have grown moderately over the period in and there has been a major surge in prices in areas such as Forrestdale in the south (49% higher at $655,000 in 2022 compared to 2020).

Closer to the city, house prices in North Fremantle and East Fremantle continue to appreciate, with growth of more than a third to $1,3 million and $1.4 million respectively since 2020.

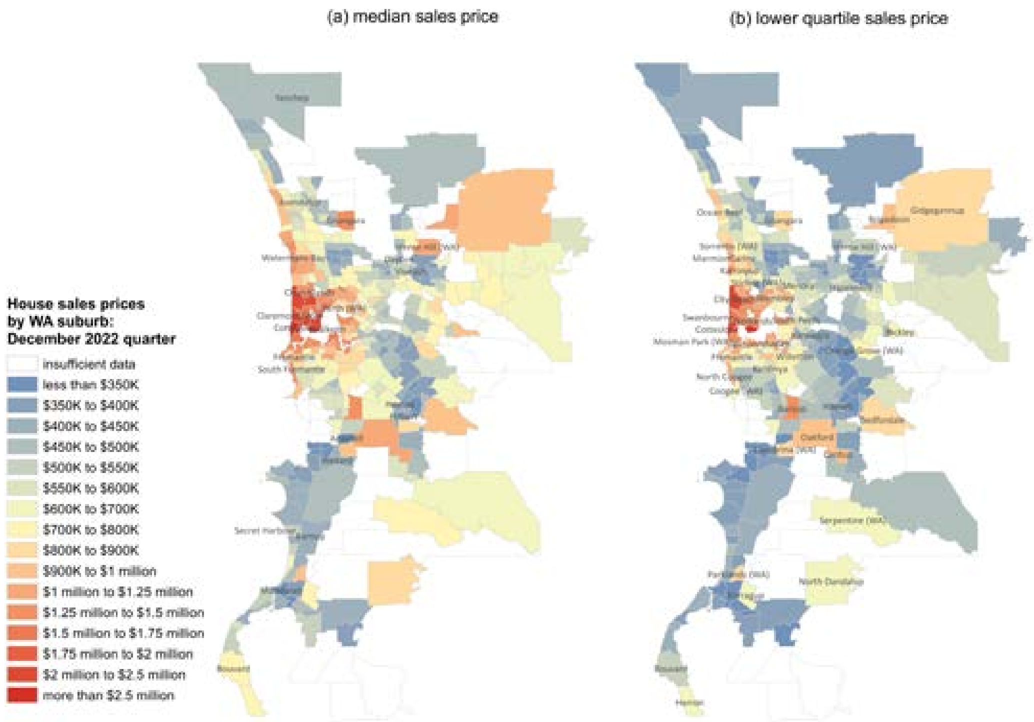
House prices in the regional areas of Rockingham ($450,000) and Mandurah ($334,000) have increased over the past two year but remain more affordable than areas closer to Perth city.

Houses in Peppermint Grove attracted a median sales value of $3.4 million in 2022, with Dalkeith ($3.3 million) and Cottesloe ($2.9 million) featuring as the most expensive suburbs.

Trigg ($1.5 million), North Beach ($1.3 million) and Sorrento ($1.28 million) feature among the more expensive localities towards the north of Perth.

FIGURE 23

Median and lower quartile house prices by Perth suburb: December 2022



Note: House prices are 2022 median prices for all established for each Perth regional sub-market.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on Corelogic (2023) data.

The prices of residential units across Perth at the end of 2022 (Figure 24) are generally more affordable but do vary substantially across suburbs.

The median transaction value for multi-residential units in the Perth metropolitan area rose to $429,000 but remain below $300,000 for units in a host of suburbs to the north (for example, Butler at $275,000), north east (Mirrabooka at $243,000) and south east (Gosnells at $275,000).

Multi-residential unit sales prices have increased to beyond $300,000 in Rockingham (at $320,000), and Mandurah (at $305,000).

The most expensive sales of multi-residential units took place in Cottesloe (with a median 2022 transaction value of $895,000), North Fremantle ($895,000), Swanbourne ($766,500) and Hillarys ($726,000).

Corelogic collects sales data for major regional centres. The median price of established houses in these centres are mapped in Figure 25 for the December 2022 quarter to better understand the spatial distribution of housing transactions across Western Australia.

The higher priced regional urban centres remain concentrated in Port Hedland and tourism locations such as Broome and Busselton (Figure 25) with lower price transactions in Karratha and Kalgoorlie reflecting the changing fortunes of the resources sector in the Mid West and Goldfields

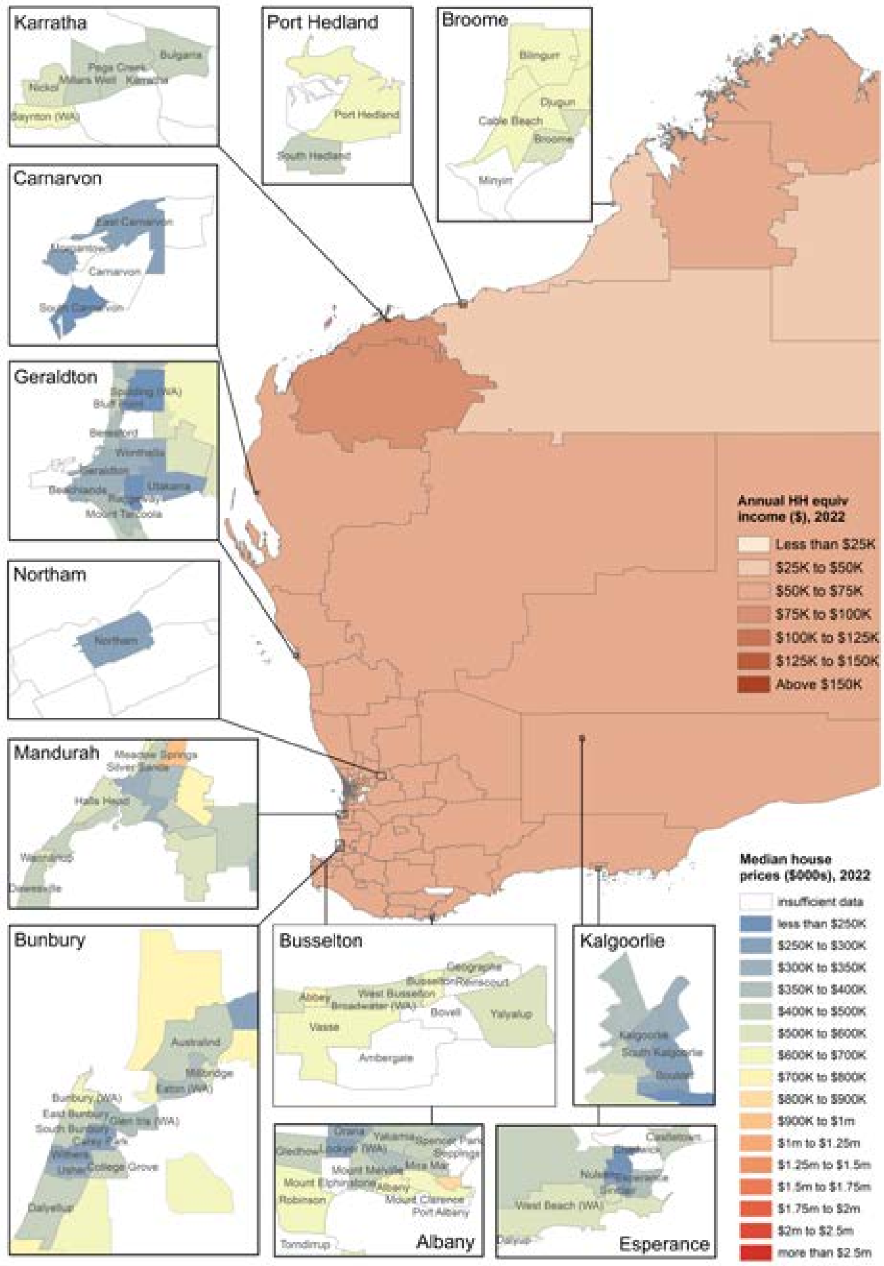
FIGURE 24

Median and lower quartile price of residential units by Perth suburb: 2022

Notes: Multi-residential unit prices are 2022 median prices for all multi-residential units for each Perth regional sub-market.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on Corelogic (2023) data.

FIGURE 25

Median house prices by WA regional centres: 2022



Notes: House prices are 2022 median prices for all established houses for each WA sub-regional housing market. Income is median total household annual gross income for each region, imputed from Census 2021 and uprated to 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on Corelogic data.

HOW DOES HOUSING AFFORDABILITY IN WESTERN AUSTRALIA COMPARE TO OTHER STATES?

The market trends analysis shown earlier in this report demonstrates that houses in Western Australia are relatively affordable compared to most other state jurisdictions around Australia.

Comparing the typical (median) house sales price with the median household annual income in each capital city, Perth is the second most affordable capital city for typical families (Table 14) and offers a price-to-income ratio of 5.6 to the prospective homeowner. This is less than half the median price-income ratio for Sydney (at 12.5) and substantially lower than Melbourne (at 9.2).

Table 14 provides two further different metrics of comparative affordability (in the coloured columns on the right) that contrast the share of income required to service a variable mortgage at different interest rates.

The first series compares the share of income for a mortgage with a 10 per cent deposit and 30 year term (typical for a first home buyer), while the second a mortgage with a 30 per cent deposit and 25 year term (typical for an established mortgage holder trading up or down).

Figure 26 maps these outcomes and the results for Perth are in stark contrast to those in Sydney where almost every local government area requires a household to spend over 30 per cent of their income on mortgage payments. The map of Australia highlights how unaffordable the east coast has become.

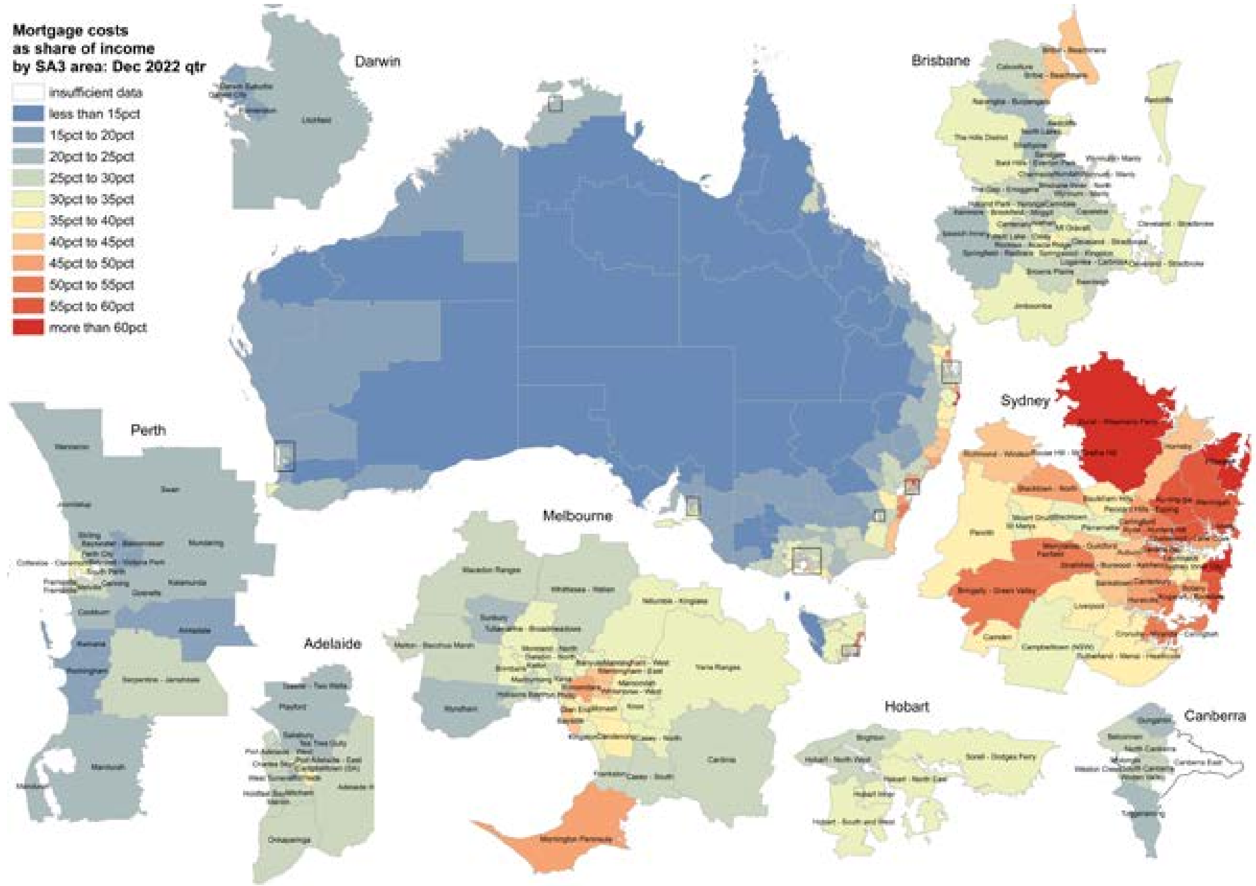
TABLE 14

Median price-income ratios for established houses: states and territories, 2022

States and territories By capital city and rest of state	median household gross annual income in 2022$		median house sales price in 2022$		median price-to-income ratio	share of income required to service variable mortgage 10% deposit, 30 year term			30% deposit, 25 year term		
City	Median income	Rank	Median sales price	Rank	Median p/i ratio	3.5% rate	5.0% rate	6.5% rate	3.5% rate	5.0% rate	6.5% rate
Sydney	131,526	2	1,650,047	1	12.5	60.8	72.7	85.6	52.8	61.6	71.2
Melbourne	121,495	4	1,115,575	2	9.2	44.5	53.2	62.7	38.6	45.1	52.1
Hobart	103,692	8	783,871	5	7.6	36.7	43.8	51.6	31.8	37.1	42.9
Brisbane	116,271	5	837,868	4	7.2	34.9	41.8	49.2	30.3	35.4	40.9
Canberra	152,640	1	1,069,554	3	7.0	34.0	40.6	47.8	29.5	34.4	39.7
Adelaide	109,838	7	721,880	6	6.6	31.9	38.1	44.9	27.6	32.3	37.3
Perth	115,938	6	666,374	7	5.7	27.9	33.3	39.2	24.2	28.2	32.6
Darwin	124,819	3	607,434	8	4.9	23.6	28.2	33.2	20.5	23.9	27.6
All capital cities	122,356		1,057,916		8.6	41.9	50.1	59.0	36.4	42.5	49.0
Rest of NSW	95,529	3	741,230	1	7.8	37.6	45.0	53.0	32.6	38.1	44.0
Rest of QLD	89,604	6	638,908	2	7.1	34.6	41.3	48.7	30.0	35.0	40.4
Rest of TAS	78,793	8	538,799	5	6.8	33.2	39.6	46.7	28.8	33.6	38.8
Rest of VIC	94,508	4	607,228	4	6.4	31.2	37.3	43.9	27.0	31.6	36.4
Rest of WA	96,234	2	447,392	7	4.6	22.5	27.0	31.7	19.6	22.8	26.4
Rest of SA	85,485	7	378,571	8	4.4	21.5	25.7	30.2	18.6	21.7	25.1
Rest of NT	105,969	1	460,355	6	4.3	21.1	25.2	29.7	18.3	21.3	24.6
All regions	92,247		626,505		6.8	32.9	39.4	46.4	28.6	33.4	38.5

Notes: Capital cities and regions ordered by price-to-income (p/i) ratio. Sales price is the 2022 median house sales prices for all jurisdictions. Income is median household gross annual income for each capital city and regional area, imputed from Census 2021 and uprated to December 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021 data.

FIGURE 26
Housing affordability by state and territory cities and regions: December 2022



Note: House prices are 2022 median prices for all established for each jurisduction and region.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on Corelogic data.

HOW AFFORDABLE ARE PERTH'S SUBURBS?

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 or unit price (i.e. the bottom quarter of prices) with the lower-quartile level of income of the poorest quarter of the local population.

Table 15 shows the 'median multiples' or price-income ratios for the median prices of established houses sold across Perth and in the regional centres. The top three most expensive sub-markets are in the western suburbs of Cottesloe and Claremont ($2.12 million), Perth City ($1.23 million) and South Perth ($1.13 million). These three sub-regional areas also have the highest price-to-income ratios, with Cottesloe-Claremont the most unaffordable (orange and red) with typical housing transaction prices at 10.6 times median household income for the area (up from 9.3 in 2020). This is despite a median household income for this collection of suburbs of around $198,891. The sub-markets with the next two highest price-income ratios are Fremantle and Melville which are also relatively unaffordable (orange) with price-income ratios of 8.2 or more.

Table 15 also shows a comparison of the ratios and rankings with our last report. While our previous 2021 report indicated some softening in the price-to-income ratios between 2018 and 2020, this report shows clear and consistent rises across almost all sub-regions between 2020 and 2022. There is also a general pattern of higher ratios, indicating declining affordability, in those areas with the highest incomes and prices.

On the other end of the spectrum, the sub-markets with the lowest five median price-to-income ratios are in Serpentine-Jarrahdale, Gosnells, Swan and Kwinana. Their ratios range from 4.1 to 4.8, with all except Arrmadale showing declining affordability between 2020 and 2022. Armadale and Stirling are the only two areas in Greater Perth that have marginally improved their affordability over the last two years.

Looking at the Greater Perth region overall we can see that the median house price ($647,331) represents an 'affordable' 27.1 per cent (green) share of a first home buyer on a median income ($115,938). With a mortgage interest rate of 5.0 per cent this becomes only 'moderately affordable' (yellow) 32.4 per cent share of income (with a further rise to 6.5 per cent equating to 38.1% of income).

TABLE 15

Median price-income ratios for established houses, by WA housing sub-region: 2022

Sub-regional housing market area / Perth planning region	median household gross annual income in 2022$		median house sales price in 2022$		median price-to-income ratio		share of income required to service variable mortgage: 10% deposit, 30 year term			share of income required to service variable mortgage: 30% deposit, 25 year term		
Sub-region	Median income		Median sales price		Median p/i ratio	change 2020 to 2022	3.5% rate	5.0% rate	6.5% rate	3.5% rate	5.0% rate	6.5% rate
Cottesloe - Claremont	198,891	1	2,112,770	1	10.6	+1.4	51.5	61.6	72.5	44.7	52.2	60.2
Perth City	149,149	2	1,233,087	2	8.3	+0.9	40.1	47.9	56.4	34.8	40.6	46.9
South Perth	138,854	3	1,133,704	3	8.2	+0.8	39.6	47.3	55.7	34.3	40.1	46.3
Fremantle	129,436	5	1,050,573	4	8.1	+1.1	39.4	47.1	55.4	34.1	39.9	46.0
Melville	134,695	4	1,044,547	5	7.8	+0.5	37.6	45.0	52.9	32.6	38.1	44.0
Canning	106,372	14	641,221	9	6.0	+0.3	29.2	34.9	41.1	25.3	29.6	34.2
Stirling	125,636	7	742,625	7	5.9	-0.1	28.7	34.3	40.3	24.9	29.0	33.5
Joondalup	127,375	6	746,196	6	5.9	+0.8	28.4	34.0	40.0	24.6	28.8	33.2
Bayswater - Bassendean	113,623	12	638,952	10	5.6	+0.3	27.3	32.6	38.4	23.6	27.6	31.9
Mundaring	110,543	13	601,425	13	5.4	+0.5	26.4	31.5	37.1	22.9	26.7	30.9
Cockburn	118,144	9	642,422	8	5.4	+0.6	26.4	31.5	37.1	22.9	26.7	30.8
Belmont - Victoria Park	113,832	11	606,311	12	5.3	+0.1	25.8	30.9	36.4	22.4	26.2	30.2
Kalamunda	118,855	8	622,490	11	5.2	+0.2	25.4	30.4	35.8	22.0	25.7	29.7
Wanneroo	104,576	15	516,331	15	4.9	+0.6	23.9	28.6	33.7	20.8	24.2	28.0
Rockingham	93,897	19	455,943	17	4.9	+0.9	23.5	28.2	33.1	20.4	23.8	27.5
Serpentine - Jarrahdale	115,831	10	557,088	14	4.8	+0.2	23.3	27.9	32.8	20.2	23.6	27.3
Gosnells	92,524	20	444,445	19	4.8	+0.8	23.3	27.8	32.8	20.2	23.6	27.2
Swan	104,188	16	490,868	16	4.7	+0.5	22.8	27.3	32.2	19.8	23.1	26.7
Armadale	103,881	17	446,072	18	4.3	-0.1	20.8	24.9	29.3	18.1	21.1	24.4
Kwinana	95,879	18	396,885	20	4.1	+0.5	20.1	24.0	28.3	17.4	20.3	23.5
Greater Perth	115,938		647,331		5.6	+0.2	27.1	32.4	38.1	23.5	27.4	31.7
Augusta - Margaret River - Busselton	108,766	5	753,717	1	6.9	-0.5	33.6	40.2	47.3	29.1	34.0	39.3
Broome	118,172	4	639,779	2	5.4	-0.1	26.3	31.4	37.0	22.8	26.6	30.7
Mandurah	89,792	10	463,022	6	5.2	+0.2	25.0	29.9	35.2	21.7	25.3	29.2
Albany	92,976	9	470,718	5	5.1	-0.1	24.6	29.4	34.6	21.3	24.9	28.7
Bunbury	101,702	7	432,258	7	4.3	+0.2	20.6	24.6	29.0	17.9	20.9	24.1
Esperance	102,078	6	402,908	8	3.9	+0.2	19.1	22.9	26.9	16.6	19.4	22.4
Geraldton	98,652	8	379,333	9	3.8	+0.4	18.6	22.3	26.2	16.2	18.9	21.8
Karratha	160,055	2	534,146	3	3.3	+0.2	16.2	19.3	22.8	14.0	16.4	18.9
Port Hedland	173,441	1	492,144	4	2.8	+0.9	13.8	16.5	19.4	11.9	13.9	16.1
Kalgoorlie - Boulder	139,368	3	340,788	10	2.4	-0.1	11.9	14.2	16.7	10.3	12.0	13.9
WA excluding Perth	96,234		442,113		4.6	+0.4	22.3	26.6	31.4	19.3	22.6	26.1

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2022 median price for all types of established housing for each sub-regional housing market area. Income is median household gross annual income by sub-regional market, imputed from Census 2021 and uprated to December 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021 data.

In contrast, an established home buyer in Greater Perth on the same median income purchasing the same median priced house who is able to access a 30 per cent deposit and 25 year term mortgage is only paying a 23.5 per cent share of income to service the loan. For mortgage rates of 5 per cent this still remains an 'affordable' 27.4 per cent of income, becoming only 'moderately affordable' 31.7 per cent of income when interest rates rise to 6.5 per cent.

Looking at the regional centres outside of Greater Perth we can see that median house prices are mostly affordable or moderately affordable for those on median incomes.

The south west towns of Augusta, Margaret River and Busselton are at risk of becoming 'unaffordable' if interest rates rise to 5.0 per cent or 6.5 per cent, while most other centres remain within reach.

Cottesloe, South Perth and Fremantle are the least affordable areas for lower income families in 2022 along with Fremantle and Melville.

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

Table 16 presents price-income ratios that compare the lower quartile price of established houses with the lower quartile of household incomes in each sub-regional area. Cottesloe, South Perth and Fremantle are the least affordable areas for lower income families in 2022 along with Fremantle and Melville, while Kwinana, Armadale, Swan and Gosnells are most affordable.

When we compare loan to income ratios for median house prices and household incomes to those in the lower quartile of prices and incomes (Tables 15 versus 16), we see that there is a significant gap in the availability of affordable properties for those on lower incomes (bottom 25%) throughout Greater Perth and in most regional centres.

This 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 highlighted by the preponderance of orange and red.

For example, the Fremantle area shows a median price-income ratio of 8.1, but this rises to a multiple of 12.1 for lower income earners targeting lower priced houses.

The same holds true of most regional centres, with only Karratha, Port Hedland and Kalgoorlie-Boulder having established houses deemed affordable for low income households.

TABLE 16

Lower-quartile price-income ratios for established houses, by WA sub-region: 2022

Sub-regional housing market area	LQ household gross annual income in 2022$		LQ house sales price in 2022$		LQ price-to-income ratio		share of income required to service variable mortgage					
Perth planning region							10% deposit, 30 year term			30% deposit, 25 year term		
Sub-region	LQ income		LQ sales price		LQ p/i ratio	change 2020 to 2022	3.5% rate	5.0% rate	6.5% rate	3.5% rate	5.0% rate	6.5% rate
Cottesloe - Claremont	99,830	1	1,649,560	1	16.5	+9.1	80.1	95.8	112.8	69.5	81.1	93.7
South Perth	72,978	3	903,810	3	12.4	+6.6	60.1	71.8	84.5	52.1	60.8	70.2
Fremantle	72,456	4	873,267	4	12.1	+6.3	58.5	69.9	82.3	50.7	59.2	68.4
Melville	70,313	5	805,653	5	11.5	+5.8	55.6	66.4	78.2	48.2	56.3	65.0
Perth City	85,698	2	963,975	2	11.2	+5.1	54.6	65.2	76.8	47.3	55.2	63.8
Joondalup	69,209	6	636,189	6	9.2	+4.8	44.6	53.3	62.8	38.7	45.1	52.1
Stirling	67,961	7	616,915	7	9.1	+4.1	44.0	52.6	62.0	38.2	44.6	51.5
Kalamunda	59,518	16	532,190	11	8.9	+4.7	43.4	51.8	61.0	37.6	43.9	50.7
Canning	60,236	14	537,577	9	8.9	+4.1	43.3	51.7	60.9	37.5	43.8	50.6
Bayswater - Bassendean	61,375	11	533,342	10	8.7	+4.2	42.1	50.4	59.3	36.5	42.7	49.3
Mundaring	60,459	13	504,379	13	8.3	+4.3	40.5	48.4	56.9	35.1	41.0	47.3
Cockburn	66,637	8	553,819	8	8.3	+4.2	40.3	48.2	56.7	34.9	40.8	47.1
Rockingham	51,680	20	401,229	17	7.8	+4.5	37.7	45.0	53.0	32.6	38.1	44.0
Belmont - Victoria Park	65,288	9	506,118	12	7.8	+3.3	37.6	44.9	52.9	32.6	38.1	44.0
Wanneroo	58,282	17	448,360	15	7.7	+4.0	37.3	44.6	52.5	32.4	37.8	43.6
Serpentine - Jarrahdale	63,697	10	473,932	14	7.4	+3.6	36.1	43.1	50.8	31.3	36.5	42.2
Gosnells	53,069	19	377,023	19	7.1	+3.8	34.5	41.2	48.5	29.9	34.9	40.3
Swan	60,033	15	421,248	16	7.0	+3.6	34.0	40.7	47.9	29.5	34.5	39.8
Armadale	60,919	12	383,449	18	6.3	+2.8	30.5	36.5	43.0	26.5	30.9	35.7
Kwinana	57,256	18	351,726	20	6.1	+3.2	29.8	35.6	41.9	25.8	30.2	34.8
Greater Perth	63,865		541,465		8.5	+4.0	41.1	49.2	57.9	35.7	41.6	48.1
Augusta - Margaret River - Busselton	61,879	5	622,554	1	10.1	+4.1	48.8	58.3	68.7	42.3	49.4	57.1
Mandurah	47,824	10	387,153	6	8.1	+4.0	39.3	46.9	55.3	34.0	39.8	45.9
Albany	55,935	7	401,945	4	7.2	+2.8	34.8	41.7	49.1	30.2	35.3	40.8
Broome	73,795	4	522,123	2	7.1	+2.5	34.3	41.0	48.3	29.8	34.7	40.1
Bunbury	55,366	8	375,189	7	6.8	+3.3	32.9	39.3	46.3	28.5	33.3	38.4
Geraldton	53,796	9	315,845	9	5.9	+3.0	28.5	34.0	40.1	24.7	28.8	33.3
Esperance	61,750	6	334,742	8	5.4	+2.3	26.3	31.4	37.0	22.8	26.6	30.7
Karratha	111,889	2	462,228	3	4.1	+1.6	20.0	24.0	28.2	17.4	20.3	23.4
Port Hedland	117,845	1	387,356	5	3.3	+1.8	15.9	19.1	22.4	13.8	16.1	18.6
Kalgoorlie - Boulder	90,087	3	279,594	10	3.1	+1.2	15.1	18.0	21.2	13.1	15.2	17.6
WA excluding Perth	58,158		365,892		6.3	+2.9	30.5	36.5	42.9	26.5	30.9	35.7

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2022 lower quartile price for all types of established housing for each sub-regional housing market area. Income is lower quartile household gross annual income by sub-regional market, imputed from Census 2021 and uprated to December 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021 data.

A similar comparison of prices of multi-residential units (rather than established homes) with median household incomes (Table 17) shows that the decline in affordability has been lower for this housing form, with units becoming marginally more affordable in some areas (with the price-to-income ratio changing between -0.6 to +1.2). Fremantle ranks highest in terms of the median price-income ratio for multi-residential units at 4.7, with little change since 2020.

A typical multi-residential unit in Fremantle now costs around $614,732 (up from $557,500 in 2020). However median income has risen at a similar rate, maintaining proportionality. Cottesloe-Claremont ranks higher in the median price of a unit, at $639,031, but is more affordable to local residents given the higher level of median household income in the area.

Prices for multi-residential units across WA's regional areas have generally fallen more than in Greater Perth. Augusta, Margaret River and Busselton rank highest, with a price-income multiple of 3.5 in 2022 (easing from 3.8 in 2020 and 4.8 in 2018).

Overall median priced units remain affordable for median income households across the board, even with variable rates rising to 5.0 per cent or 6.5 per cent.

Fremantle ranks highest in terms of the median price-income ratio for multi-residential units, at 4.7, with little change since 2020.

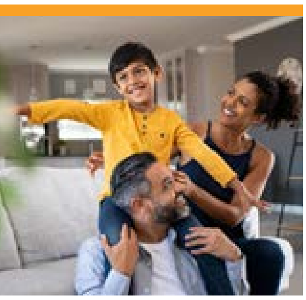
TABLE 17

Median price-income ratios for multi-residential units, by WA sub-region: 2022

Sub-regional housing market area	median household gross annual income in 2022$		median unit sales price in 2022$		median price-to-income ratio		share of income required to service variable mortgage					
Perth planning region							10% deposit, 30 year term			30% deposit, 25 year term		
Sub-region	Median income		Median sales price		Median p/i ratio	change 2020 to 2022	3.5% rate	5.0% rate	6.5% rate	3.5% rate	5.0% rate	6.5% rate
Fremantle	129,436	5	614,732	2	4.7	-0.0	23.0	27.5	32.4	20.0	23.3	26.9
Melville	134,695	4	562,478	3	4.2	-0.2	20.3	24.2	28.5	17.6	20.5	23.7
South Perth	138,854	3	523,994	4	3.8	+0.6	18.3	21.9	25.8	15.9	18.5	21.4
Belmont - Victoria Park	113,832	11	417,928	7	3.7	-0.6	17.8	21.3	25.1	15.4	18.0	20.8
Canning	106,372	14	377,211	10	3.5	+0.4	17.2	20.6	24.2	14.9	17.4	20.1
Wanneroo	104,576	15	369,964	11	3.5	-0.4	17.2	20.5	24.1	14.9	17.4	20.1
Stirling	125,636	7	436,071	6	3.5	+1.2	16.8	20.1	23.7	14.6	17.0	19.7
Gosnells	92,524	20	299,416	16	3.2	+0.6	15.7	18.8	22.1	13.6	15.9	18.4
Rockingham	93,897	19	302,401	14	3.2	+0.8	15.6	18.7	22.0	13.5	15.8	18.3
Cottesloe - Claremont	198,891	1	639,031	1	3.2	-0.1	15.6	18.6	21.9	13.5	15.8	18.2
Cockburn	118,144	9	379,201	9	3.2	+0.0	15.6	18.6	21.9	13.5	15.8	18.2
Bayswater - Bassendean	113,623	12	359,603	12	3.2	+0.0	15.3	18.3	21.6	13.3	15.5	18.0
Joondalup	127,375	6	386,455	8	3.0	+0.0	14.7	17.6	20.7	12.8	14.9	17.2
Perth City	149,149	2	439,347	5	2.9	-0.1	14.3	17.1	20.1	12.4	14.5	16.7
Swan	104,188	16	300,074	15	2.9	-0.4	14.0	16.7	19.7	12.1	14.1	16.3
Mundaring	110,543	13	317,091	13	2.9	+1.5	13.9	16.6	19.6	12.1	14.1	16.3
Armadale	103,881	17	276,060	17	2.7	+0.7	12.9	15.4	18.1	11.2	13.0	15.1
Kwinana	95,879	18	195,446	18	2.0	-0.6	9.9	11.8	13.9	8.6	10.0	11.6
Serpentine - Jarrahdale	115,831	10			(a)			(a)			(a)	
Kalamunda	118,855	8			(a)			(a)			(a)	
Greater Perth	115,938		430,039		3.7	-0.1	18.0	21.5	25.3	15.6	18.2	21.0
Augusta - Margaret River - Busselton	108,766	5	385,448	1	3.5	-0.9	17.2	20.5	24.2	14.9	17.4	20.1
Broome	118,172	4	321,366	6	2.7	+0.8	13.2	15.8	18.6	11.4	13.4	15.4
Mandurah	89,792	10	327,988	3	3.7	+0.2	17.7	21.2	24.9	15.4	17.9	20.7
Albany	92,976	9	327,936	4	3.5	+0.1	17.1	20.4	24.1	14.8	17.3	20.0
Bunbury	101,702	7	325,943	5	3.2	+0.3	15.5	18.6	21.9	13.5	15.7	18.2
Esperance	102,078	6	360,268	2	3.5	+1.0	17.1	20.5	24.1	14.8	17.3	20.0
Geraldton	98,652	8	203,162	10	2.1	-0.2	10.0	11.9	14.1	8.7	10.1	11.7
Karratha	160,055	2	230,648	8	1.4	-0.4	7.0	8.4	9.8	6.1	7.1	8.2
Port Hedland	173,441	1	270,891	7	1.6	+0.6	7.6	9.1	10.7	6.6	7.7	8.9
Kalgoorlie - Boulder	139,368	3	230,055	9	1.7	-0.3	8.0	9.6	11.3	6.9	8.1	9.4
WA excluding Perth	96,234		289,589		3.0	+0.4	14.6	17.4	20.5	12.7	14.8	17.1

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2022 median price for all types of residential units for each sub-regional housing market area. Income is median household gross annual income by sub-regional market, imputed from Census 2021 and uprated to December 2022 dollars.

Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021 data.



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 18

Lower quartile price-income ratios for multi-residential units, by WA sub-region: 2022

Sub-regional housing market area	LQ household gross annual income in 2022$		LQ unit sales price in 2022$		LQ price-to-income ratio		share of income required to service variable mortgage					
Perth planning region							10% deposit, 30 year term			30% deposit, 25 year term		
Sub-region	LQ income		LQ sales price		LQ p/i ratio	change 2020 to 2022	3.5% rate	5.0% rate	6.5% rate	3.5% rate	5.0% rate	6.5% rate
Melville	70,313	5	474,925	1	6.8	+3.4	32.8	39.2	46.1	28.4	33.2	38.3
Fremantle	72,456	4	458,286	3	6.3	+2.7	30.7	36.7	43.2	26.6	31.1	35.9
South Perth	72,978	3	401,536	4	5.5	+3.0	26.7	31.9	37.6	23.1	27.0	31.2
Wanneroo	58,282	17	319,283	10	5.5	+2.4	26.6	31.8	37.4	23.0	26.9	31.1
Canning	60,236	14	324,740	9	5.4	+2.6	26.1	31.3	36.8	22.7	26.5	30.6
Stirling	67,961	7	362,031	5	5.3	+3.3	25.8	30.9	36.4	22.4	26.2	30.2
Gosnells	53,069	19	265,327	15	5.0	+2.8	24.2	29.0	34.1	21.0	24.6	28.4
Belmont - Victoria Park	65,288	9	325,784	8	5.0	+1.7	24.2	28.9	34.1	21.0	24.5	28.3
Joondalup	69,209	6	329,723	7	4.8	+2.2	23.1	27.6	32.5	20.0	23.4	27.0
Rockingham	51,680	20	241,854	16	4.7	+2.9	22.7	27.1	31.9	19.7	23.0	26.5
Cottesloe - Claremont	99,830	1	465,914	2	4.7	+2.3	22.6	27.1	31.9	19.6	22.9	26.5
Bayswater - Bassendean	61,375	11	284,145	12	4.6	+2.4	22.5	26.8	31.6	19.5	22.7	26.3
Cockburn	66,637	8	303,194	11	4.5	+1.9	22.1	26.4	31.1	19.1	22.3	25.8
Mundaring	60,459	13	273,148	13	4.5	+3.2	21.9	26.2	30.8	19.0	22.2	25.6
Swan	60,033	15	265,778	14	4.4	+1.4	21.5	25.7	30.2	18.6	21.7	25.1
Perth City	85,698	2	342,753	6	4.0	+1.6	19.4	23.2	27.3	16.8	19.6	22.7
Armadale	60,919	12	239,594	17	3.9	+2.4	19.1	22.8	26.8	16.5	19.3	22.3
Kwinana	57,256	18	188,121	18	3.3	+0.9	15.9	19.0	22.4	13.8	16.1	18.6
Serpentine - Jarrahdale	63,697	10			(a)			(a)			(a)	
Kalamunda	59,518	16			(a)			(a)			(a)	
Greater Perth	63,865		343,212		5.4	+1.6	26.1	31.2	36.7	22.6	26.4	30.5
Mandurah	47,824	10	264,170	3	5.5	+2.8	26.8	32.0	37.7	23.2	27.1	31.3
Augusta - Margaret River - Busselton	61,879	5	318,273	1	5.1	+2.1	24.9	29.8	35.1	21.6	25.3	29.2
Bunbury	55,366	8	273,020	2	4.9	+2.9	23.9	28.6	33.7	20.7	24.2	28.0
Albany	55,935	7	226,707	5	4.1	+1.0	19.7	23.5	27.7	17.0	19.9	23.0
Esperance	61,750	6	249,286	4	4.0	+1.6	19.6	23.4	27.6	17.0	19.8	22.9
Geraldton	53,796	9	160,079	10	3.0	+1.4	14.4	17.3	20.3	12.5	14.6	16.9
Broome	73,795	4	215,077	7	2.9	+1.4	14.1	16.9	19.9	12.3	14.3	16.5
Kalgoorlie - Boulder	90,087	3	194,505	8	2.2	+0.6	10.5	12.5	14.7	9.1	10.6	12.2
Port Hedland	117,845	1	218,326	6	1.9	+1.2	9.0	10.7	12.6	7.8	9.1	10.5
Karratha	111,889	2	180,849	9	1.6	+0.3	7.8	9.4	11.0	6.8	7.9	9.2
WA excluding Perth	58,158		227,051		3.9	+1.2	18.9	22.6	26.7	16.4	19.2	22.1

Notes: Suburbs and regions ordered by local area price-to-income (p/i) ratio. Sales price is the 2022 lower quartile price for all types of residential units for each sub-regional housing market area. Income is lower quartile household gross annual income by sub-regional market, imputed from Census 2021 and uprated to December 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021 data.

The affordability of multi-residential units in the lower quartile price range is not quite as positive for households on lower incomes, but the change in unit affordability is not as bad as it is for lower quartile established houses.

Melville now outranks Fremantle as most unaffordable to local residents for multi-residential units, with a lower quartile unit price of $474,925 (largely due to high end apartments being developed in the Canning Bridge precinct). This is 6.8 times the lower quartile income for the area, representing an increase of +3.4 in the price-to-income ratio since 2020 (up from $385,500).

Multi-residential units at the lower end of the price range are least affordable in Mandurah and the South West, with lower quartile price-income multiples for units of 5.5 and 5.1 respectively in 2020.

The situation looks slightly more positive for established lower quartile households buying units than it does for first unit buyers, with most sub-regions remaining affordable at variable rates between 3.5 to 6.5 per cent.

RENTAL MARKET
TRENDS

RENTAL MARKET TRENDS

Increased rental cost pressures have been shared by all states and territories over the period since the onset of the COVID-19 pandemic. This has created challenges for households across the country in meeting rising rental costs alongside accelerating cost of living pressures.

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.

We also 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

Supply of listings for rent

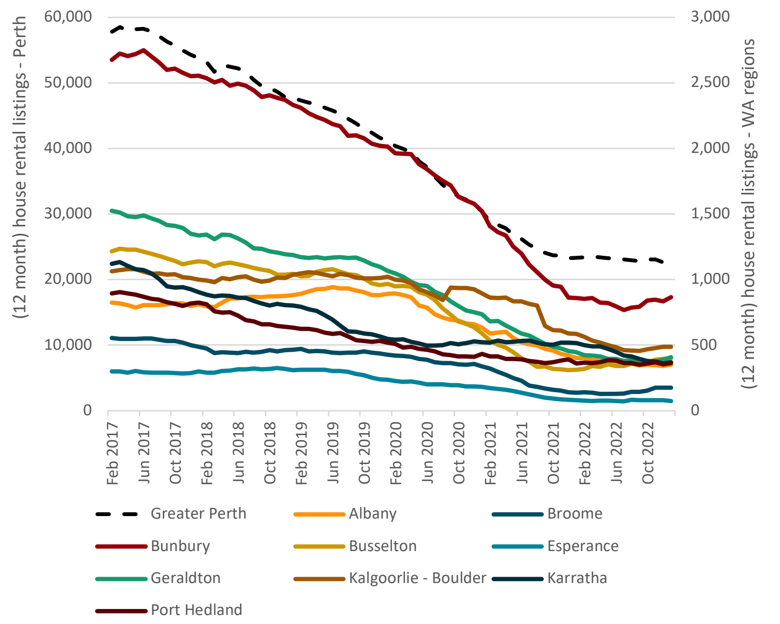
Perth's private property rental market continues to experience polar extremes, as it reflects the boom-and-bust cycle of WA's resource-driven economy. The latest time series for Perth and WA regions (Figure 27) shows a dramatic decline in the volume of rental listings from the 2017 peak to 2023 for Greater Perth and Bunbury, with a similar but less extreme trend apparent for other regional centres such as Geraldton and Busselton (that also serve as a base for the FIFO workforce).

Greater Perth drops from a high of close to 60,000 listings in 2017 to around 1,100 listings in 2023, while Bunbury drops from 3,000 listings to about 900.

This is in contrast to findings in previous BCEC Housing Affordability reports, where we saw the exodus of interstate migrants and the drop in population growth following the mining boom driving Perth's rental vacancy rate up from one per cent in 2012 to nearly five and a half per cent in the September 2016 quarter (SQM Research n.d.) then fall to around three per cent by mid-2019.

FIGURE 27

Volume of rental listings: Perth and WA regions, 2017 to 2023



Source: CoreLogic RP data volume of rental listing (12-month) data.

The 2015-2019 period of declining rents, high vacancy rates, and declining property values created a highly unfavourable market for Perth residential property investors. Residential property investment declined by $855 million, or 85 per cent, from the peak in September 2014 to May 2020 (ABS 2023b). The decline in the rental vacancy rate and listings for rent over this period was not solely due to a combination of increasing demand and decreasing supply.

The rebound in Perth's property market, which displayed some "green shoots" in late 2019, began accelerating with the COVID-19 monetary and fiscal stimulus policies. The increase in dwelling prices had two divergent effects on residential housing investment in Perth. Firstly, the rise in dwelling prices encouraged a return of investors to the market, and the value of WA's new loan commitments for investors increased from a low of $156 million in May 2020 to $731 million in March 2022. Secondly and conversely, the increased dwelling prices incentivised existing investors who suffered through WA's property downturn from 2015-19 to exit the market.

The exodus of existing investor supply outweighed new investor supply. CoreLogic's Perth 12-month rental listing volume decreased from 35,743 in mid-2020 to 21,273 at the end of 2022, a fall of more than 40 per cent, as illustrated in Figure 27. Furthermore, REIWA reported, using rental bond data, that 19,000 rental properties were removed from the rental pool over two years (REIWA, 2023).

With more investors leaving than entering the market and the population increasing with new migrants having a preference to rent, Perth's rental market is facing a perfect storm. Furthermore, the delays in dwelling construction and the decline in building

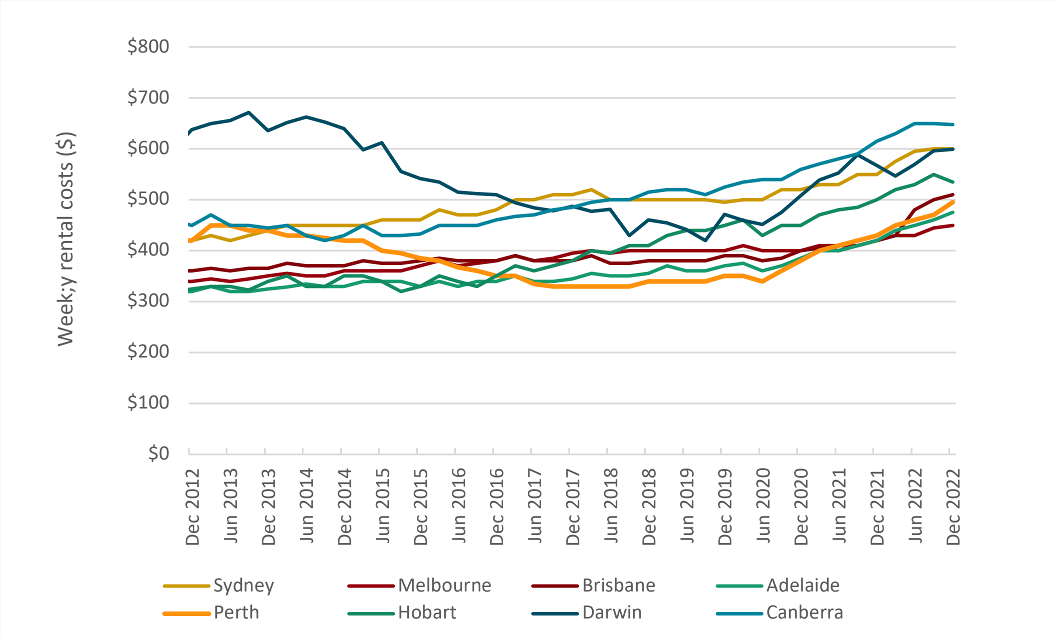
Rental costs for a three bedroomed property have increased by 17.6 per cent in the last eighteen months, the highest percentage increase of all capital cities apart from Darwin (at 28.2%).

approvals discussed earlier in the report indicate housing supply will remain inadequate and affordability likely worsen with forecast increased migration.

Rising dwelling rents may encourage property investors to remain in or enter the market, increasing the supply of rental properties. This, however, has the potential to increase the demand for housing, and considering the under-supply of new dwellings, it would further decrease affordability, particularly for first home buyers.

FIGURE 28

Median house rents: states and territories, 2007 to 2021



Notes: Median rental costs are sourced from data produced by the Real Estate Institute of Australia (REIA). Data are for median rental costs of three-bedroomed houses.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 and REMF-11 (2021).

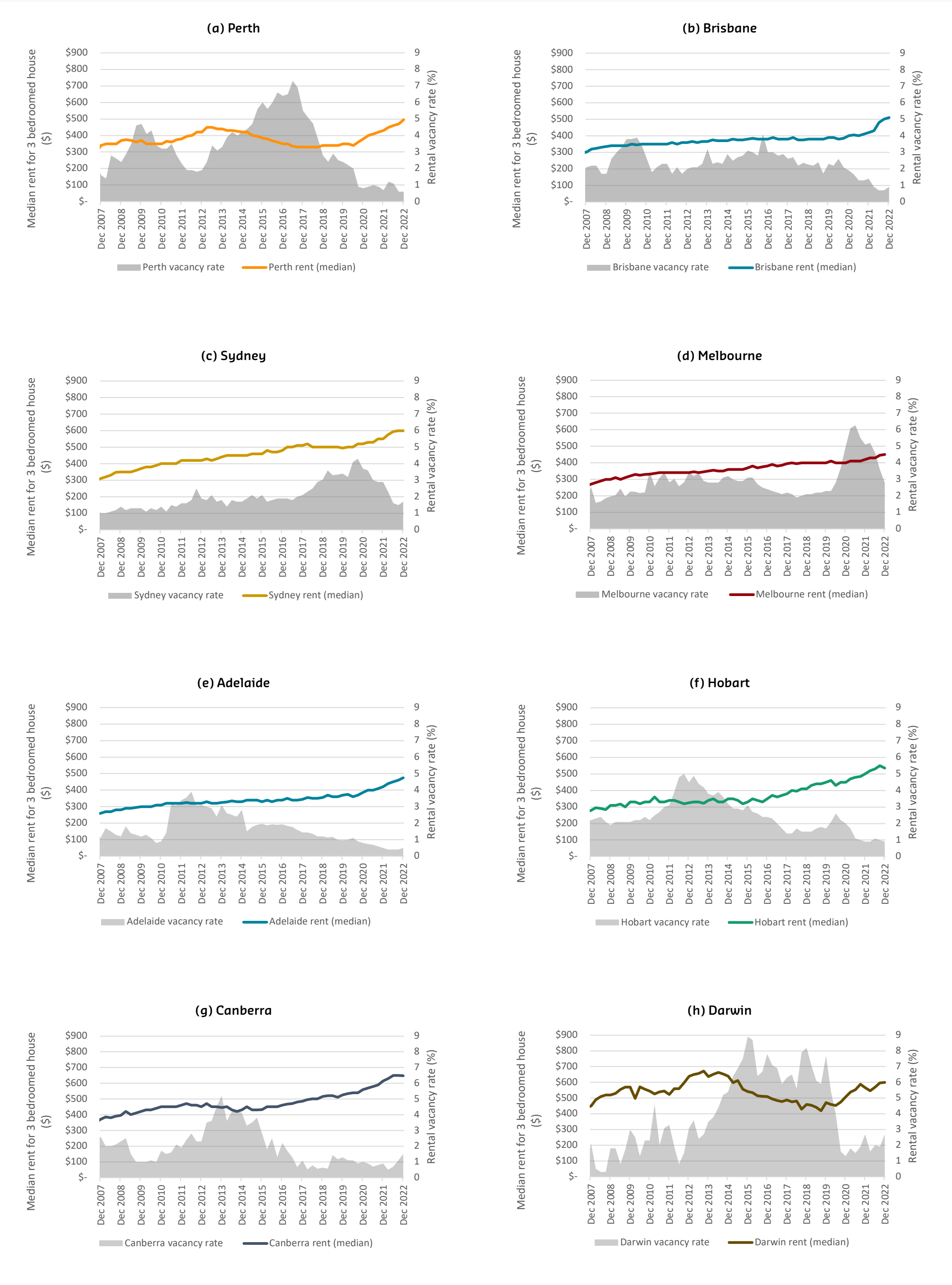
Alongside the rental vacancy rate, average weekly rental costs are the other indicator of market activity, and rental costs are a major element of essential living costs for most households, particularly those on lower incomes.

Figure 28 shows a longer time series for median weekly house rental costs in Australian capital cities, covering the last decade from December 2012 to 2022. Most Australian capital cities show a clear and consistent trend of rising rental costs over the decade, with comparatively little volatility. Perth and Darwin stand out, from highs in mid 2013 down to a low in around 2017 before climbing again to 2022.

Both cities show the impacts of the boom-bust cycle of a resource driven economy, with Darwin being smaller and hence more volatile.

FIGURE 29

Median rents and vacancy rates: states and territories, 2007 to 2023



Notes: Median rental costs and vacancy rates sourced from Real Estate Institute of Australia. Data are for metro areas.
Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA REMF-5 and -11 (2023).

Over nine quarters to December 2022, the weekly cost of a three-bedroomed rental property in Perth has risen by $155, from $340 to $495, an increase of 45 per cent, and the highest of all capital cities.

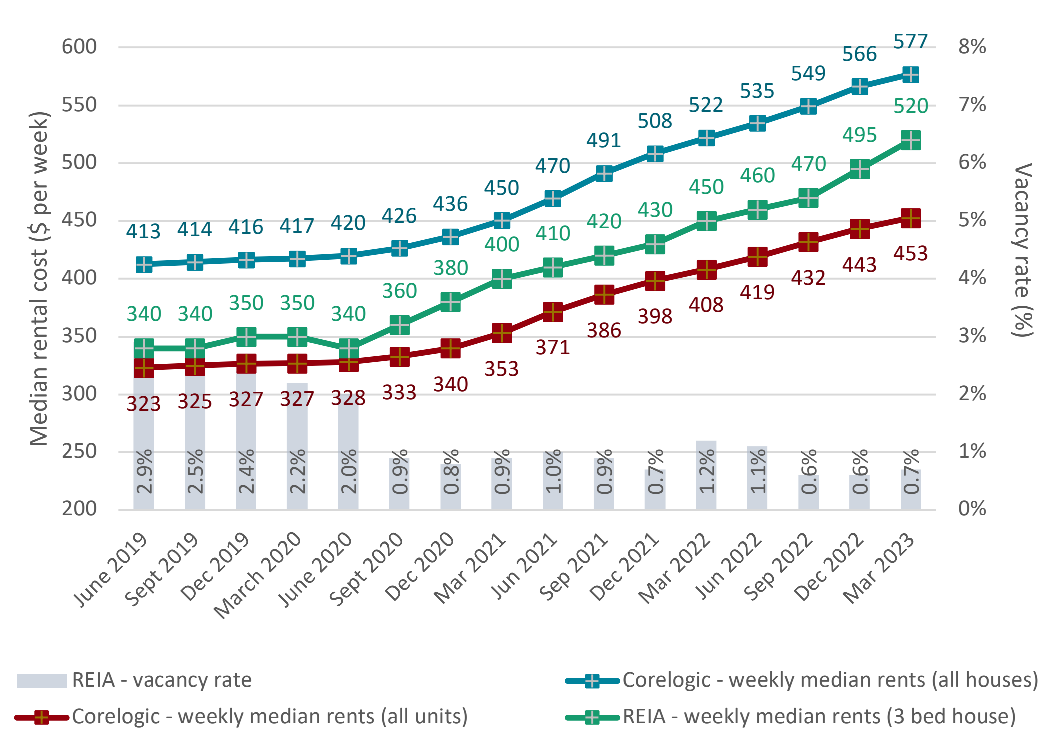
A comparison of median rental costs to vacancy rates for each Australian state capital city (Figure 29) gives an indication of the strength of this interaction in different capitals.

We can see that the general underlying trend of slowly rising rental costs (the coloured lines) is moderated to some extent by higher vacancy rates (in grey), with a dip in prices as vacancies climb over around 3 per cent.

This trend is generally softer in larger cities (e.g. Sydney and Melbourne) and stronger in smaller ones (e.g. Canberra and Hobart). Both Perth and Darwin show more of a cyclic boom and bust pattern, with Darwin being smaller and more volatile.

FIGURE 30

Greater Perth rental costs and vacancy rates: June 2019 to March 2023



Source: Bankwest Curtin Economics Centre | Authors' calculations from REIA market data REMF-5 and REMF-11 (2023) and Corelogic (2023) data.

The median rent for houses in Perth has risen consistently by around $15 per week each quarter from September 2020 to March 2023 – a combined increase of $151 over ten quarters (Figure 30). The story is substantially the same for units.

The strong relationship between rental costs and vacancy rates in Perth can be seen clearly in Figure 31. We have inverted the vacancy rate here to make clear how vacancies impact on rental prices in a tight market.

The analysis shows that it takes around 18 months for rental costs to increase in response to falling vacancy rates (first between 2009 and 2012, then between 2017 and 2022) and between 6 and 9 months for rents to fall once vacancy rates start to rise (between 2012 and 2016).

This may seem to suggest that landlords are quick to reduce rents in a falling market (to keep hold of existing tenants), but slower to raise rents in a rising market (balancing potential monetary gain against the risk and cost of losing tenants. This rental price lag in a rising market appears more pronounced in 2018 and 2019, with the correction then being much steeper.

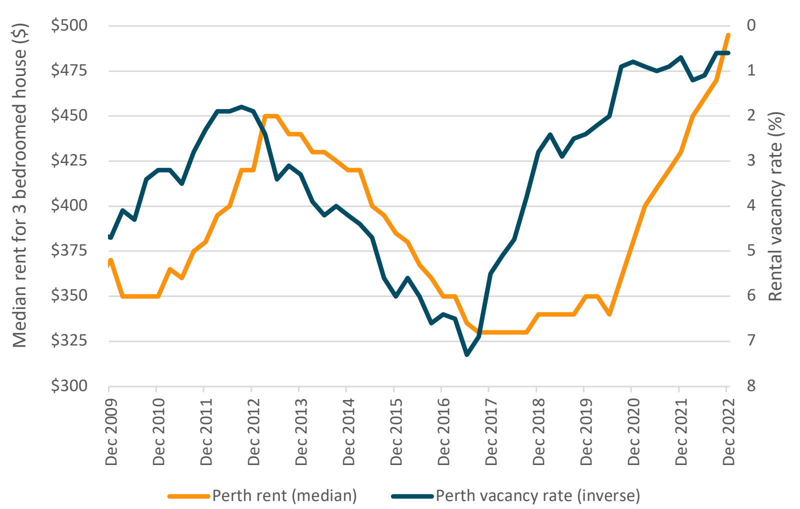
This pre-dates the COVID-19 rental eviction moratorium, which was put in place by the WA Parliament between April 2020 and March 2021. During this period rents continued to rise sharply, while the vacancy rate remained comparatively stable (at a historic low). It is hard to tell from these figures whether the moratorium had any additional impact on evictions, as the vacancy rate may have already bottomed out before it came into place.

The extent to which the current trend of rising rental costs can be reversed depends on a number of factors, not least of which is the tightness of the rental market and historically low vacancy rates which have remained under one per cent for over two and a half years.

The median rent for houses in Perth has risen consistently by around $15 per week each quarter from September 2020 to March 2023 – a combined increase of $151 over ten quarters.

FIGURE 31

Median rental cost and vacancy rate (inverse): Perth, December 2009 to December 2022



Notes: 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 (2023).

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

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.

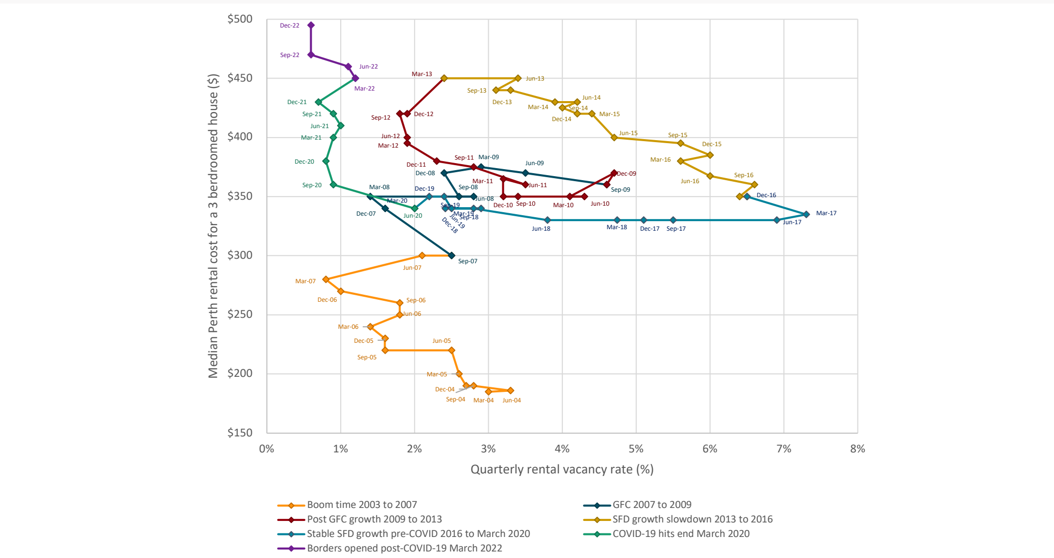
Figure 32 maps the changing relationship between median rental costs and vacancy rates in Perth over the last two decades. This mapping allows us to track this relationship over successive economic cycles - with rents rising rapidly through the 2003-2007 mining boom as vacancies tighten (orange). Rents continued to rise then stabilised during the Global Financial Crisis in 2007 to 2009 as the vacancy rate rose rapidly from 1.4 per cent to 4.6 per cent (blue). The post GFC recovery phase between 2010 and 2013 then saw the vacancy rate contract back to below 2 per cent, with some lag before rents then rose rapidly from $350 in 2010 to a peak of $450 in 2013 (red).

State Final Demand grew through the period from 2013 to 2016 (gold) seeing the vacancy rate rise from 2.3 per cent up to over 6.5 per cent, while rental prices fell in parallel from the peak of $450 down to $350, then State Final Demand stabilised, with rents bottoming out at around $325 per week and the vacancy rate hit a peak of over 7.2 per cent in March 2017 before rising to under 2 per cent in March 2020. We then see the vacancy rate fall below 1 per cent during the COVID-19 period in September 2020, leading median rental cost to rise rapidly from $350 up to $450 per week then continuing to rise even further in the post COVID-19 period towards a current peak of just under $500 per week. There was a minor and short-lived recovery in the vacancy rate at the end of the COVID-19 period, bouncing up to over 1.2 per cent before contracting down to a historic low of 0.6 per cent in late 2022.

This series of cycles evidences a strong relationship between rental availability (stock) and affordability (weekly rental) and a strong cyclic pattern of boom and bust within the WA economy, with some lag in rental increases on the up-cycle, and more responsive rental pricing when the market opens up.

FIGURE 32

Median rents and vacancy rates: Perth, March 2004 to December 2022



Notes: 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 (2023).

This has to be an issue of concern for policy makers and WA business, due to the sustainability, predictability and marginal cost of these ongoing dramatic economic swings. It creates an environment of investment uncertainty, with the incentive to invest in housing stock development strongest in those boom cycles where skilled labour is constrained within the construction industry, materials become more difficult to source in a timely fashion, and hence the risk of rising construction costs is both uncertain and potentially high.

Historically the short term nature of the political cycle in WA has tended to mean that incumbent governments are highly responsive to the cycle, with more incentive to invest in stock and infrastructure in the boom periods, and little political will to do so when the economy tightens. This means infrastructure investment costs are higher and there is a greater risk of budget over-runs and blow-outs.

Arguably, a more strategic, sustainable and cost effective approach is to develop longer term policies that invest counter cyclically in infrastructure, including social and affordable housing to smooth things out during the downturns – when construction is more cost effective, and construction companies may be inclined to drop their margins to maintain a skilled workforce through a slump.

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

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.

This section so far has discussed the relationship between vacancy rate and rental affordability based on median rental costs. However, our analysis also demonstrates that the relative lack of affordable ownership options for lower income households means that access to affordable lower quartile rental properties is crucial to the living costs and financial wellbeing of lower income households. This issue is taken up in the next section – where we look at affordability by location in the Greater Perth region and regional WA.

RENTAL AFFORDABILITY BY LOCATION: HOW DO SUBURBS COMPARE?

There are now no sub-regions within Greater Perth deemed affordable for those lower income households (ranging from 33% to 42% of income) with most deemed only 'moderately affordable'.

The private rental sector is a critical component of WA's housing market, and as discussed in the previous chapter, may be 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 Corelogic data on suburb level rental costs between 2017 and 2023.

Established house rentals

Rental cost burdens have risen significantly since BCEC's last housing affordability report, growing around 9 to 14 per cent in the last year alone, and around 30 to 43 per cent over the past five years (as seen in Table 19).

Areas around the Swan River, to the north of Perth city centre and along the northern coastal strip remain among the most expensive rental sub-markets for typical (median) families with rental costs above $650 per week (see Figure 33). Within Greater Perth, a greater share of lower cost house rentals are located to the south and south east of Perth city, around Gosnells and Kwinana (with a median rental cost of $442 per week) and Armadale ($460).

In contrast to previous BCEC Housing Affordability reports, the recent percentage rises in rental costs have been as high or higher in these traditionally more affordable suburbs – with Kwinana rising +14.5 per cent, Gosnells +13.7 per cent and Armadale 15.3 per cent showing some of the highest proportional increases in costs. In short, record low vacancy rates and a lack of new stock has led to more uniform high prices across the board. Landlords in less desirable suburbs, where much of the stock is older and of poorer quality, have been able to raise rents significantly due to the lack of other options. This is likely to have a significant impact on the living costs and financial vulnerability of lower income households.

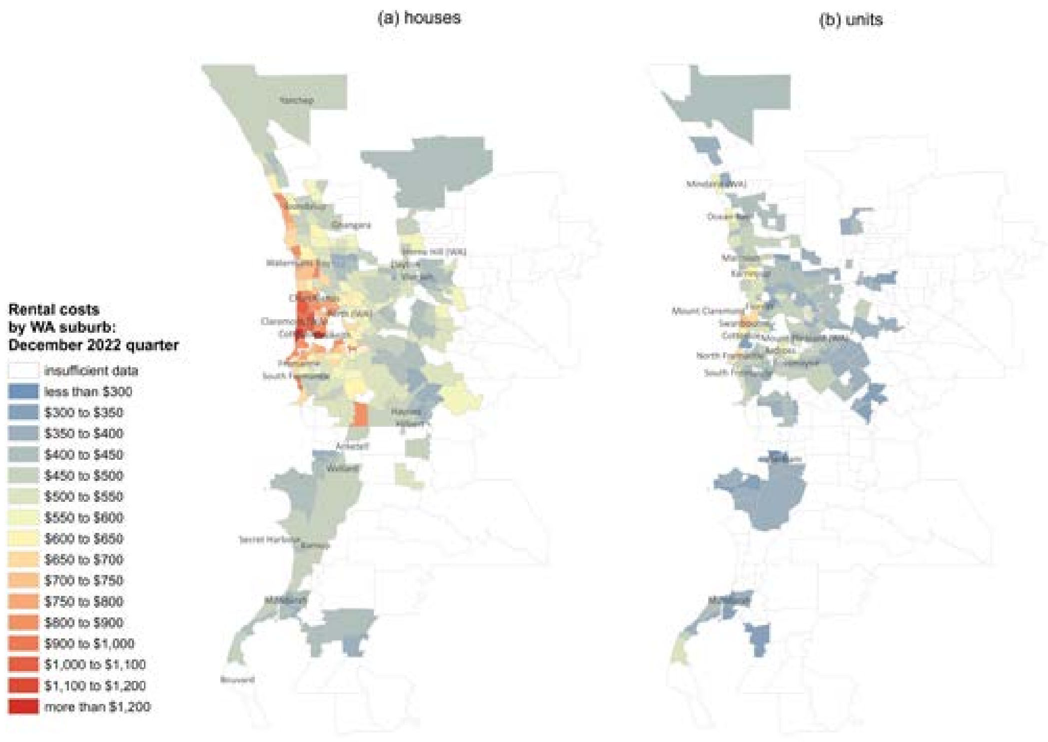
Looking at the comparative rent to income ratios for median income versus lower quartile income households, we can see the impact quite clearly. While all the sub-regions in Greater Perth remain affordable (i.e. below 30% of weekly income) for median income households (ranging from around 20% to 26% of income), there are now no sub-regions within Greater Perth deemed affordable for those lower income households (ranging from 33% to 42% of income), with most deemed only 'moderately affordable'. This contrasts with previous reports in which a proportion of suburbs (such as Mandurah, Gosnells and Armadale) were deemed 'affordable' to lower income families. Rent-to-income ratios for lower income families are above 33 per cent in most of Perth's sub-regional areas, and have risen since 2018.

Interestingly, the rents for established houses at the lower end of the market are only a little different to median rents in most areas of the Greater Perth area.

The rent-to-income ratios in regional housing markets have also risen at least as much as, and sometimes much more in the last year than those in the Greater Perth region. Broome (22.9%) Kalgoorlie-Boulder (19%), Port Hedland (18%) and Augusta-Margaret River-Busselton (17.8%) show by far the largest increases in the state. Regional rental affordability increases over the last five years have seen some previously affordable regional areas rising dramatically – including Port Hedland (up 92.7%), Karratha (82.7%) and Broome (50.5%).

FIGURE 33

Median rents for established houses, by WA suburb: 2022



Notes: Rental costs are median weekly rental costs for all residential houses for each regional suburb during 2022.
Source: BANKWEST CURTIN ECONOMICS CENTRE | Authors' mapping based on Corelogic data.

TABLE 19

Rental costs for established houses by Perth suburb and WA region: 2022

Sub-regional housing market area / Perth planning region	Median household gross annual income by sub-region, 2022$		Median rental cost for residential houses by sub-region, 2022$		Median rent-to-income ratio	LQ rent-to-income ratio		Change in median rents	
Sub-region	Median income		Median rental cost		r/i ratio (Dec 2022)	r/i ratio (Dec 2022)		Change over 12m (%)	Change over 5yrs (%)
Fremantle	2,489	5	674	3	27.1	38.7	1	+10.3	+36.4
Cottesloe - Claremont	3,825	1	1,020	1	26.7	41.9	2	+9.7	+39.8
Rockingham	1,806	19	458	18	25.4	38.6	3	+13.9	+40.4
Melville	2,590	4	651	4	25.1	41.0	4	+12.9	+43.2
Canning	2,046	14	512	9	25.1	40.2	5	+10.8	+36.9
Gosnells	1,779	20	442	19	24.9	38.8	6	+13.7	+36.8
Wanneroo	2,011	15	495	11	24.6	38.7	7	+13.6	+43.0
Stirling	2,416	7	595	7	24.6	39.0	8	+14.5	+40.2
Joondalup	2,450	6	600	6	24.5	38.7	9	+11.2	+39.5
South Perth	2,670	3	646	5	24.2	39.4	10	+9.4	+41.1
Perth City	2,868	2	688	2	24.0	34.3	11	+10.6	+33.0
Kwinana	1,844	18	441	20	23.9	36.4	12	+14.5	+43.2
Swan	2,004	16	475	14	23.7	36.9	13	+11.4	+37.8
Cockburn	2,272	9	536	8	23.6	38.0	14	+11.8	+35.2
Bayswater - Bassendean	2,185	12	505	10	23.1	36.3	15	+12.1	+39.0
Armadale	1,998	17	460	17	23.0	35.3	16	+15.3	+40.1
Belmont - Victoria Park	2,189	11	491	12	22.4	33.0	17	+10.3	+33.1
Mundaring	2,126	13	461	16	21.7	35.4	18	+8.9	+28.1
Kalamunda	2,286	8	485	13	21.2	38.3	19	+11.3	+29.5
Serpentine - Jarrahdale	2,228	10	463	15	20.8	33.5	20	+8.8	+32.9
Greater Perth	2,132		534		25.1	37.1		+12.7	+39.0
Broome	2,273	4	775	3	34.1	45.5	1	+22.9	+50.5
Augusta - Margaret River - Busselton	2,092	5	585	4	28.0	44.9	2	+17.8	+44.9
Karratha	3,078	2	817	2	26.5	31.4	3	+9.6	+82.7
Mandurah	1,727	10	454	7	26.3	44.0	4	+14.7	+41.1
Port Hedland	3,335	1	821	1	24.6	29.0	5	+18.0	+92.7
Bunbury	1,956	7	465	6	23.8	37.9	6	+15.0	+39.1
Albany	1,788	9	424	8	23.7	36.1	7	+8.1	+19.1
Geraldton	1,897	8	382	10	20.2	31.4	8	+13.0	+36.9
Esperance	1,963	6	391	9	19.9	29.3	9	+7.9	+16.3
Kalgoorlie - Boulder	2,680	3	504	5	18.8	26.2	10	+19.0	+43.1
WA excluding Perth	1,923		535		27.8	39.4		+14.4	+39.8

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2022 median rent for all types of established housing for each housing market area. Income is median household gross weekly income by sub-regional market, imputed from Census 2021 and uprated to 2022 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on Corelogic (2023) and ABS Census 2021.

Multi-residential unit rental

Table 20 looks at rental income ratios for multi-residential units, providing a comparison of median and lower quartile price-to-income ratios, and tracking changes over the last year and last decade. By comparison to the rent income ratios for detached houses (Table 19), multi-residential units appear to offer more affordable options for both median and lower quartile households – with all sub-regions in Greater Perth ranging between 16-21 per cent of income and deemed 'affordable' for median income families, and around half of the sub-regions either 'affordable' (23-29%) or 'moderately affordable' (30-34%) for lower quartile families.

Rent to income ratios for multi-residential units increased substantially across the board over the last 12 months, with most increases ranging from 9 per cent to 15 per cent and also over the last decade (ranging from around 25% to 39%). While units still remain comparatively more affordable than detached houses (ranging from around $320 to 500 per week median rent, compared to a range of $450 to $650 for houses), the price rises over the last year (9% to 15% for units against 8% to 14% for houses) have been comparable.

Looking at price income ratios for multi-unit dwellings in regional centres also shows a similar picture. Rent price rises for units appear to be more volatile than those seen for detached houses (Table 19), although this may in turn reflect greater variability due to the comparative lack of muti-unit stock in many regional centres. Again, we see median price units are deemed affordable to median income families in all regional centres, while more than half of lower quartile rentals are deemed affordable to low income households.

Rent rises for units over the last year (around 9% to 15%) and five years (between 9% and 101%) also show a similar trend to that for regional housing, with a bit more volatility. The most dramatic increases are in the same regional centres – with Port Hedland jumping 101 per cent, Karratha 70 per cent and of Augusta-Margaret River-Busselton by 36 per cent.

TABLE 20

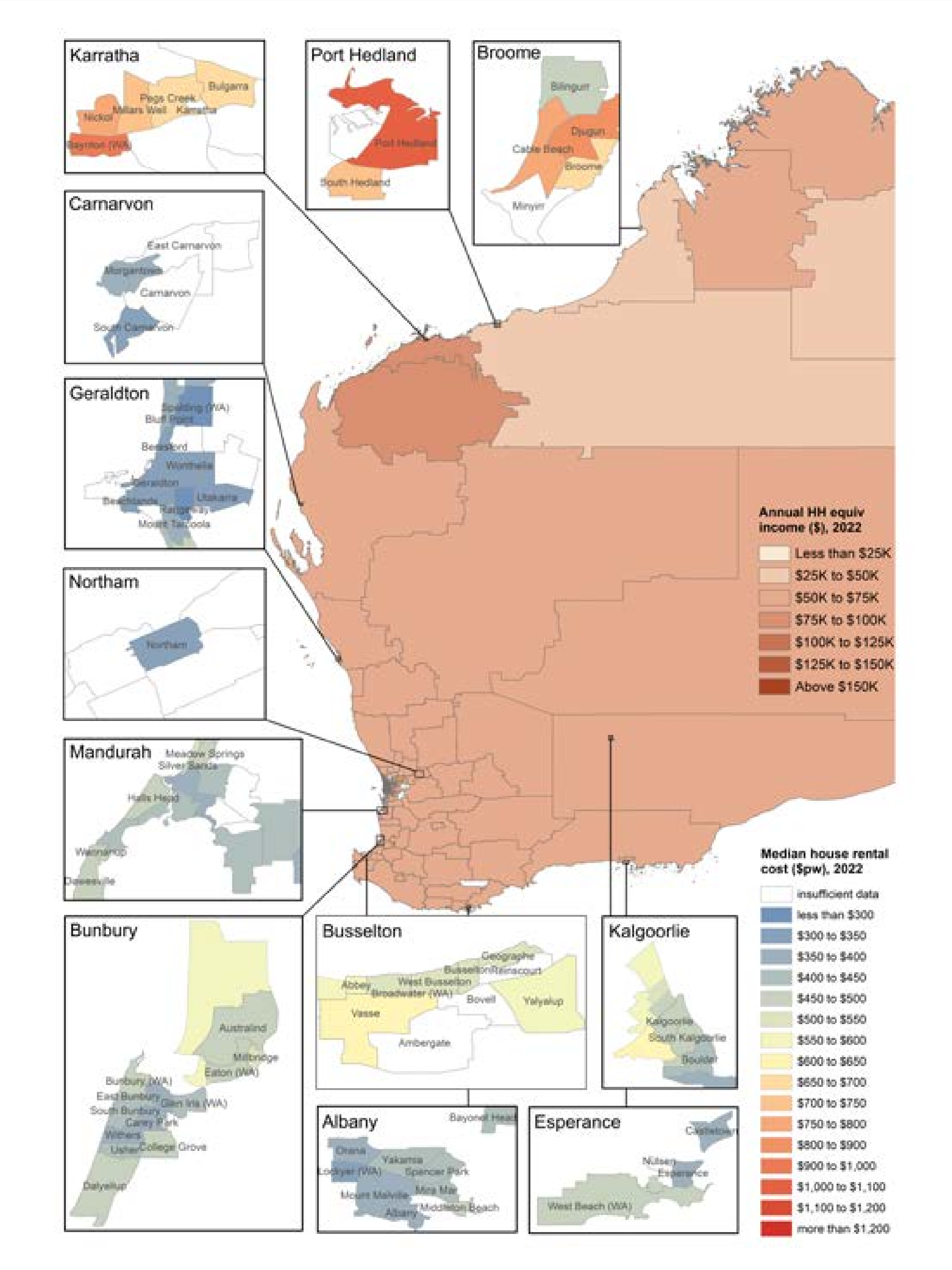
Median rent-income ratios for multi-residential units, by WA sub-region: 2022

Sub-regional housing market area Perth planning region	Median household gross annual income by sub-region, 2022$		Median rental cost for residential units by sub-region, 2022$		Median rent-to-income ratio	LQ rent-to-income ratio		Change in median rents	
Sub-region	Median income		Median rental cost		r/i ratio (Dec 2022)	r/i ratio (Dec 2022)		Change over 12m (%)	Change over 5yrs (%)
Fremantle	2,489	5	535	1	21.5	30.7	1	+13.6	+35.3
Cottesloe - Claremont	3,825	1	495	3	12.9	20.4	19	+8.5	+28.4
Rockingham	1,806	19	374	15	20.7	31.4	5	+14.9	+39.7
Melville	2,590	4	497	2	19.2	31.2	7	+11.4	+33.8
Canning	2,046	14	439	8	21.4	34.4	2	+13.1	+37.7
Gosnells	1,779	20	380	13	21.4	33.4	3	+15.0	+34.5
Wanneroo	2,011	15	419	11	20.9	32.7	4	+11.9	+33.4
Stirling	2,416	7	458	6	19.0	30.1	8	+10.6	+36.9
Joondalup	2,450	6	444	7	18.1	28.6	12	+10.3	+28.4
South Perth	2,670	3	464	5	17.4	28.4	14	+12.8	+34.2
Perth City	2,868	2	472	4	16.5	23.5	17	+9.4	+24.3
Kwinana	1,844	18	319	19	17.3	26.3	15	+17.8	+37.1
Swan	2,004	16	370	16	18.5	28.7	11	+9.2	+29.1
Cockburn	2,272	9	430	10	18.9	30.5	9	+11.3	+31.0
Bayswater - Bassendean	2,185	12	405	12	18.5	29.2	10	+10.4	+38.3
Armadale	1,998	17	351	17	17.6	26.9	13	+14.6	+38.3
Belmont - Victoria Park	2,189	11	438	9	20.0	29.4	6	+9.9	+31.5
Mundaring	2,126	13	331	18	15.6	25.4	18	-1.9	+24.7
Kalamunda	2,286	8	379	14	16.6	29.9	16	+6.5	+27.3
Serpentine - Jarrahdale	2,228	10	-						
Greater Perth	2,132		451		21.1	31.3		+10.7	+31.4
Broome	2,273	4	485	4	21.4	28.5	3	+13.5	+35.6
Augusta - Margaret River - Busselton	2,092	5	503	3	24.0	38.6	1	+20.4	+43.1
Karratha	3,078	2	567	2	18.4	21.8	6	+15.8	+70.0
Mandurah	1,727	10	372	7	21.6	36.2	2	+12.0	+34.6
Port Hedland	3,335	1	595	1	17.8	21.0	7	+13.6	+101.0
Bunbury	1,956	7	389	6	19.9	31.7	4	+13.1	+31.1
Albany	1,788	9	337	8	18.9	28.7	5	+5.3	+13.8
Geraldton	1,897	8	273	10	14.4	22.4	9	+9.0	+23.0
Esperance	1,963	6	279	9	14.2	20.9	10	+1.4	+9.3
Kalgoorlie - Boulder	2,680	3	422	5	15.7	21.9	8	+19.9	+44.8
WA excluding Perth	1,923		460		23.9	33.9		+14.7	+54.1

Notes: Suburbs and regions ordered by local area rent-to-income (r/i) ratio. Rental value is the 2022 median rent for all types of multiresidential units for each REIWA sub-regional housing market area. Income is median household gross weekly income by sub-regional market, imputed from Census 2021 and uprated to 2020 dollars.
Source: Bankwest Curtin Economics Centre | Authors' calculations based on Corelogic (2023) and ABS Census 2021.

FIGURE 34

Median rental costs for established houses by WA regional centres: December 2022



Notes: Rental costs are median weekly rental costs for all residential units for each regional suburb during 2022.
Source: Bankwest Curtin Economics Centre | Authors' mapping based on Corelogic data.

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 35 and Figure 36 map respectively the median and lower quartile rent to income ratios for each suburb in Perth metropolitan, using a combination of Corelogic transactions data for rents and 2021 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.

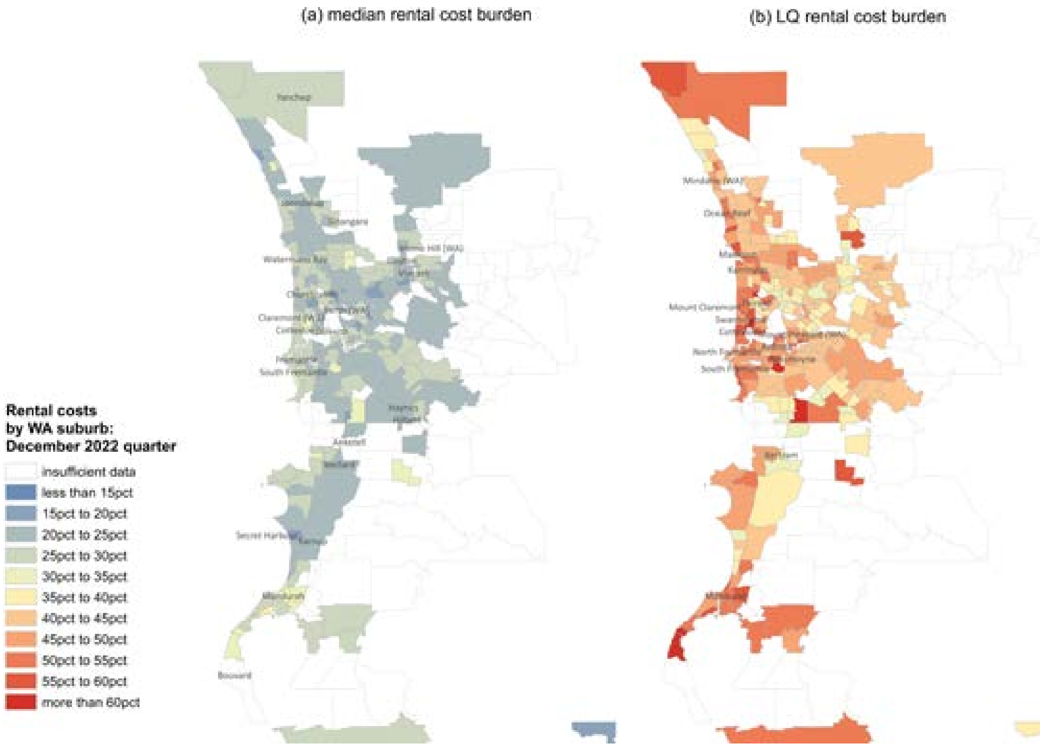
Looking first at measures of rental affordability for the typical family using median rent-income ratio (Figure 35), the predominant picture is one of affordable rents for those families on median incomes across most of Greater Perth. This is particularly the case in suburbs around Cockburn, Gosnells 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. But the picture changes substantially when looking at the level of rental affordability among families on lower incomes when seeking lower price-point rental properties within their suburbs (Figure 36).

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

FIGURE 35

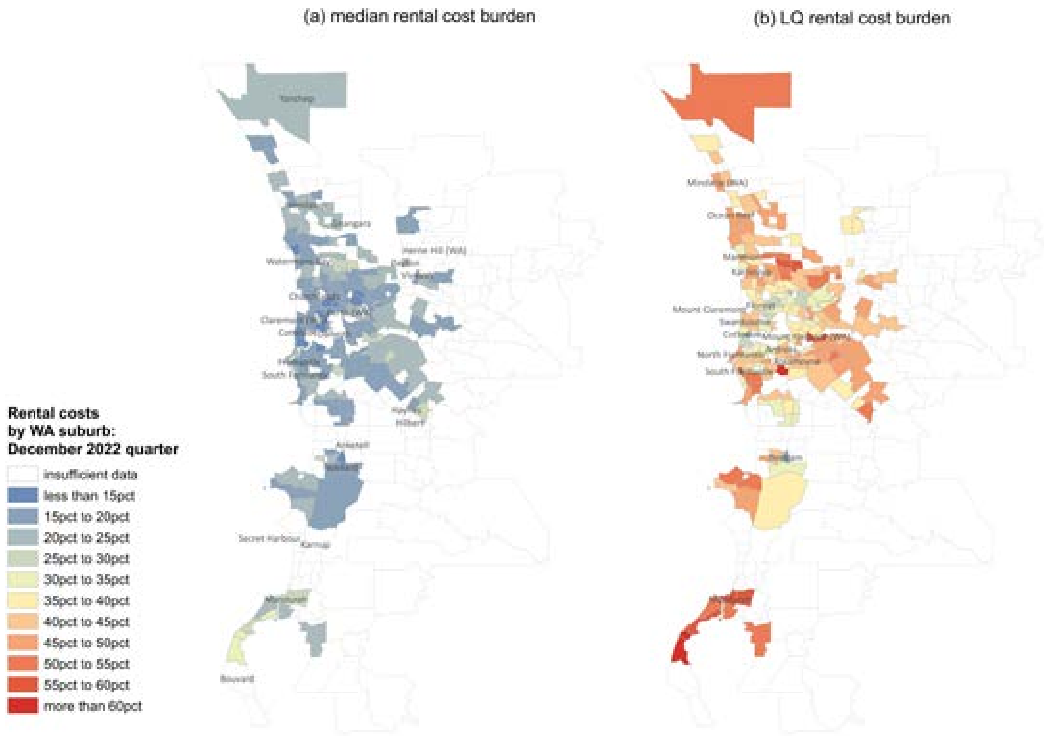
Rental cost burdens for established houses by Perth suburb, December 2022



Note: Rental costs are based on Corelogic (2023) rental listings data for houses in the December 2022 quarter. Household incomes are derived from ABS Census 2021 data, uprated to 2022 dollars. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of rental costs to household income. Sub-regions with fewer than 10 transactions over the period are excluded from analysis.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 2021.

FIGURE 36

Rental cost burdens for residential units: by Perth suburb, December 2022



Note: Rental costs are based on Corelogic (2023) rental listings data for residential units in the December 2022 quarter. Household incomes are derived from ABS Census 2021 data, uprated to 2022 dollars. Sub-regions are defined according to the ABS SSC geographical classification. Rental cost burdens are defined as the ratio of rental costs to household income. Sub-regions with fewer than 10 transactions over the period are excluded from analysis.
Source: Bankwest Curtin Economics Centre | Authors' calculations from Corelogic (2023) and ABS Census 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, Fremantle and Byford to the south.

However, rent-income ratios for lower income families are well above 30 per cent for a far greater number of suburbs around 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 further west towards Mundaring and Mount Helena.

A similar pattern emerges when comparing the rental affordability of multi-residential units for typical families (Figure 36) with the rental burden faced by lower income families.

The band of apparent rental affordability of lower priced units 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.

WHICH SUBURBS HAVE FACED THE LARGEST RENTAL COST CHANGES?

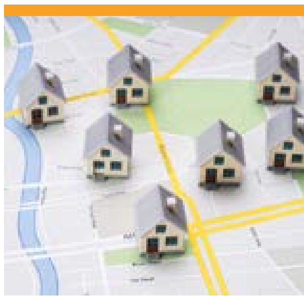
The rental sector in Western Australia has experienced some of the most significant price increases in its history since the onset of the COVID-19 pandemic. The state government imposed a number of measures over the first phase of the pandemic in 2020 including a moratorium on rent increases and evictions. But rental costs have spiralled since these restrictions were lifted, and again once borders reopened in March 2022.

While there was generally very little change in the median rental costs in the first year of the pandemic, the rate of rental cost inflation has accelerated substantially over the last two years (Table 21).

Median rents for established houses in Greater Perth have increased by $117 per week (31%) between 2019 and 2022, and by substantially more in some suburbs.

South Perth, Wanneroo, Gosnells and Kwinana have all seen increases of 35 per cent or more since before the pandemic – mostly over the past two years.

Port Hedland and Karratha have seen the biggest increases across regional areas of the state, with rents rising more than $250 over the period.



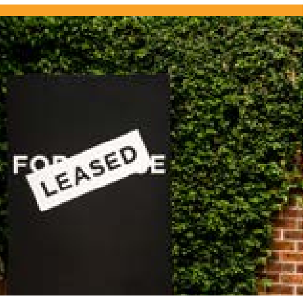
Median rents for established houses in Greater Perth have increased by $117 per week (31%) between 2019 and 2022, and by substantially more in some suburbs.

TABLE 21

Median house rental costs by Perth suburb and WA region: 2018 to 2022

Sub-regional housing market area Perth planning region	House Median - rental costs by sub-region, 2017-2023$						Quarterly change in House Median - rental costs by sub-region, 2020$					
Sub-region	2018	2019	2020	2021	2022	Jan 2023	year to Dec 2019	year to Dec 2020	year to Dec 2021	year to Dec 2022	2019-2022	
	$pw	$pw	$pw	$pw	$pw	$pw	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change ($pw)	change (%)
Cottesloe - Claremont	602	630	647	710	793	834	+28	+17	+63	+83	+163	+26%
South Perth	408	411	425	492	560	605	+3	+14	+67	+68	+149	+36%
Perth City	422	435	436	486	524	564	+12	+2	+50	+38	+90	+21%
Melville	409	419	439	492	555	592	+9	+21	+52	+64	+137	+33%
Fremantle	439	449	457	501	567	613	+10	+9	+44	+65	+118	+26%
Joondalup	405	413	438	486	545	576	+8	+25	+48	+59	+131	+32%
Stirling	400	397	411	467	526	558	-3	+13	+56	+60	+129	+32%
Cockburn	374	380	384	430	494	518	+6	+4	+46	+64	+114	+30%
Canning	341	344	355	402	458	490	+3	+11	+48	+56	+114	+33%
Bayswater - Bassendean	327	335	345	397	453	478	+8	+10	+52	+55	+118	+35%
Belmont - Victoria Park	351	355	368	413	463	487	+4	+13	+44	+50	+108	+30%
Wanneroo	342	345	356	406	467	507	+3	+11	+50	+61	+122	+35%
Serpentine - Jarrahdale	384	392	400	430	486	480	+8	+9	+30	+56	+94	+24%
Kalamunda	378	380	381	427	473	505	+2	+1	+46	+47	+94	+25%
Mundaring	376	375	378	407	428	435	-1	+3	+28	+21	+53	+14%
Swan	334	334	342	385	430	459	-0	+8	+43	+45	+96	+29%
Armadale	321	322	323	372	427	457	+1	+2	+49	+55	+105	+33%
Rockingham	295	299	307	350	402	429	+5	+8	+42	+53	+103	+34%
Gosnells	305	298	307	347	407	436	-7	+9	+40	+60	+109	+37%
Kwinana	265	263	271	313	371	397	-2	+8	+42	+59	+108	+41%
Greater Perth	373	378	389	438	495	527	+5	+11	+50	+57	+117	+31%
Karratha	399	416	526	614	673	703	+17	+110	+88	+59	+257	+62%
Broome	444	453	471	490	580	654	+9	+18	+20	+89	+127	+28%
Port Hedland	454	433	2,050	1,259	712	788	-20	+1,61			+279	+64%
Busselton	390	391	397	448	539	578	+1	+6	+51	+90	+147	+38%
Kalgoorlie - Boulder	357	353	355	377	453	509	-4	+2	+22	+75	+100	+28%
Bunbury	326	324	332	368	425	444	-2	+8	+36	+57	+100	+31%
Albany	339	337	337	361	392	419	-2	+0	+23	+32	+55	+16%
Mandurah	308	313	317	368	420	456	+5	+4	+51	+52	+107	+34%
Esperance	300	296	303	319	357	369	-4	+7	+15	+39	+61	+21%
Geraldton	262	259	262	296	340	363	-3	+3	+34	+43	+81	+31%
WA excluding Perth	331	331	380	400	449	479	-0	+49	+20	+49	+118	+36%

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).



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.

Rental costs for residential units have risen by similar margins to those of houses, with average increases between 2019 and 2022 of $100 per week (31%) in Perth and $129 (43%) across WA's regions.

Armadale and Stirling have experienced the biggest increase in median rents for units, rising 41 and 39 per cent respectively. For Armadale, this represents an increase of $98 per week compared to 2019 and for Stirling $124.

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.

Median rents for residential units have risen by nearly $240 per week (77%) since 2019 in Port Hedland and by $180 per week (51%) in Karratha as a result of increased activity in the mining sector.

THE AUSTRALIAN HOUSING CONDITIONS DATA INFRASTRUCTURE SURVEY 2023

LIEF SURVEY STRUCTURE

Previous BCEC Housing Affordability reports contained bespoke surveys examining housing affordability across three states: Western Australia, New South Wales and Queensland. For this year's report we decided to utilise a much larger, national survey covering elements of dwelling satisfaction including conditions and affordability as well as housing aspirations. The Australian Housing Conditions Data Infrastructure (AHCDI) survey, funded by the Australian Research Council under their Linkage Infrastructure Equipment and Facilities (LIEF) program was led by the University of Adelaide and included Curtin University as a partner. The AHCDI is the third in a series of surveys (see Baker et al., 2022) with a further survey to be conducted in 2024.

The AHCDI surveyed 22,500 Australian households in June 2022, oversampling rental households due to a focus on housing conditions and aspirations. For the purposes of this report, the survey has been weighted by age group to ensure a representative sample. The survey is also representative by state/territory population. The analysis is split by tenure, location, age group and household structure to identify patterns in survey outcomes.

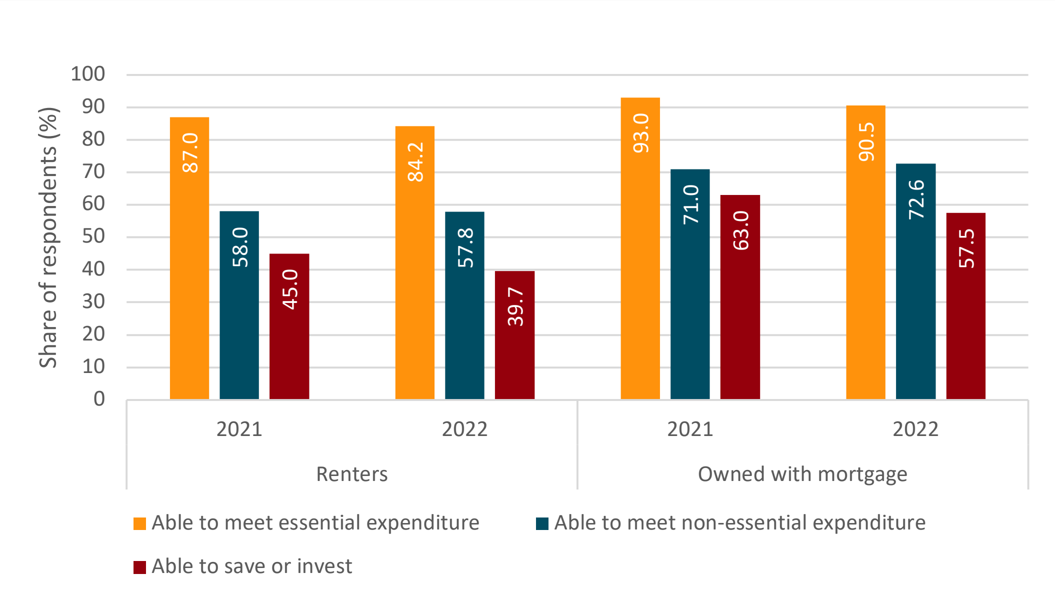
Due to the different sampling framework and question structure, there are very few direct comparisons that can be drawn with previous BCEC surveys, however analysis of the AHCDI allows the report to cover areas not previously explored in the BCEC Housing Affordability reports such as housing conditions and dwelling satisfaction.

EXPENDITURE

The BCEC and AHCDI surveys contained a common question about household expenditure. The question asked whether households had enough money left over after rent or mortgage payments for essential[4] and non-essential expenditure[5] and for savings/investment. Figure 37 compares the results across the 2021 and 2022 surveys and shows a big fall in the proportion of both renters and mortgagees having money left over to save/invest. With both rents and mortgage payments having increased significantly since June 2022 we can expect the proportion of households being able to meet all three items of expenditure to have declined. Figure 38 compares the outcomes of the question across three BCEC surveys and the 2022 AHCDI survey for renters. The proportion of renters now able to save/invest after paying their rent has fallen to the lowest level since 2017. As we will see later in the report, the biggest barrier to home ownership for renters is the ability to save a deposit and increasing rents negatively impact on a household or individual's ability to save.

FIGURE 37

Housing costs and essential/non-essential expenditure



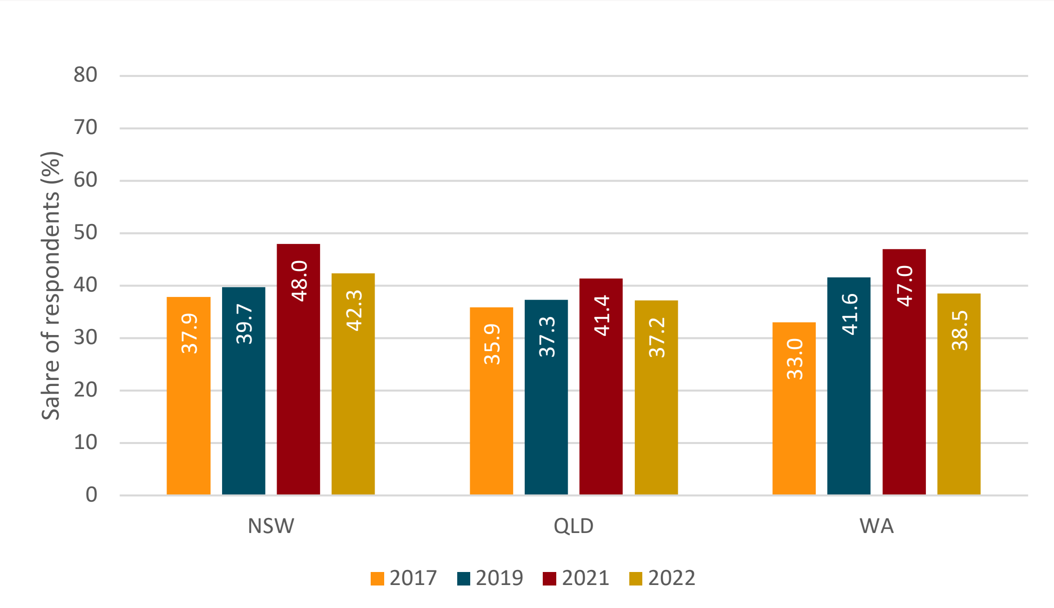
Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

4 Essential expenditure is defined as expenditure necessary for day-to-day living including bills, basic food and drink, clothes, transport etc.

5 Non-essential expenditure is defined as expenditure on items such as social activities, holidays, TV, non-essential food and drink such as alcohol, etc.

FIGURE 38

Ability to save/invest after paying rent



Source: Bankwest Curtin Economics Centre Housing Affordability survey 2021 (Crowe et al 2021); Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Concentrating on renters, Table 22 displays the proportion of respondents able to meet the three items of expenditure by renter type, age group and household structure. Only around a quarter of tenants in public or community housing are able to save and less than a half can meet non-essential expenditure. Just under a third of older households, 65+, are able to save compared to 54 per cent of those in the 18-29 age group. Finally, it is one parent families that have the greatest difficulty meeting expenditure with a quarter unable to afford essential items. Analysis of the data by state/territory shows ACT rental households have the greatest ability to save (56%) and Tasmanian renters the least (38%). WA households are more likely to be able to meet non-essential expenditure that their NSW and Victorian counterparts but are less likely to be able to save (Table 23).

TABLE 22

Ability to meet expenditure: Renters

	Essential expenditure	Non-essential expenditure	Savings/ investment
Tenure type			
Rented - Real Estate Agent	85.7	59.7	42.1
State or Territory housing authority	77.2	47.7	26.4
Someone not in the same household	85.5	61.0	41.9
Community housing provider	75.4	44.2	25.0
Age			
18 to 29 years	88.9	67.7	54.0
30 to 49 years	86.0	63.2	46.6
50 to 64 years	81.1	54.6	36.5
65 years or over	86.0	56.6	32.0
Family type			
Couple with no children	90.4	70.9	55.3
Couple with children	87.6	64.5	46.3
One parent family with children	75.2	41.7	25.5
Single person, living alone	83.8	57.7	39.6
Shared living arrangement	86.7	62.7	44.2
Other	76.6	49.4	32.0

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 23

Ability to meet expenditure by state/territory: Renters

	Essential expenditure	Non-essential expenditure	Savings/ investment
New South Wales	84.6	61.9	45.9
Victoria	85.6	62.5	44.6
Queensland	86.1	58.6	41.8
South Australia	86.7	60.4	43.1
Western Australia	86.2	63.3	43.0
Tasmania[6]	82.0	58.2	37.6
Australian Capital Territory[6]	90.8	71.7	56.0
Northern Territory[6]	92.4	66.1	49.9

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

6 Results for the ACT, Tasmania and Northern Territory should be treated with caution as the number of respondents (due to their relatively low populations) results in a high standard error and low level of confidence.

Duration in a rental dwelling is strongly linked to an inability to save. Renters who have stayed in a dwelling for 5 years or more are far less likely to be able to save than new movers. This may be a function of age, indicating long term, older renters are more likely to be trapped in the sector due to their inability to save.

TABLE 24

Ability to meet expenditure and duration in current dwelling: Renters

Renters	Less than a year	1 to less than 2 years	2 to less than 5 years	5 or more years
Essential expenditure	88.3	85.4	85.0	81.6
Non-essential expenditure	65.1	61.9	58.1	54.6
Savings/investment	47.5	46.2	42.6	35.3

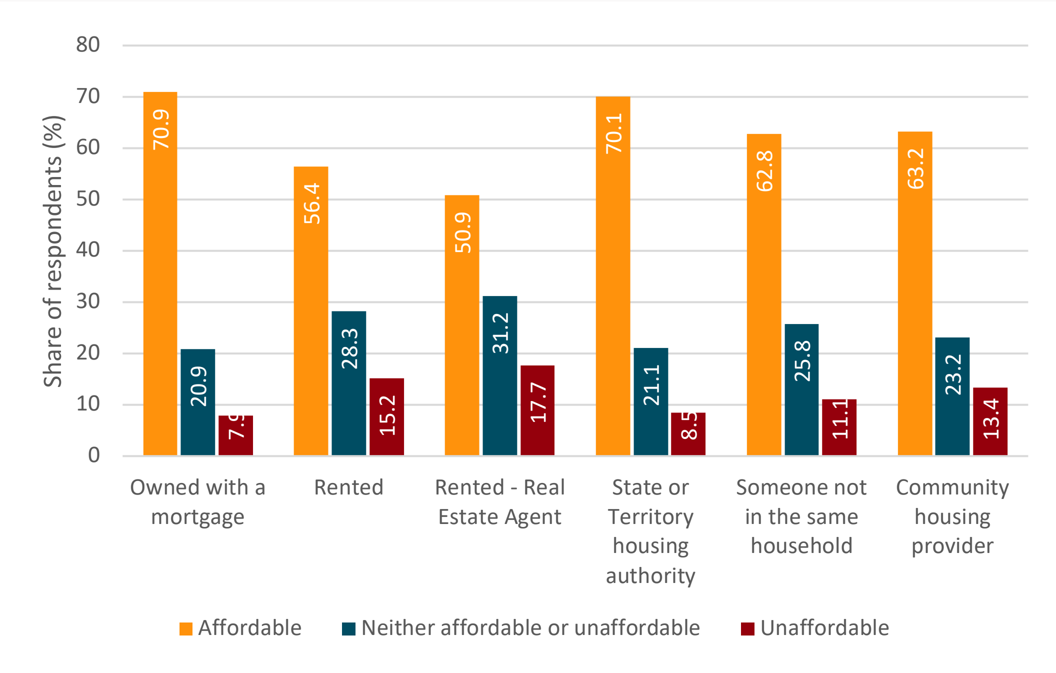
Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

PERCEPTIONS OF AFFORDABILITY

The 22,500 respondents to the AHCID survey were asked to what extent their rent or mortgage payments were affordable to them. Answers were given on a 5 point rating scale from very affordable through to very unaffordable. For the purposes of the analysis below, the 5 points are collapsed into 3 – affordable, neither affordable or unaffordable, unaffordable. Figure 39 presents affordability by tenure for 2022. The figure covers all households in the survey and clearly shows how unaffordable housing is uncommon among owners at less than 10 per cent but rises to just under one in five of all renters. That equates to around 500,000 renters living in housing they regard as unaffordable. We would expect these outcomes to worsen given recent patterns of rent increases and mortgage interest rate rises. This 500,000 figure is much lower than the 915,000 renters in the 2021 census recorded as paying more than 30 per cent of their income in rent. However, paying above 30 per cent of your income on rent is not automatically unaffordable for a household, particularly for those on moderate to high incomes, making it a relatively poor measure of affordability (Rowley and Ong et al., 2012).

FIGURE 39

Affordability by tenure



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

One parent families were the most likely to rate their housing as unaffordable (22%) and couples with no children the least likely (10%). There were strong links between the ability to meet expenditure and affordability ratings with just 11.5 per cent of those rating their housing as unaffordable able to save/invest and just 62 per cent able to meet essential expenditure. Table 25 displays affordability by state/territory with the traditionally more expensive states, NSW and Victoria, slightly less affordable than SA and WA. In WA, 12 per cent of households rated their housing as unaffordable, well below the figure for Northern Territories of almost 18 per cent. ACT was the more affordable location. Households identifying as Aboriginal and/or Torres Strait Islander (750 in the survey) were far more likely to be in unaffordable housing at 20 per cent compared to 13.4 per cent of other households.

Of course, there are strong relationships between household income and affordability ratings with 18 per cent of those on a household income below $59,000 rating their housing as unaffordable compared to just 4.4 per cent of those over $200,000 (Table 26).

TABLE 25

Ratings of affordability by state/territory

	Affordable	Neither affordable or unaffordable	Unaffordable
New South Wales	57.9	27.7	14.2
Victoria	59.9	26.6	13.2
Queensland	59.7	25.9	14.0
South Australia	64.3	23.8	11.8
Western Australia	60.8	26.8	12.1
Tasmania	60.2	26.3	13.2
Australian Capital Territory	62.7	26.1	11.1
Northern Territory	55.3	26.9	17.8

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 26

Income and affordability rating

	Affordable	Neither affordable or unaffordable	Unaffordable
Income band			
Under $31,000	54.3	27.8	17.8
$31,000 to $59,000	53.4	28.4	18.0
$59,001 to $90,000	54.2	29.4	14.4
$90,001 to $125,000	61.6	25.9	12.5
$125,001 to $150,000	64.9	25.2	9.7
$150,001 to $200,000	69.4	22.5	8.1
Over $200,000	77.4	18.2	4.4
Indigenous status			
Identify as Aboriginal and/or Torres Strait islander	55.7	24.3	20.0
Do not Identify as Aboriginal and/or Torres Strait islander	60.0	26.7	13.4

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

There is an abundant literature concerning the link between housing and health (see for example Bentley et al. 2019) and the AHCDI allows us to explore the relationship between housing and both physical and mental health ratings. Table 27 shows clearly how physical and mental health ratings decline quickly as housing becomes less affordable. Almost 30 per cent of households who described their housing as unaffordable rated their physical and mental health as poor compared to just 8 per cent of those in excellent health. For those rating their health as excellent, over 70 per cent lived in housing they regarded as affordable compared to just 40 per cent who rated their health as poor.

TABLE 27

Affordability and health ratings

	Affordable	Neither affordable or unaffordable	Unaffordable
Physical health			
Excellent	70.7	21.0	8.4
Very good	67.5	22.9	9.6
Good	59.4	27.6	12.9
Fair	49.0	32.7	18.3
Poor	42.0	29.1	28.9
Mental Health			
Excellent	74.5	18.4	7.1
Very good	69.6	22.3	8.1
Good	59.9	28.3	11.8
Fair	51.4	31.0	17.6
Poor	42.1	29.7	28.2

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

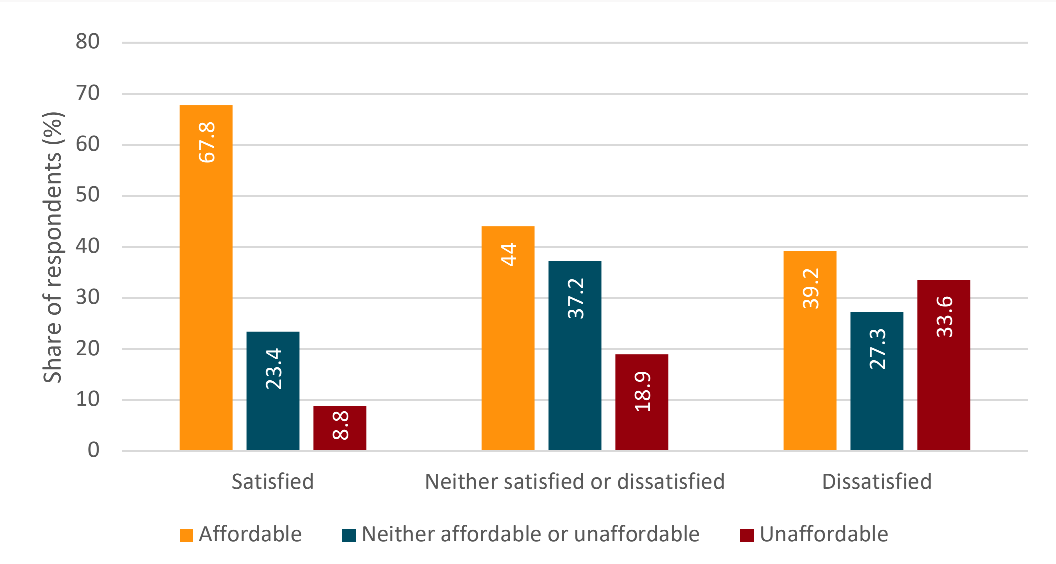
DWELLING SATISFACTION

A household's satisfaction with their dwelling was another question within the AHCDI. Just under 70 per cent of all households were satisfied with their dwelling and 11 per cent dissatisfied. There were clear relationships between satisfaction, affordability and tenure as shown in Figure 40.

Table 28 shows under 9 per cent of those rating their housing as affordable were dissatisfied compared to a third of those rating their housing as unaffordable. Renters were far more likely to be dissatisfied with their dwelling at 12 per cent, and dissatisfaction levels were highest amongst social housing tenants at over 17 per cent. Once again, one person families had the worst housing outcomes with 17 per cent dissatisfied while couples with no children household were at just 7 per cent.

FIGURE 40

Dwelling satisfaction: All households



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 28

Dwelling satisfaction and tenure

	Satisfied	Neither satisfied or dissatisfied	Dissatisfied
Owned with a mortgage	79.7	13.8	6.5
Owned outright	88.0	8.4	3.6
Rented	65.7	21.9	12.4
A real estate agent	66.3	22.0	11.7
A State or Territory housing authority	60.4	21.6	17.9
A community housing provider	57.0	25.7	17.3
Someone not in the same household	67.9	20.8	11.3
Your employer	74.7	18.8	6.6

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Location, age and gender are all covered in Table 29. Males are more likely to be satisfied with their housing than females while household over 65 were by far the most satisfied. In terms of location, differences were small with NSW and Tasmanian households the least satisfied and those in the ACT and Queensland the most satisfied. Once again, WA was in the middle. Households identifying as Aboriginal and/or Torres Strait Islanders were almost twice as likely to be dissatisfied with their dwelling. As we will see below, this is a function of poor housing conditions and affordability.

TABLE 29

Dwelling satisfaction by location, age and gender

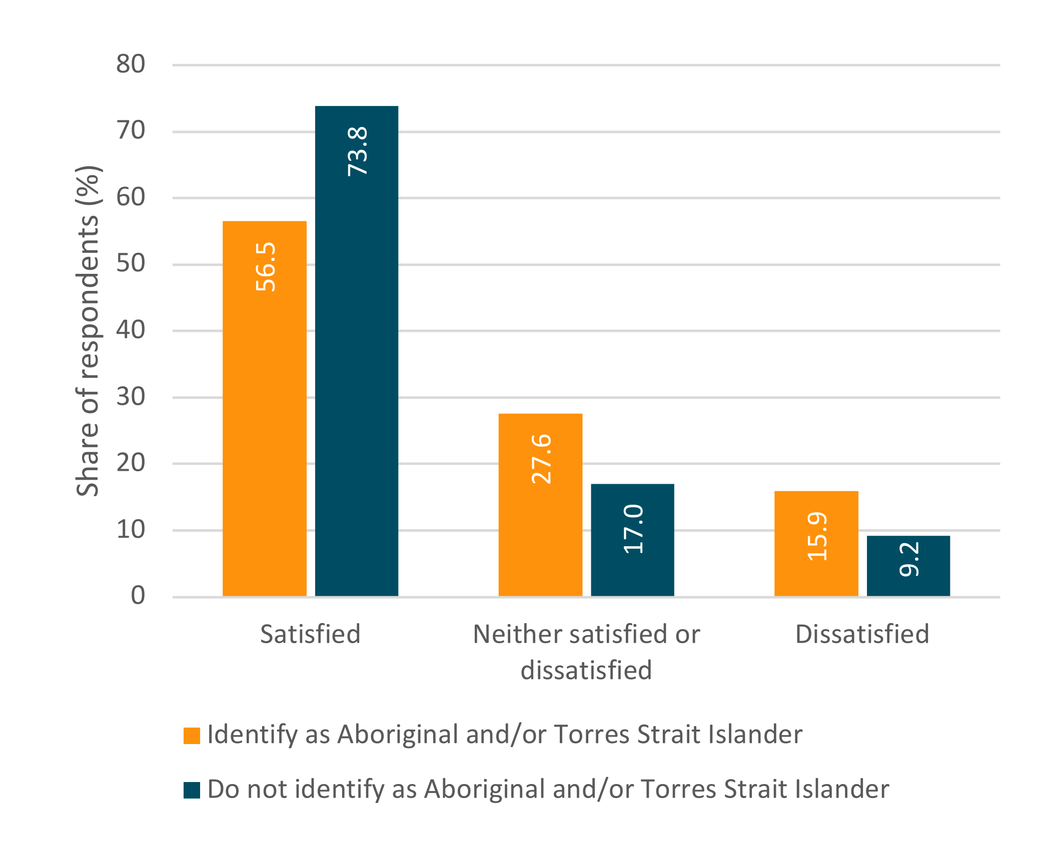
	Satisfied	Neither satisfied or dissatisfied	Dissatisfied
State or territory			
New South Wales	70.9	18.6	10.6
Victoria	73.0	17.3	9.6
Queensland	75.8	16.2	7.9
South Australia	73.6	17.5	8.9
Western Australia	72.7	17.8	9.6
Tasmania	72.7	17.1	10.2
Australian Capital Territory	77.5	15.0	7.5
Northern Territory	76.3	17.0	6.7
Age			
18 to 29 years	70.3	20.8	8.9
30 to 49 years	67.7	20.6	11.7
50 to 64 years	72.2	17.1	10.7
65 years or over	85.0	10.1	4.9
Gender [1]			
Male[7]	78.5	14.7	6.8
Female	70.7	18.6	10.6
Your employer	74.7	18.8	6.6

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

7 Other gender options were provided within the survey but there were only sufficient responses within the male and female categories for robust analysis.

FIGURE 41

Dwelling satisfaction and Aboriginal/Torres Strait Islanders



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

HOUSING CONDITIONS

As the title of the Australian Housing Conditions Data Infrastructure survey suggests, the condition of housing was a key focus. Of the 22,500 respondents, 8.9 per cent rated the condition of their dwelling as poor or worse. There were significant variations across tenures as shown in Table 30 with public and community housing tenants most likely to rate their housing as poor or very poor and those owning outright most likely to rate the condition of their housing as good or excellent. Over 11 per cent of private sector renters rated the condition of their housing as poor or worse. The figures show that across Australia there are over 300,000 rental households living in poor quality housing.

TABLE 30

Housing conditions by tenure

	Good or better	Average	Poor or worse
Owned with a mortgage	70.1	25.9	3.7
Owned outright	78.1	19.2	2.6
Rented	54.5	34.2	11.2
A real estate agent	54.9	34.5	10.4
A State or Territory housing authority	50.2	35.0	14.4
A community housing provider	49.7	34.6	15.4
Someone not in the same household	53.8	34.6	11.6
Your employer	60.0	32.4	7.6
Other	64.1	26.8	9.0

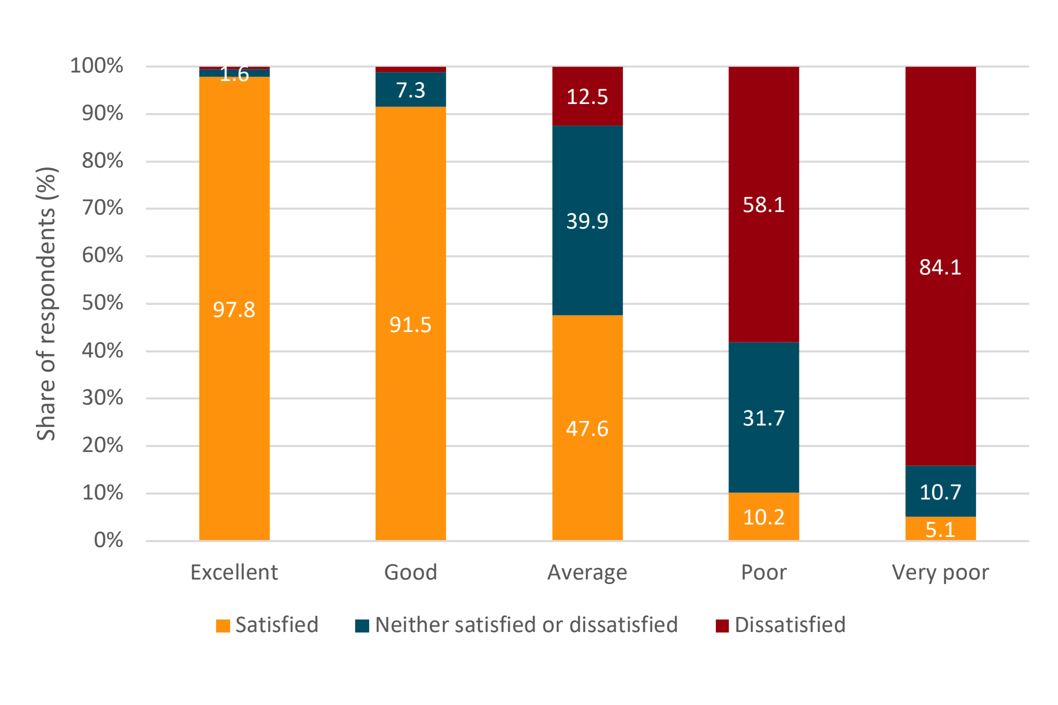
Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

There is a very strong relationship between housing conditions and dwelling satisfaction, much stronger than affordability and satisfaction. Almost 100 per cent of households in housing they regard as being in excellent condition were satisfied with the dwelling. However, for very poor condition housing, 84 per cent were dissatisfied with their dwelling. From this we can conclude the condition of housing is a far greater factor in housing satisfaction than affordability. Households can adjust to unaffordable housing, to a certain extent, but cannot adjust to poor quality housing.

Housing conditions were worst in NSW (9.5 per cent poor or worse) and best in the ACT (65.5 per cent good or better). WA had the second lowest proportion of poor or worse quality housing. There is little difference in ratings of housing conditions between age groups until the 65+ group where housing conditions improve. However, over 9 per cent of renters over the age of 65 live in poor quality housing. Almost 15 per cent of one parent families live in poor quality housing compared to just 5.7 per cent of couples with no children. As Figure 43 shows, Aboriginal/ Torres Strait Islander households are twice as likely to live in poor quality housing.

FIGURE 42

Housing conditions and dwelling satisfaction



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 31

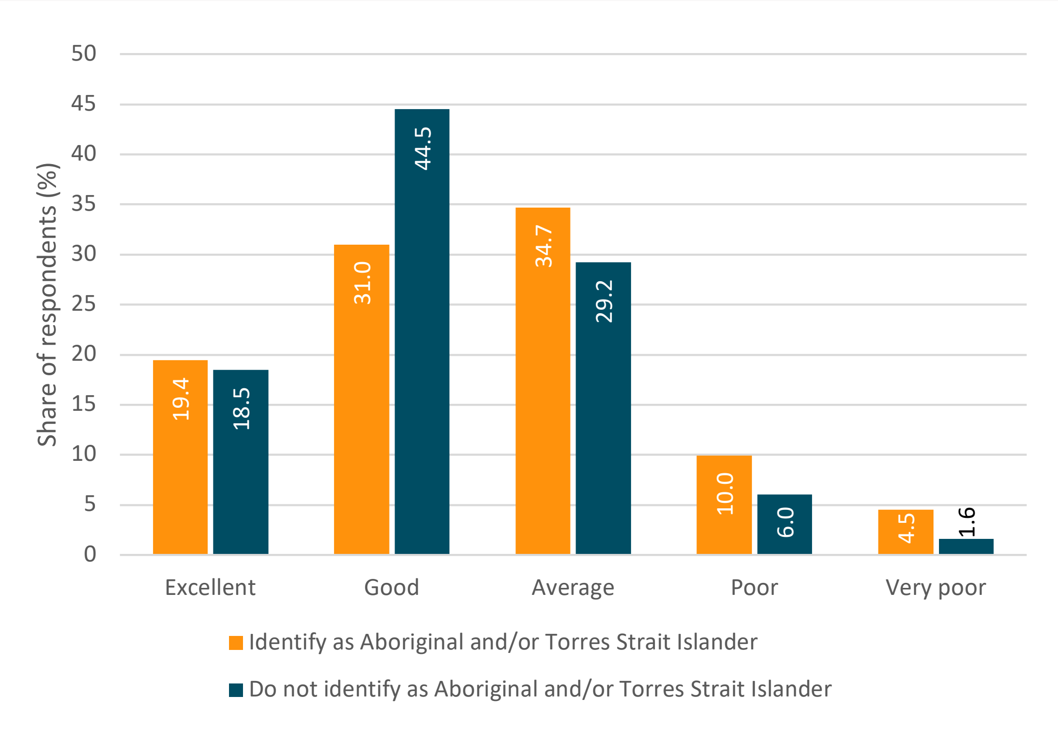
Housing conditions, location and age

	Good or better	Average	Poor or worse
State or territory			
New South Wales	59.6	30.7	9.5
Victoria	63.5	28.6	7.8
Queensland	64.8	27.7	7.1
South Australia	63.0	29.8	7.1
Western Australia	62.1	30.8	7.0
Tasmania	61.9	30.5	7.6
Australian Capital Territory	65.5	28.9	5.6
Northern Territory	64.9	31.4	3.1
Age			
18 to 29 years	59.5	32.0	8.2
30 to 49 years	58.1	32.5	9.3
50 to 64 years	60.5	30.6	8.6
65 years or over	73.9	21.1	4.9
65+ renters	62.3	28.3	9.2

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

FIGURE 43

Housing condition by Aboriginal/Torres Strait Islander status

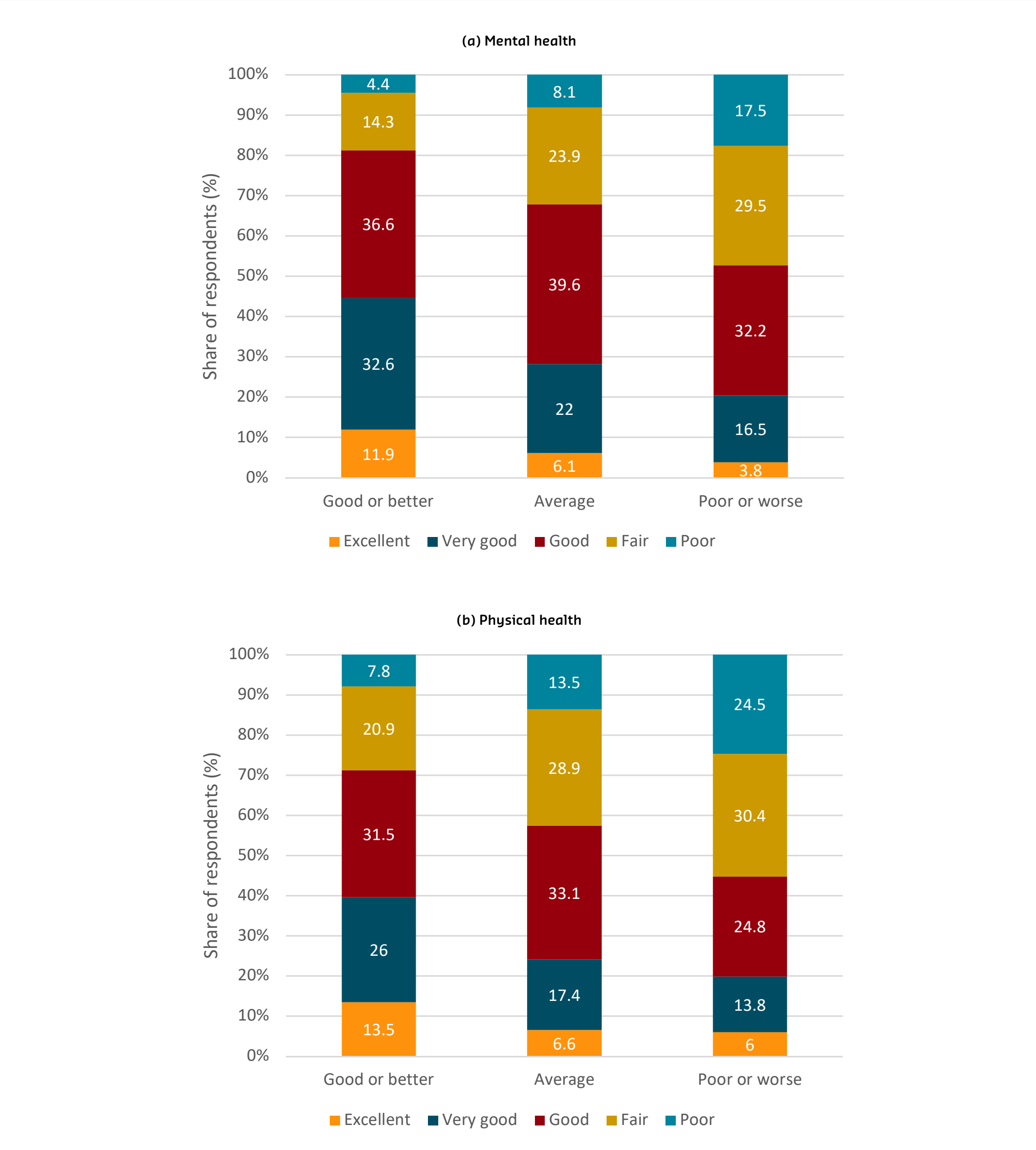


Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Concentrating on renters, there were very strong links between dwelling conditions and health outcomes. Just 4.4 per cent of renters that rated their housing condition as good or better reported poor physical health outcomes compared to 17.5 per cent of respondents rating their housing condition as poor or worse. For mental health outcomes, almost one quarter of renters rating their mental health as poor lived in dwellings with conditions rated as poor or worse. This figure dropped to 7.8 per cent of renters living in dwellings in good or better condition.

FIGURE 44

Dwelling condition and health ratings: Renters



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Staying with renters, respondents were asked to identify particular issues they were currently experiencing in their dwelling, such as dampness, mould, plumbing issues etc., and the results are shown below by state/territory. Almost 50 per cent of renters in NSW currently experience issues with mould compared to 28 per cent in WA. However, in WA half of renters have cracks in walls or floors compared to just 36 per cent in Tasmania. What the table highlights is the extent of dwelling condition issues being face by renters in Australia. More than one in four are experiencing plumbing issues and almost one in five electrical issues. When compared to owners, dwelling issues were much more frequent. This could be a reporting issue or reflect a reluctance on the part of landlords to remedy defects. Table 33 compares the proportion of renters experiencing an issue with the proportion of owners experiencing the same issue. For example, while dampness is an issue for 22.5 per cent of renters in WA it is only an issue for 14 per cent of owners, with the difference of 8.5 shown in the table. In almost every case, renters are more likely to experience condition issues than owners.

TABLE 32

Current issues with the dwelling: Renters

	Dampness	Mould	Cracks in walls/floors	Walls/ windows/ floors that are not levelled	Wood rot/ termite damage	Electrical problems	Roof defects	Plumbing issues
NSW	36.7	47.9	43.4	22.6	11.1	17.6	17.1	29.6
Vic	22.4	28.4	42.1	21.3	11.5	16.5	13.1	28.1
Qld	22.6	36.6	39.0	19.5	11.1	14.5	12.4	26.2
SA	19.2	25.2	42.7	20.4	11.4	15.6	13.5	32.0
WA	22.5	28.1	50.1	18.0	8.4	16.4	16.6	31.4
Tas	34.1	36.3	36.3	28.4	12.3	17.9	11.6	26.3
ACT	29.0	32.2	40.9	19.2	9.5	19.4	18.8	28.1
NT	16.6	25.9	40.3	11.1	8.7	16.6	5.9	26.6

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 33

Current issues with dwelling: difference between owners and renters

	Dampness	Mould	Cracks in walls/floors	Walls/windows/ floors that are not levelled	Wood rot/ termite damage	Electrical problems	Roof defects	Plumbing issues
NSW	+10.8	+11.9	+4.5	+3.6	+1.3	+7.2	+0.3	+8.5
Vic	+10.3	+12.5	+3.1	+2.3	+2.3	+6.2	-1.2	+6.7
Qld	+10.3	+11.1	+9.5	+8.6	+2.3	+7.3	+2.7	+8.5
SA	+6.6	+12.5	+4.2	+7.6	+3.1	+8.4	+1.5	+13.5
WA	+8.5	+9.4	+1.5	+4.9	+2.5	+7.7	+3.6	+11.6
Tas	+19.2	+18.9	+17.1	+15.3	+8.9	+14.2	+5.2	+14.9
ACT	+16.2	+19.5	+2.6	+3.4	+3.1	+6.0	+4.4	+8.4
NT	+3.2	+3.7	+8.5	-15.6	-11.1	+4.7	+0.1	+5.4

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

The survey also allowed us to examine broader issues faced by renters relating to landlords, conditions and neighbourhoods. Breaking responses into landlord type, Table 34 explores a number a key current issues faced by renters including restrictions on pets, maintenance issues and rent increases. Over a third or those renting through a real estate agent had experienced delays with landlords/property managers addressing issues raised, and around 30 per cent suffered from issues due to noise and pests. Almost 40 per cent of renters of each type have difficulty keeping the dwelling warm or cool. Unjustified rent increases were worryingly common for private renters.

TABLE 34

Broader dwelling issues: Renters

	Rented	A real estate agent	State or Territory housing authority	A community housing provider	Someone not in the same household
Restrictions on how you want to use your premise (such as hanging pictures, not allowing pets)	24.7	30.5	10.5	21.3	14.2
Leaks, flooding or plumbing problems	34.5	35.3	34.6	31.4	33.7
Electrical problems (such as fuse blown, faulty wiring)	19.3	19.4	20.6	18.9	19.7
Difficulties keeping the house cool or warm	37.0	37.0	41.4	39.7	35.5
Delays from the landlord or property manager taking actions on issues raised	32.5	37.4	31.6	29.7	19.1
Unjustified rent increases	13.8	16.9	8.7	12.5	7.6
Noise from adjoining flats/neighbours	28.0	27.8	36.0	32.2	23.3
Noise from outside (such as traffic or construction)	27.9	28.9	27.8	28.3	24.7
Issues with pests (such as termites, rodents, cockroaches, ants)	28.7	26.7	39.0	32.5	29.2
No/limited visitor car parking space	22.4	34.6	19.0	22.8	17.1

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

104

Some issues were more prevalent in certain dwelling types. Noise was much more of an issue in higher density products yet apartments over 4 storeys were easier to keep warm/cool and had fewer electrical issues.

TABLE 35

Dwelling issues by dwelling type

	Separate house	Semi-detached, townhouse etc.	Flat or apartment with 4 or fewer floors	Flat or apartment with more than 4 floors
Restrictions on how you want to use your premise (such as hanging pictures, not allowing pets)	21.3	28.0	27.3	31.2
Leaks, flooding or plumbing problems	37.7	36.6	29.6	24.3
Electrical problems (such as fuse blown, faulty wiring)	22.6	17.9	16.0	12.1
Difficulties keeping the house cool or warm	40.1	37.9	34.0	25.3
Delays from the landlord or property manager taking actions on issues raised	32.9	35.3	30.7	29.5
Unjustified rent increases	14.0	14.2	12.8	14.4
Noise from adjoining flats/neighbours	16.9	33.7	42.8	44.5
Noise from outside (such as traffic or construction)	20.8	27.9	36.8	48.6
Issues with pests (such as termites, rodents, cockroaches, ants)	32.1	30.6	24.6	16.0
No/limited visitor car parking space	11.1	29.4	35.4	38.8

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Concentrating on the issue of keeping dwelling warm or cool, essential in the extreme Australian climate, Table 36 explores, across a number of variables, whether households were able to keep their dwelling comfortably warm in summer and cool in winter. Social housing tenants were the least likely to be able to keep their dwelling warm and cool, which may be a function of income rather than housing conditions. Older Australians also seemed more successful in temperature control while WA was one of the worst performing states for both warm and cool temperatures.

Overall, around 1 in 4 renters struggle to keep their house warm and a third struggle to keep it cool. Australia has a long way to go to sustainably keep its dwellings comfortable in both the summer and winter. At the end of Table 36 we examine the link between dwelling temperature control, dwelling satisfaction and dwelling affordability. Those unsatisfied with their housing were far more likely to be unable to maintain a comfortable temperature (under 50 per cent for warm and cool) while poor condition housing also had very low proportions of respondents that could keep their house warm or cool. Temperature control is clearly an important element of dwelling quality and satisfaction.

105

TABLE 36

Able to keep the dwelling warm or cool?

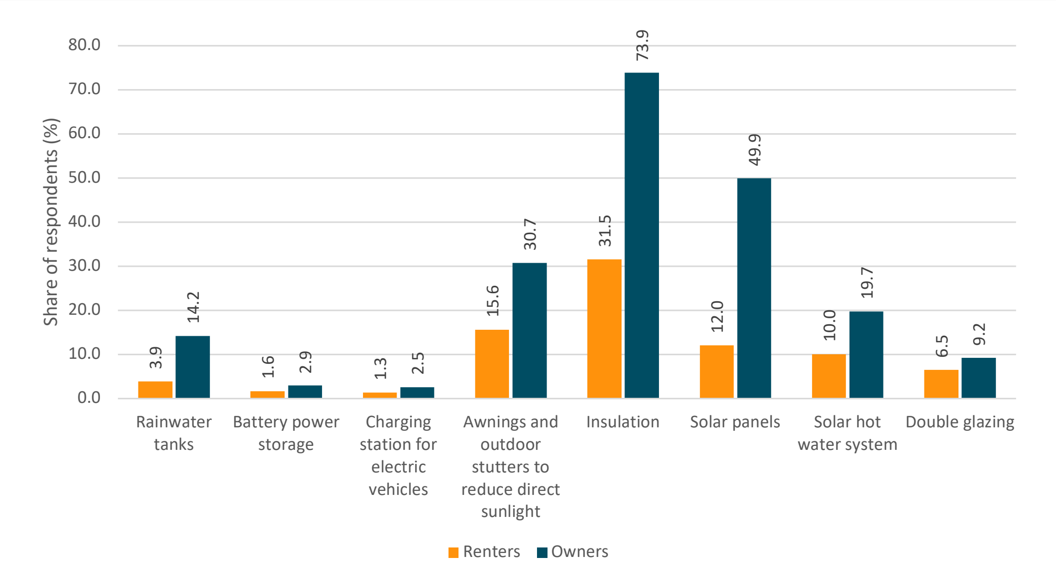
	Warm	Cool
Tenure type		
Owned with mortgage	84.7	82.2
Outright Owners	90.2	90.3
Rented	75.4	67.7
A real estate agent	75.6	67.7
A State or Territory housing authority	69.3	60.1
Someone not in the same household	77.9	71.8
Your employer	78.5	79.0
A community housing provider	72.8	64.1
House type		
Separate house	81.0	77.0
Semi-detached, row or terrace house, or townhouse	78.0	72.9
Flat or apartment with 4 or fewer floors	78.3	70.3
Flat or apartment with more than 4 floors	84.4	76.6
Other	76.1	69.2
State or territory		
New South Wales	78.4	74.8
Victoria	81.5	71.6
Queensland	83.8	78.9
South Australia	79.0	76.6
Western Australia	77.9	73.7
Tasmania	78.3	82.2
Australian Capital Territory	79.1	75.4
Northern Territory	71.6	78.3
Age		
18 to 29 years	77.0	68.5
30 to 49 years	77.3	70.3
50 to 64 years	80.7	76.4
65 years or over	87.5	87.3
Gender		
Male	84.2	80.6
Female	78.6	72.9
Satisfaction with dwelling		
Satisfied	88.1	83.4
Unsatisfied	47.1	39.8
Housing condition		
Excellent condition	94.2	90.8
Good condition	87.6	82.6
Average condition	70.4	64.0
Poor condition	48.3	43.7
Very poor condition	31.9	27.7
Affordability rating		
Affordable	83.2	76.5
Neither affordable or unaffordable	73.9	68.1
Unaffordable	60.8	52.6

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

Dwelling features relating to environmental control and sustainability can make a big difference in a household's ability to maintain a comfortable temperature. The AHCDI asked respondents about the presence of sustainability related features within the dwelling. Figure 45 compares the presence of a variety of features across owners and renters. As is clear from the figures, features such as rainwater tanks, double glazing and solar panels are very rare for renters, and more common for owners, although Australia clearly has a long way to go to deliver more sustainable housing. For WA, almost 50 per cent of owners had solar panels installed compared to just 12 per cent of renters. Only 14 per cent of owners had rainwater tanks compared to almost 54 per cent in SA. Table 37 compares owners in WA with other locations.

FIGURE 45

Presence of sustainability features



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

TABLE 37

Sustainability features for owner by location

	Rainwater tanks	Battery power storage	Charging station for electric vehicles	Awnings and outdoor shutters	Insulation	Solar panels	Solar hot water system	Double glazing
WA	14.2	2.9	2.5	30.7	73.9	49.9	19.7	9.2
NSW	32.3	8.7	5.1	37.2	60.3	35.9	17.5	13.2
Vic	32.6	4.7	3.8	35.7	66.3	34.8	17.0	19.9
Qld	42.6	4.6	2.2	36.1	65.3	53.8	23.1	10.1
SA	53.7	9.8	0.7	48.0	77.4	57.0	12.4	10.9
Tas	24.4	3.9	1.3	18.7	74.0	27.5	10.0	35.4
ACT	26.1	5.1	4.9	31.8	84.2	34.4	7.6	36.1

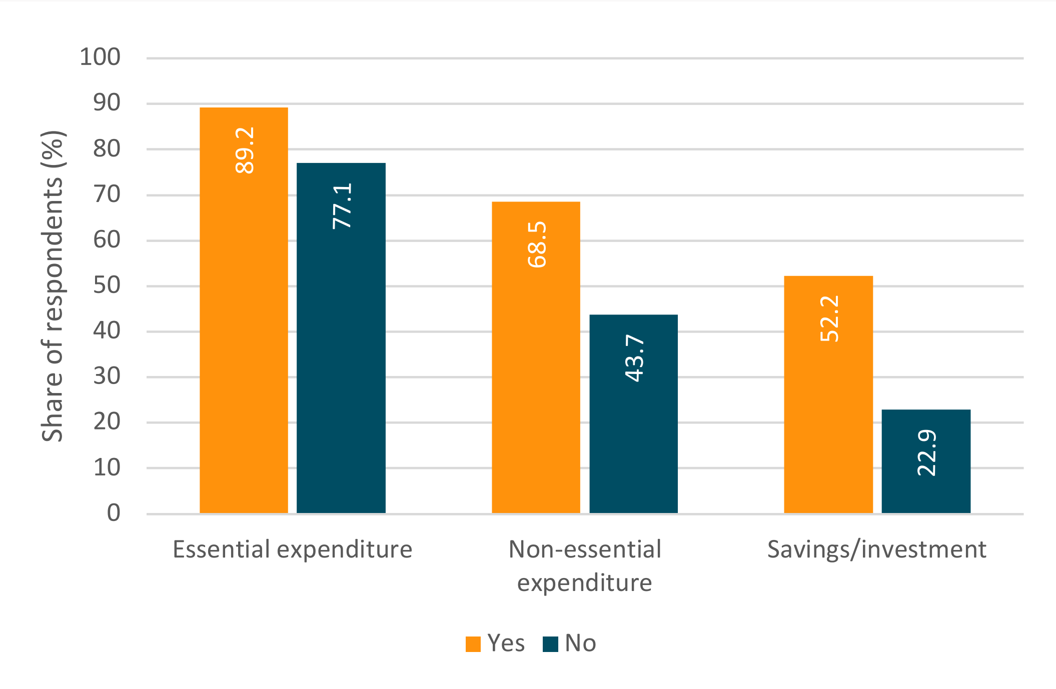
Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

MOVING INTENTIONS AND ASPIRATIONS - RENTERS

In this final section we explore the housing aspirations and moving intentions of renters. Of the 13,400 renters in the survey, almost 10 per cent owned a dwelling they did not live in, with a third owning this property outright. The remaining renters who did not own a dwelling were asked whether they thought they would ever own a property in Australia. 45.8 per cent stated they would, 31.2 stated they would not, and the remainder were unsure. There is a link between the current financial situation of a renter and the prospect of purchase, with those currently unable to save or invest over twice as likely to say they would never own a property compared to those currently saving.

FIGURE 46

Essential expenditure and prospect of dwelling purchase



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

There were variations in the proportion of respondents by state/territory who believed they would be able to purchase, ranging from just 37 per cent Tasmania up to 48.6 per cent in WA. Figures in both the ACT and Northern Territories were above 50 per cent but should be treated with caution given the number of respondents. Three quarters of those in the 18-29 year old age bracket were confident they would be able to buy in the future with the proportion falling rapidly with age group down to just 9.5 per cent of those over 65 (Table 38).

In terms of when respondents thought they would be able to buy, Table 38 shows WA respondents think they will be able to purchase earlier than the other states, with the most common response across the country being 2-5 years. With the exception of WA, around 30 per cent of renters in the states thought they would have to wait more than 5 years to purchase.

TABLE 38

Purchasing intentions

	Future purchase: Yes	Future purchase: No	Within the next 12 months	Within the next 1 to 2 years	Within the next 2 to 5 years	Within the next 5 to 10 years	Over 10 years
State or territory							
New South Wales	43.6	31.8	11.0	20.4	33.3	24.7	6.2
Victoria	48.4	28.9	10.6	21.0	36.2	22.4	4.9
Queensland	46.7	30.8	11.7	21.5	34.7	22.6	5.6
South Australia	40.0	36.8	11.4	21.2	35.1	21.6	4.9
Western Australia	48.6	29.3	13.8	27.2	33.6	20.0	1.7
Tasmania	36.9	42.0	11.2	18.2	35.4	24.5	4.3
Australian Capital Territory	54.1	32.2	16.3	25.9	32.1	20.7	4.1
Northern Territory	58.3	23.4	14.9	16.9	41.1	17.0	2.3
Age							
18 to 29 years	75.0	9.0	8.4	19.2	34.9	27.8	6.6
30 to 49 years	53.9	20.1	12.8	23.3	35.5	19.8	3.9
50 to 64 years	19.4	52.0	18.1	22.7	31.2	16.7	3.5
65 years or over	9.5	70.5	18.9	27.0	27.0	12.2	4.1

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

109

Almost three quarters of those renting from a real estate agent expected to move within the next 5 years. This expectation fell to 57 per cent for those renting from someone not in the same household, 36 per cent for those in community housing provider dwellings and 26.5 per cent for those in state or territory housing. Reasons for moving by age group are shown in Table 39. Some of these reasons are positive such as having plans to buy, moving to a better location, a change of lifestyle, and wanting somewhere bigger, particularly for younger households, while older households wanted somewhere smaller. Negative reasons behind moving include a third of households believing their current dwelling is too expensive and worries about rent increases. A not insignificant proportion of respondents stated they had already been informed to vacate the property, presumably at the end of the current lease.

TABLE 39

Reasons for moving within the next 5 years

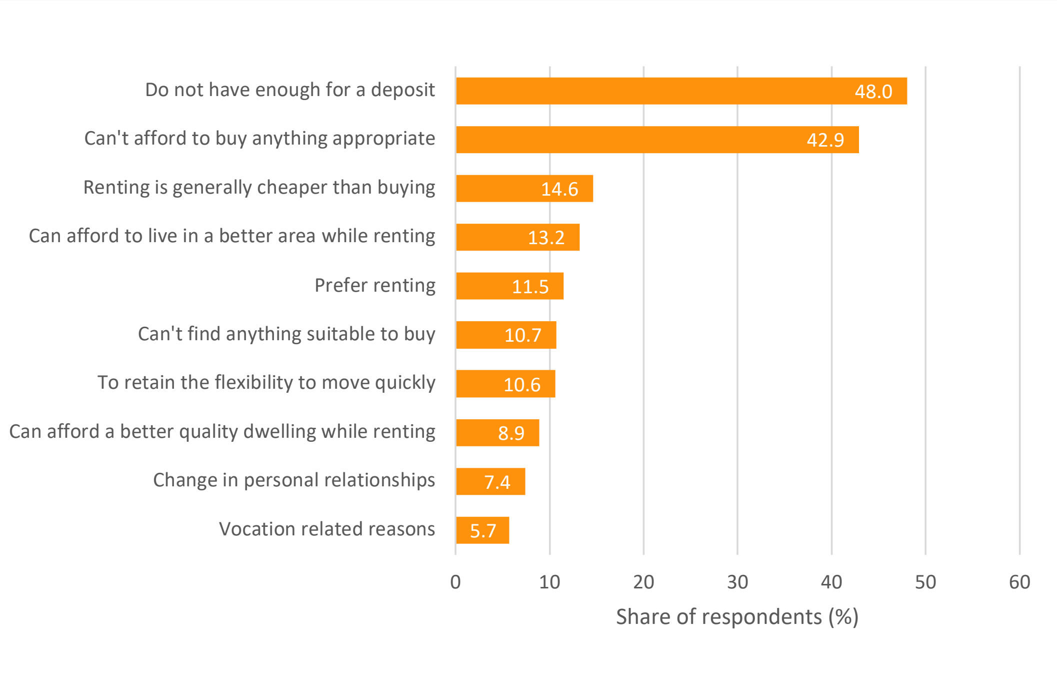
	18 to 29 years	30 to 49 years	50 to 64 years	65 years or over
Intend to move in the next 5 years	76.4	28.1	35.4	20.5
Current dwelling too expensive	36.3	37.3	31.0	24.6
Want to move to a better location	57.3	51.0	48.7	37.1
Worried the rent will increase	42.6	43.5	37.6	26.6
Have issues with property manager/landlord	10.8	11.5	9.3	4.9
Have issues with neighbours	10.9	12.8	14.9	9.2
No pets allowed at current dwelling	20.3	17.0	10.5	6.9
Want somewhere smaller	11.5	11.3	29.2	45.4
Want somewhere more suited to physical needs	42.0	40.0	38.0	54.6
Want somewhere bigger	55.8	54.1	26.6	14.3
Have plans to buy	62.2	61.1	45.5	31.3
Change of scenery/lifestyle	53.3	43.3	47.0	35.8
Informed to vacate property	7.3	9.3	7.4	4.5

Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

The reasons cited for renting were largely negative, with almost half of current stating the deposit gap was the main reason they were renting with the inability to buy anything appropriate the second most common reason.

FIGURE 47

Reasons for renting



Source: Australian Housing Conditions Data Infrastructure survey. ARC, University of Adelaide.

SUMMARY

This section has highlighted some of the major issues prevalent in Australia's housing markets, particularly for renters. While affordability is a major issue for many households, it is actually the condition of the dwellings which has a bigger impact on overall dwelling satisfaction. While households are able to make adjustments to meet higher housing costs up to a limit, it is very difficult to adjust to poor quality housing conditions and this section has shown the link between conditions and negative health outcomes.

Respondents in WA did not regard their housing as much more affordable that the more expensive markets over east, and dwelling conditions were no better.

However, in WA renters were more likely to believe they would be able to purchase a dwelling in the future, and also earlier than in the other states. Renters continue to be faced with high entry costs for housing and rising rents make it even more difficult to break down this barrier. Once into ownership housing conditions improve. Renters were almost twice as likely to report poor health outcomes than owners and while affordability and housing conditions are only one factor behind health outcomes, they are a major one. Yet another reason for governments to address our housing market issues.

HOMELESSNESS TRENDS ACROSS WESTERN AUSTRALIA

HOMELESSNESS TRENDS ACROSS WESTERN AUSTRALIA

The recent release of 2021 ABS census data provides an opportunity to examine how homelessness has changed across Western Australia in the last decade. Conversations with stakeholders from tenancy and homelessness support organisations supplement the census data review. The analysis shows that homelessness in WA is on the rise, with a substantial increase in rough sleeping. The analysis highlighted the following key findings:

Homelessness in WA has outpaced the national average, rising 8 per cent from 2016 compared with 5.2 per cent Australia wide.

- Homelessness in WA has outpaced state population growth (8% compared with 7.5%)
- Rough sleeping in WA has increased 114 per cent since 2016.
- Western Australia has largest proportion of rough sleepers nation-wide, constituting 23 per cent of all people experiencing homelessness.
- First Nations people are severely overrepresented, constituting more than one-third (35%) of all Western Australians experiencing homelessness.
- While women constitute four in five newly homeless nationally, this figure is greater in WA.
- The proportion of older Western Australians (55+) experiencing homelessness has increased 24 per cent since 2016.
- There is an over-representation of people experiencing homelessness in regional WA relative to Perth, constituting 43 per cent of all homelessness despite making up 22 per cent of the state population.

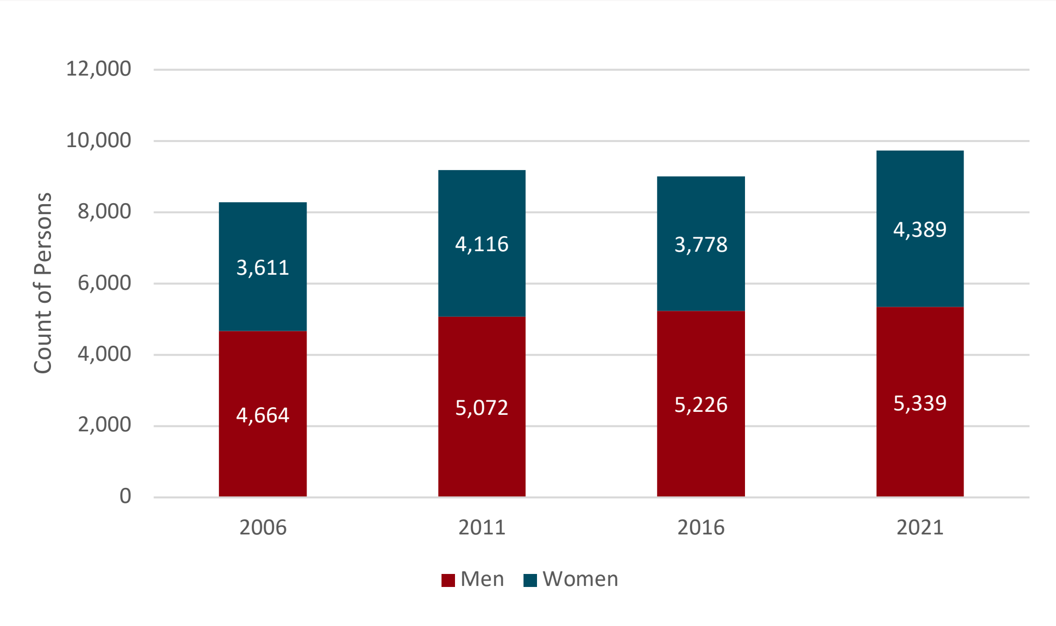
Across Australia, the 2021 census data showed that 122,494 people were experiencing homelessness, constituting a 5.2 per cent (6,067) increase from 2016 (ABS 2023a). During the same period, homelessness increased by 8 per cent in Western Australia, exceeding the national average by 3.2 per cent, rising from 9,022 to 9,746 (see Figure 48). This increase in homelessness across WA has outpaced the state population growth rate of 7.5 per cent over the same period (ABS 2023a; ABS 2023b).

Homelessness support organisations across WA have witnessed a significant increase in the number of people seeking assistance, more than doubling in some cases. Almost 24,700 Western Australians received support from specialist homelessness services, with less than one quarter assisted into predominantly crisis accommodation or transitional housing (AIHW 2022).

Among those seeking help, homelessness support organisations have observed a rising trend of people experiencing their first episode of homelessness as well as people experiencing their first engagement with social welfare and supports. Stakeholders also explained that demand for food assistance programs has more than tripled when compared to pre-COVID-19 levels.

FIGURE 48

Persons experiencing homelessness Western Australia between 2006 and 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

In terms of the direction of homelessness across Australia, the trend is not uniform. Table 40 demonstrates the rate of homelessness as a proportion of the population across each state and territory between 2006 and 2021. Victoria, South Australia, Western Australia and Tasmania all experienced an increasing rate of homelessness between 2016 and 2021. In Western Australia, the rate of homelessness has increased from 36 to 37 per 10,000 people. The of homelessness rate decreased across Queensland, NSW and both Territories. Despite some improvement, the Northern Territory continues to greatly exceed the national average, constituting a homelessness rate of 564 per 10,000 people in 2021.

TABLE 40

Rate of homelessness per 10,000 people, by State and Territory from 2006 to 2021

	Rate of homelessness				Change
State or Territory	2006	2011	2016	2021	2016 to 2021
New South Wales	34	40	50	43	-7.0
Victoria	35	42	42	47	+5.2
Queensland	48	44	46	44	-2.6
South Australia	37	36	37	42	+4.6
Western Australia	**42**	**41**	**36**	**37**	**+0.2**
Tasmania	24	31	32	42	+10.3
Northern Territory	792	724	600	564	-36.0
Australian Capital Territory	30	49	40	39	-1.1

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

GENDER

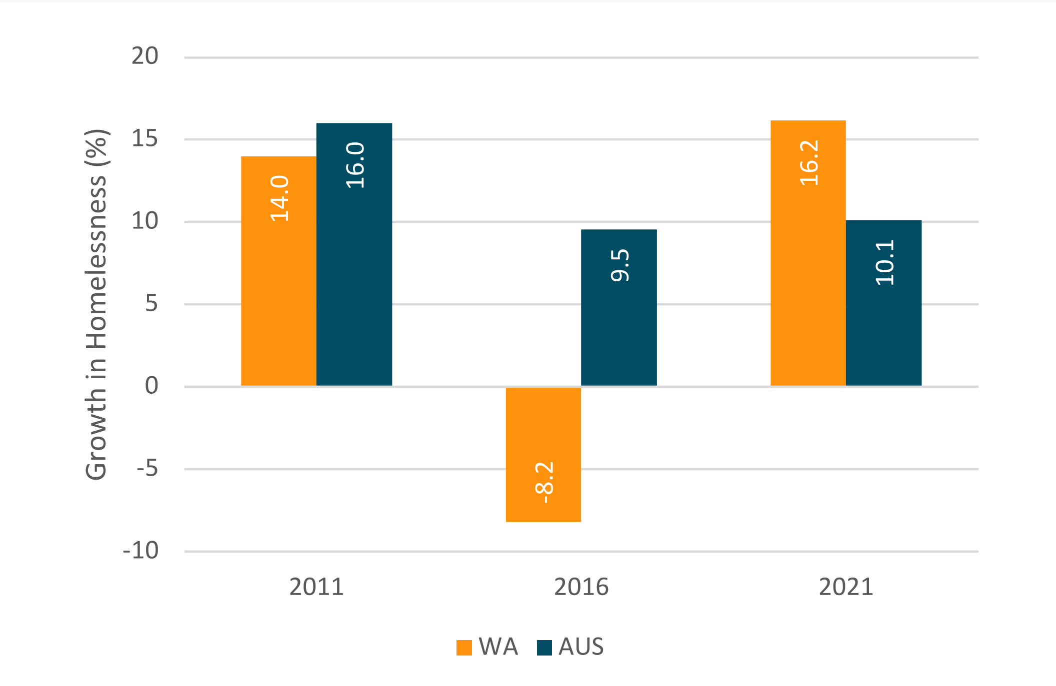
Women largely constitute the face of the newly homeless. As indicated in Figure 48, the proportion of women experiencing homelessness has increased sharply. Across Australia, of the 6,067 new to homelessness, 81.7 per cent identified as women (ABS 2023a). The proportion of women experiencing homelessness in Western Australia has been more pronounced compared to the national average, constitute 45 per cent of all people experiencing homelessness across the state in 2021.

As illustrated in Figure 49, the period between 2011 and 2016 seemed to show some improvement, demonstrating an 8.2 per cent decrease in women experiencing homelessness across WA, despite the national average increasing by 9.5 per cent during the same period. However, the number of women experiencing homelessness spiked between 2016 and 2021, rising 16.0 per cent in WA compared to a national average of 10.1 per cent.

This increase corresponds to the experiences among homelessness support organisations, where the number of women needing support has increased sharply. For instance, stakeholder conversations revealed that more than half of people seeking assistance identified as women between 2021 and 2022 among some support organisations. This is significant as it is the first time many homelessness support services are engaging with more women than men seeking assistance. Stakeholders expressed an additional complexity to this trend, noting that women experiencing homelessness are at a much greater risk of being the victims of violence and abuse (also see Flatau, Lester *et al.*, 2022).

FIGURE 49

Homelessness growth among females in WA and Australia from 2011 to 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

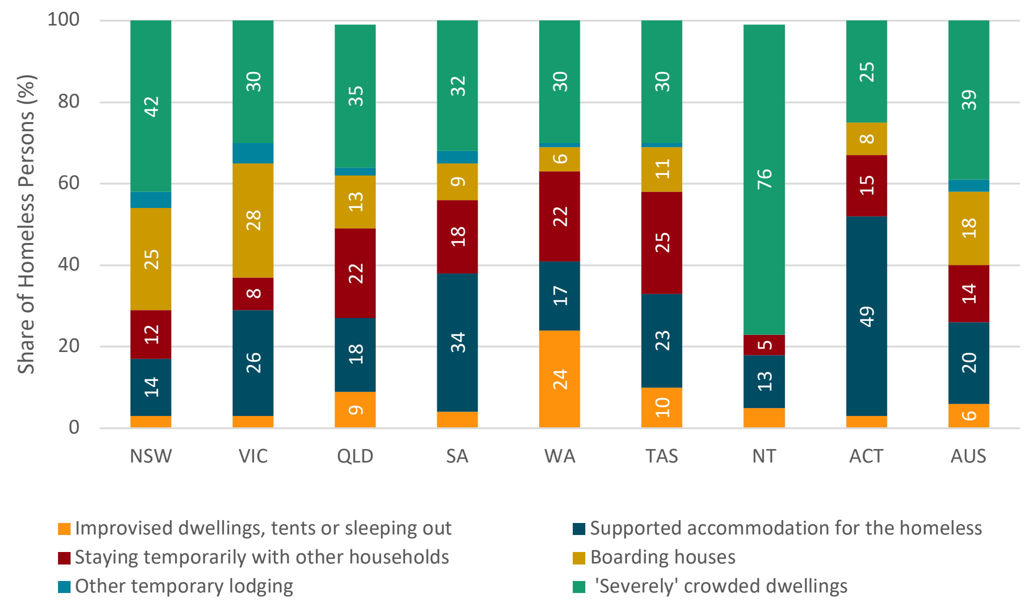
TYPES OF HOMELESSNESS

Figure 50 depicts the various types of homelessness experienced across each state and territory in 2021. The ABS measures homelessness in Australia across six operational groups, categorised as:

- People living in improvised dwellings, tents or sleeping out (rough sleeping)
- People in supported accommodation
- People staying temporarily with other households
- People living in boarding housings
- People living in other temporary lodging
- People living in severely crowded dwellings.

FIGURE 50

Australians experiencing homelessness by operational groups and State/Territory 2021



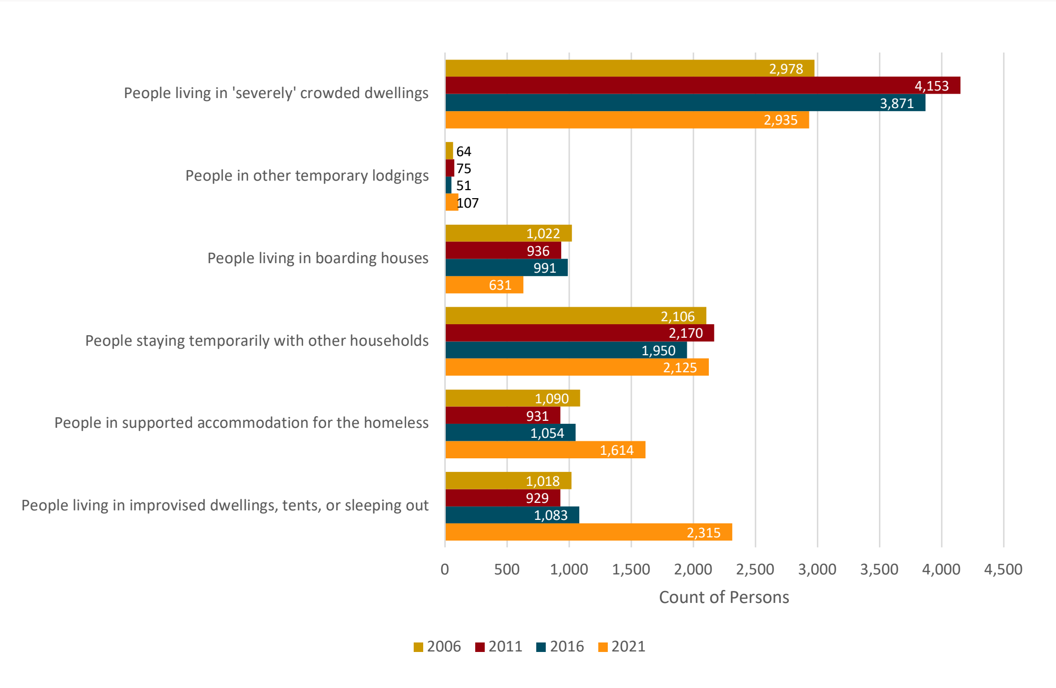
Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Notably, Western Australia constituted the highest proportion of people sleeping rough at 24 per cent on census night 2021. This figure has more than doubled since the 2016 census, increasing 114 per cent, from 1,083 to 2,315 (see Figure 51 and Table 41) For a point of comparison, the second highest rate of rough sleepers in 2021 was recorded in Queensland at 9 per cent.

Overcrowding constituted a key aspect of homelessness. Almost 40 per cent of the 122,494 Australians experiencing homelessness in 2021 were living in 'severely' crowded dwellings, defined by the ABS as a dwelling that would require at least four additional bedrooms to accommodate the usual occupants (ABS 2023a).

Figure 51 shows that of the 9,727 people experiencing homelessness in WA, almost one-third (30.2%) were living in overcrowded dwellings. This figure is down from 43.0 per cent in 2016 and 45.2 per cent in 2011. The data also shows that 23.8 per cent of people experiencing homelessness were living in crisis or transitional accommodation, and 16.6 per cent were living in boarding houses.

FIGURE 51
Homelessness type in WA from 2006 to 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Table 41 shows the direction of change across the ABS homelessness categories in WA between 2016 and 2021. There is a general upward trend across all categories except people living in boarding houses and severely crowded dwellings.

TABLE 41

Number and percentage of people experiencing homelessness in Western Australia by category of homelessness (2016 to 2021)

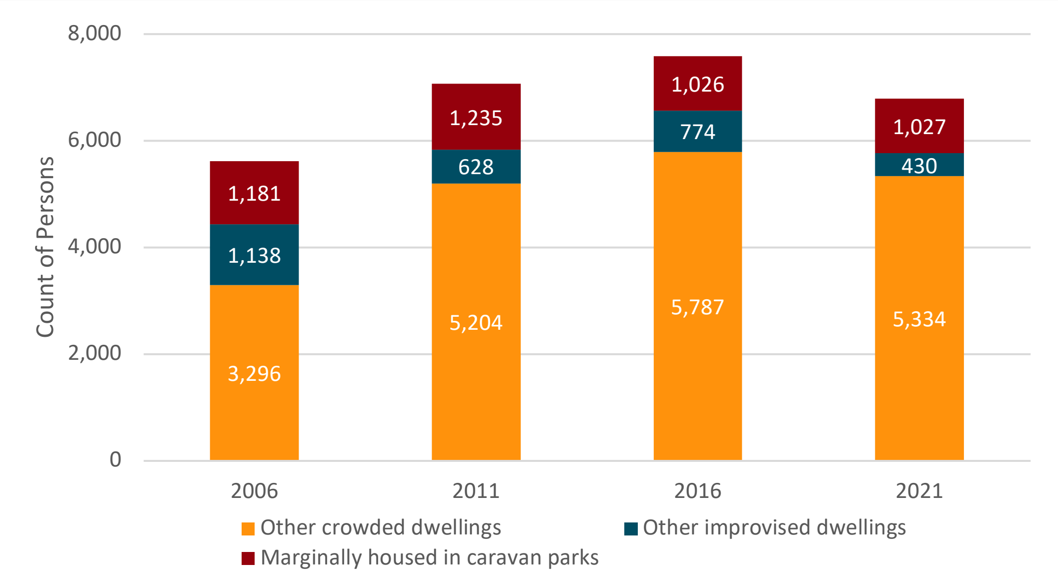
ABS homelessness category	2016	2021	Direction of change
People living in improvised dwellings, tents, or sleeping out	1,083 (12%)	2315 (24%)	114%
People in supported accommodation for the homeless	1,054 (12%)	1,614 (17%)	53%
People staying temporarily with other households	1,950 (22%)	2,125 (22%)	9%
People living in boarding houses	991 (11%)	631 (6%)	-36%
People in other temporary lodgings	51 (1%)	107 (1%)	110%
People living in 'severely' crowded dwellings	3,871 (43%)	2,935 (30%)	24%
Total	9,000 (100%)	9,727 (100%)	8%

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

The census data also captures the experiences of people living in other forms of marginal housing, including, 'people living in other crowded dwellings', 'people in other improvised dwellings', and 'people who are marginally housed in caravan parks'. Figure 52 depicts Western Australians living in other forms of marginal housing between 2006 and 2021. Between 2016 and 2021, there was a decrease of people living in 'other crowded dwellings' and 'other improvised dwellings', while the number of marginally housed people in caravan parks saw a marginal increase (less than 1%).

FIGURE 52

Western Australians living in other forms of marginal housing



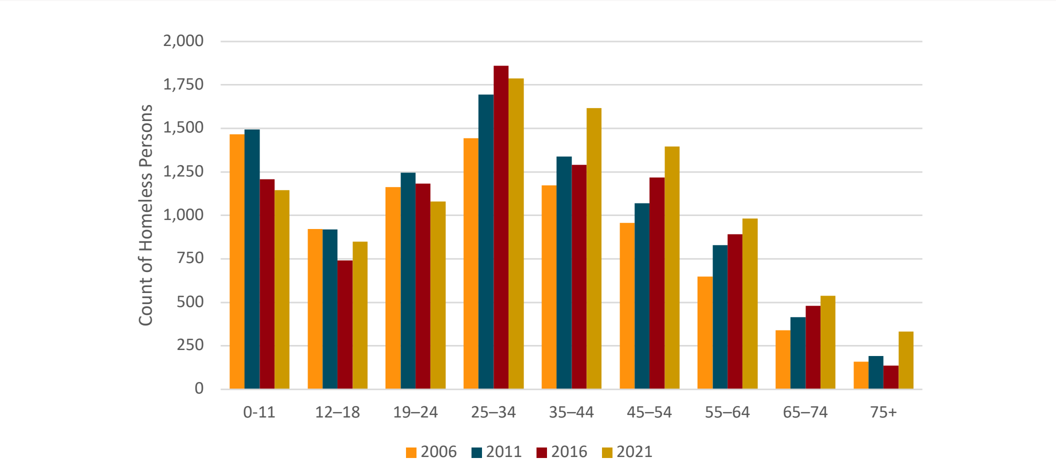
Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

AGE PROFILE OF WESTERN AUSTRALIANS EXPERIENCING HOMELESSNESS

Figure 53 illustrates the age profile of Western Australians experiencing homelessness between 2006 and 2021. One notable trend is the proportion of younger people experiencing homelessness. Although there is some sign of decrease, 23 per cent of all people experiencing homelessness were 12 to 24 years of age, 17,646 of which constituted children under the age of 12 (see Figure 55). Figure 54, which captures the age and gender profile of Western Australians experiencing homelessness in 2021, shows that the proportion of young women experiencing homelessness is larger compared to other age groups.

FIGURE 53

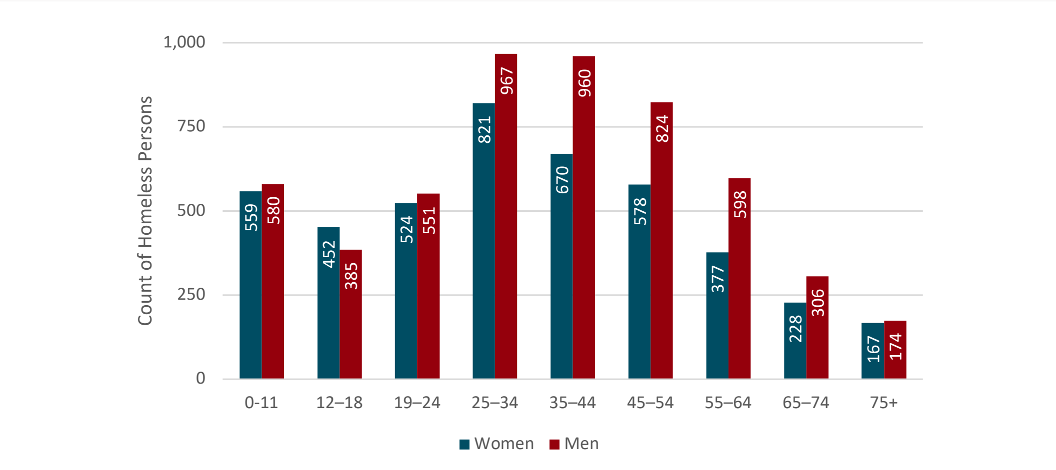
Western Australians experiencing homelessness by age 2006 to 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

FIGURE 54

Western Australians experiencing homelessness by sex and age, 2021

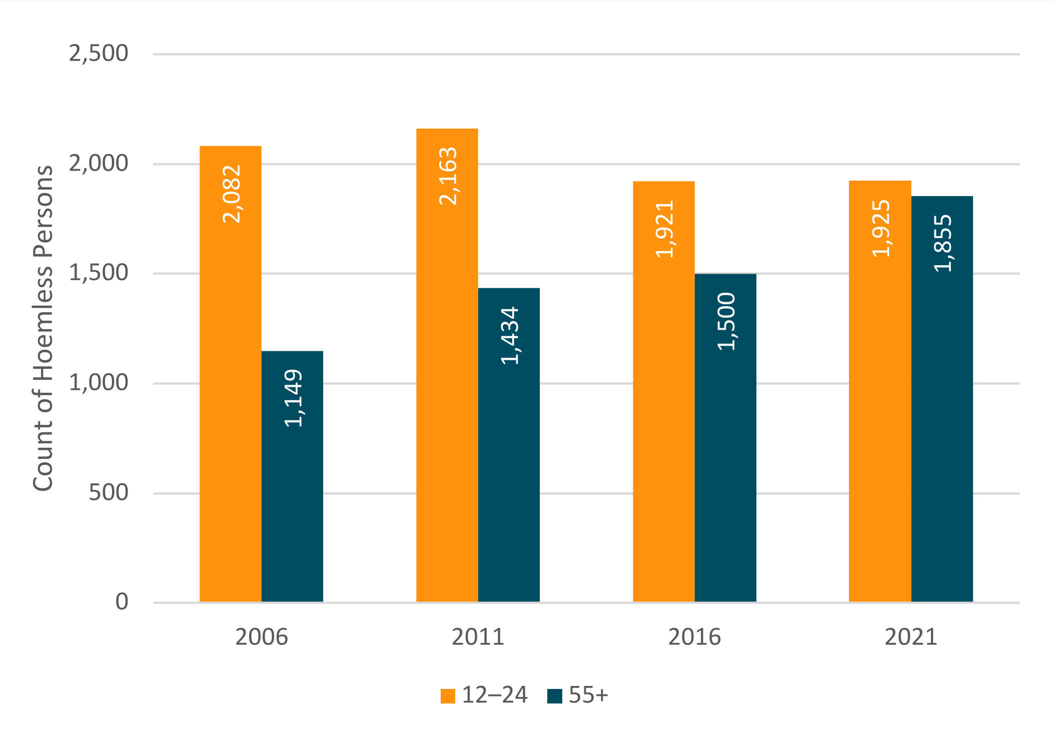


Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

A second notable trend is the increase in older Western Australians experiencing homelessness. As indicated in Figure 55, people aged 55 years and over represent 19.1 per cent of homelessness across the state in 2021, constituting a 24 per cent increase compared to 2016. This is compared to the national average for 2021, where the cohort represented 15.8 per cent of people experiencing homelessness. This is particularly concerning, as the proportion of non-home owning older Australians entering retirement is on the rise (James, Crowe *et al.*, 2022).

FIGURE 55

Selected age groups experiencing homelessness in WA, 2006 to 2021

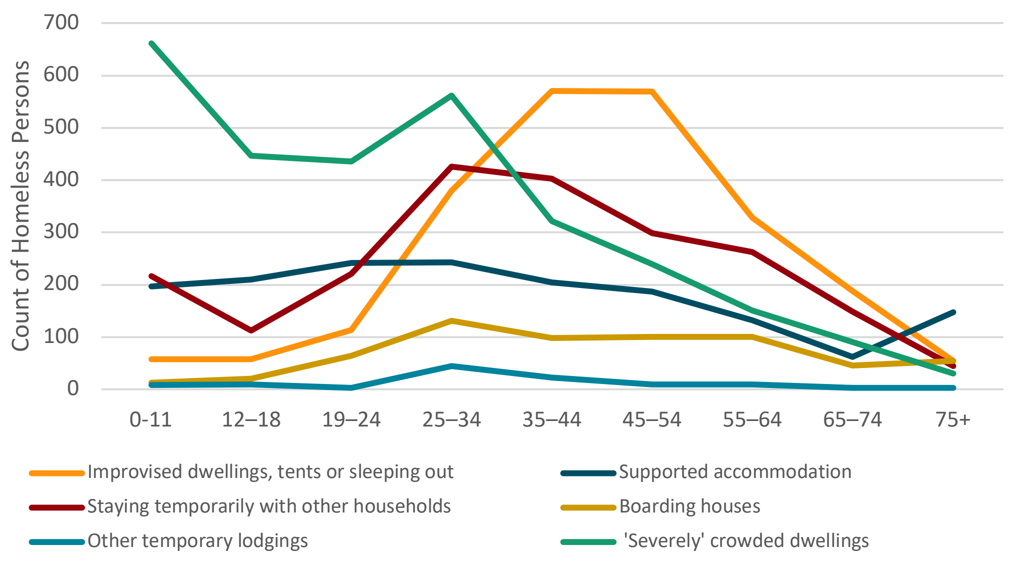


Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Figure 56 illustrates the type of homelessness experienced by Western Australians across various age cohorts in 2021. It shows that a substantial proportion of younger people living in severely overcrowded dwellings. Those experiencing rough sleeping is greatest among those aged between 25 and 54. However, there is a notable proportion of Western Australians aged 55 and over experiencing sleeping in improvised dwellings, tents or sleeping out.

FIGURE 56

Homeless operational group by age, WA, 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

FIRST NATIONS PEOPLE EXPERIENCING HOMELESSNESS

First Nations Australians are overrepresented and remain disproportionately affected by homelessness compared to non-Indigenous Australians. In WA, the proportion of people experiencing homelessness who identify as Aboriginal and/or Torres Strait Islander people exceeds the national average. At the national scale, First Nations people constituted one-fifth (20.4%) of all Australians experiencing homelessness on census night, despite making up only 3.8 per cent of the population. Across WA, First Nations people constitute more than one-third (35%) people experiencing homelessness (see Table 42). The number of First Nations people experiencing homelessness increased 29 per cent between 2016 and 2021, up from 2,618 to 3,378 respectively.

TABLE 42

First Nations people experiencing homelessness in Western Australia

	Census year			
	2006	2011	2016	2021
Number of First Nations people experiencing homelessness	3,312	3,379	2,618	3,378

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Table 43 demonstrates the rate of First Nations people experiencing homelessness per 10,000 people. As illustrated, Western Australia recorded the second highest rate of homelessness for this cohort at 381 people per 10,000 (ABS 2023a).

Observations from homelessness support services reflected the patterns highlighted in the census data. Stakeholders shared that the number of Aboriginal and/or Torres Strait Islander people accessing homelessness support services remains disproportionate to population size, constituting around one-third of all people seeking assistance. Stakeholders have also observed a growing number of younger Aboriginal and/or Torres Strait Islander people between 15 to 25 seeking support, largely attributed to the lack of available accommodation options.

TABLE 43

Rate of homelessness among First Nations people by State and Territory, 2006 to 2021

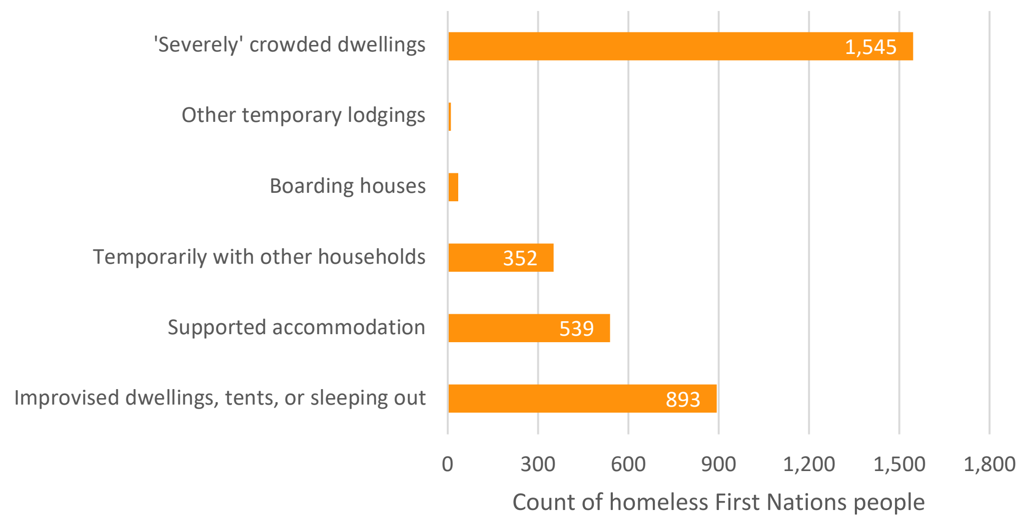
	Rate of homelessness (count per 10,000)				Change
State or Territory	2006	2011	2016	2021	2016 to 2021
New South Wales	136	128	105	90	-15.2
Victoria	211	218	164	169	+5.1
Queensland	375	309	239	201	-37.6
South Australia	492	359	274	327	+53.0
Western Australia	**564**	**485**	**345**	**381**	**+36.3**
Tasmania	57	85	55	82	+26.7
Northern Territory	2,594	2,462	2,083	1,865	-218.1
Australian Capital Territory	194	504	146	141	-5.2

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Figure 57 illustrates the type of homelessness experienced by First Nations people in WA in 2021. Almost half of this cohort (46%) were living in severely crowded dwellings, and more than one-quarter (26%) were sleeping rough; living in improvised dwellings, tents or sleeping outside. Less than one-fifth (17%) were living in some form of supported housing (crisis, transitional or boarding housing). This is compared to the national average, where 60 per cent were living in 'severely' crowded dwellings; 19.1 per cent were in supported housing; and 9.3 per cent were sleeping rough (ABS 2023a).

FIGURE 57

First Nations homeless operational group, WA 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

GEOGRAPHIES OF HOMELESSNESS IN WESTERN AUSTRALIA

Examining homelessness across regions of Western Australia, portrays a more nuanced, complex understanding of homelessness. As shown in Table 44, homelessness in the Perth area increased 9.5 per cent between 2016 and 2021, while the rest of WA saw an increase of 6 per cent. There is an over-representation of people experiencing homelessness in regional WA relative to Greater Perth, accounting for more than 40 per cent of the state's total population experiencing homelessness. While only 22 per cent of the state population live outside the Greater Perth area, 43 per cent of all Western Australians experiencing homelessness in 2021 resided in regional, remote or very remote WA (ABS 2023a; 2023b).

TABLE 44

Metropolitan and regional homelessness across WA, 2016 and 2021

	Count of homeless people		Five year change (%)
	2016	2021	
Perth	5,047	5,525	+9.5
Rest of State	3,972	4,227	+6.4

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Table 45 draws on both ABS homelessness and population data. As demonstrated, the Outback North constituted the highest proportion of homelessness, with 1,618 people, (2% of the respective population), counted as being unhoused, representing 16.6 per cent of all homelessness across WA and a homelessness rate of 179 per 10,000 people, compared to the state average of 37.

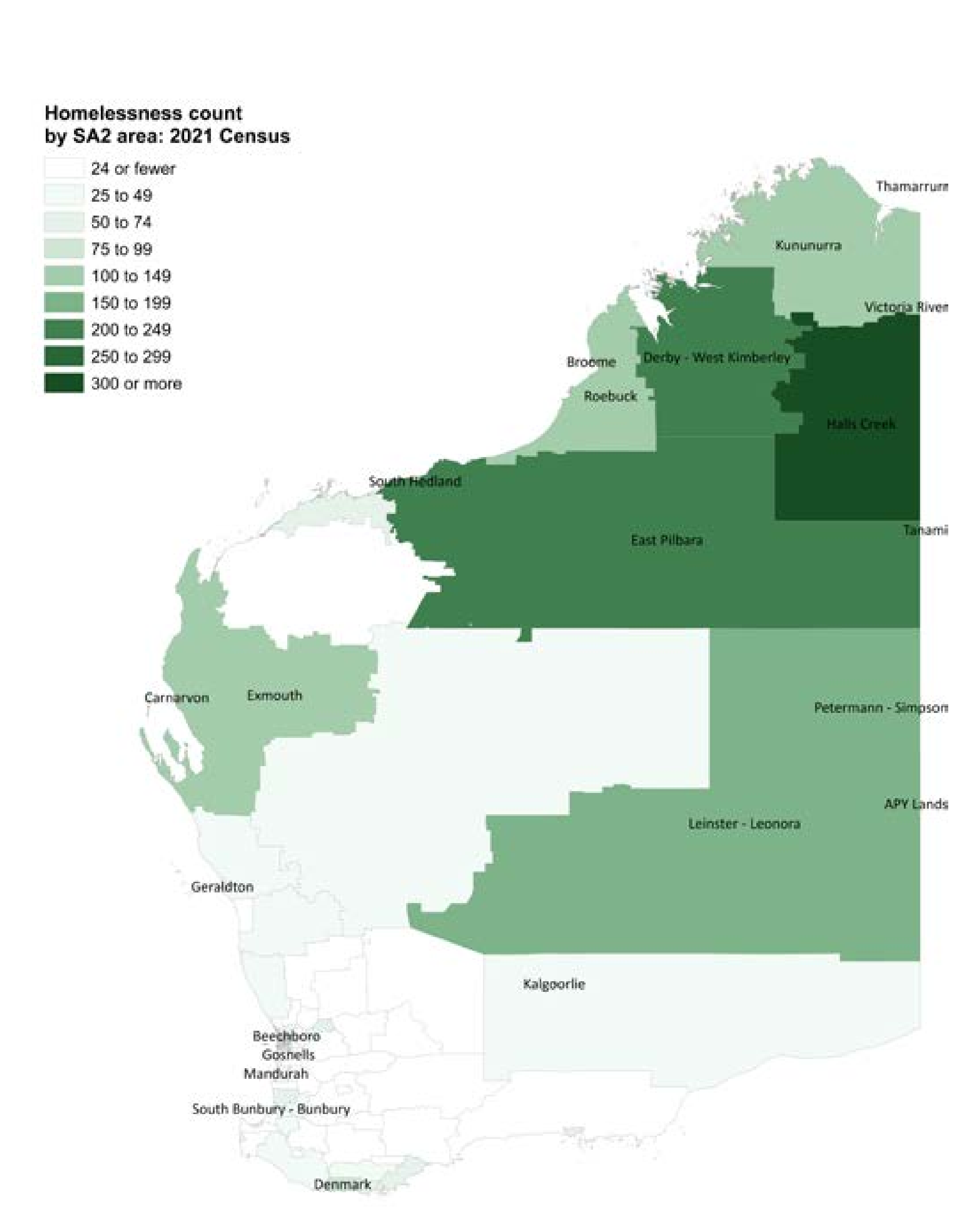
TABLE 45

Homelessness across Western Australia by metropolitan and regional areas

Area	Count of Homeless Persons	Proportion of Homeless Persons (%)	Homelessness Rate per 10,000 Persons
Perth	5,525	57	27.5
Perth - Inner	1,076	11	59.0
Perth - North East	1,192	12	43.1
Perth - North West	1,064	11	18.4
Perth - South East	1,275	13	24.1
Perth - South West	918	9	20.7
Rest of State	4,227	43	73.8
Bunbury	682	7	57.4
Mandurah	264	3	24.5
Wheat Belt	550	6	40.1
Outback (North)	1,618	17	179.5
Outback (South)	1,113	11	93.7
WA TOTAL	**9,752**	**100**	**37.8**

Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021; Australian Bureau of Statistics (2023b, March 15). National State and Territory Population.

FIGURE 58
Geographical distribution of homelessness across Western Australia 2021

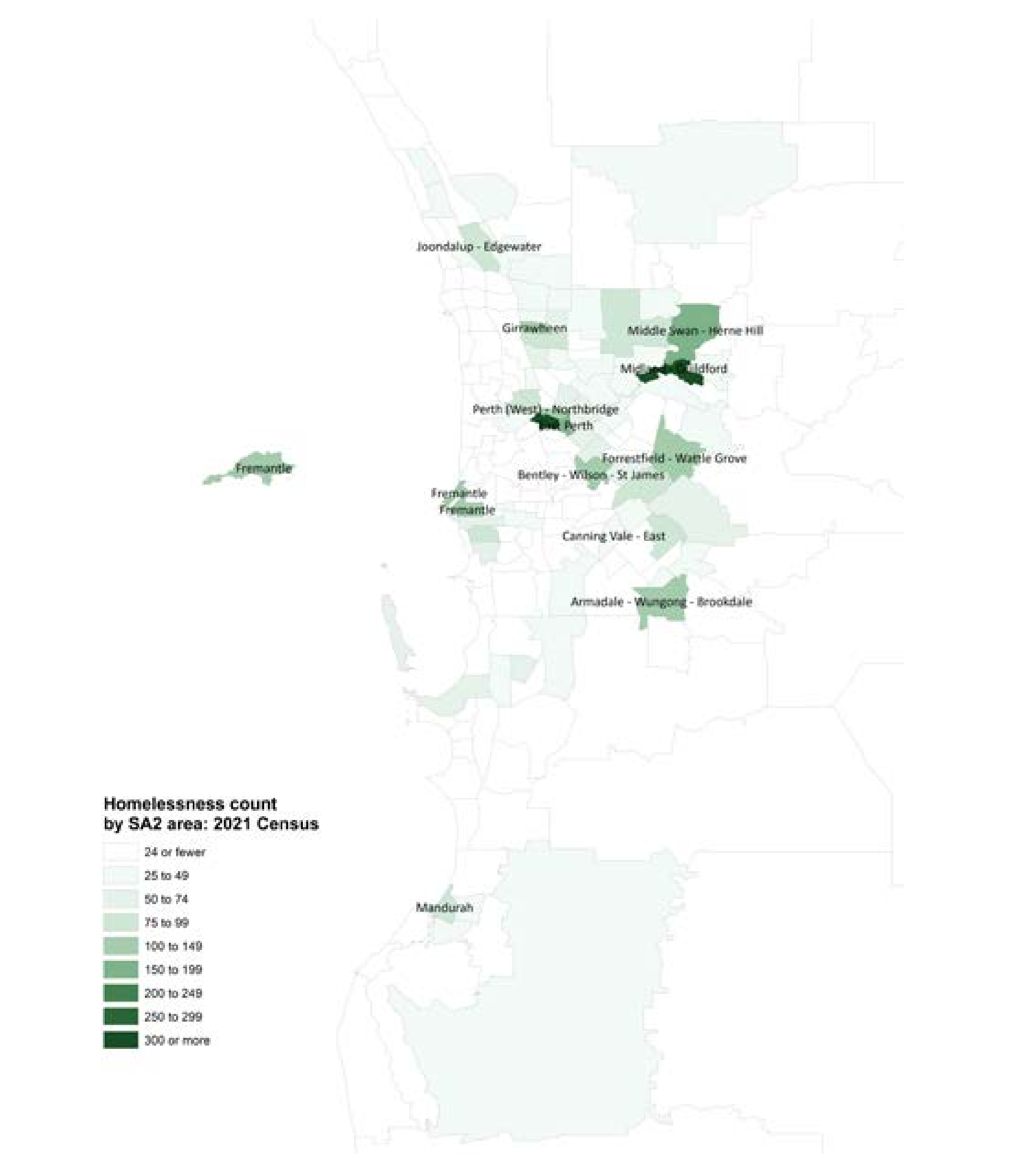


Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

Figure 59 shows the geographical distribution of homelessness across the Greater Perth area. Homelessness is most prominently experienced within the inner city and Midland-Guildford (City of Swan), and to a lesser extend in Fremantle, some eastern suburbs and Mandurah. Other than the Fremantle area, very few people in the western suburbs were experiencing homelessness.

FIGURE 59

Geographical distribution of homelessness across Perth metropolitan area 2021



Source: Australian Bureau of Statistics (2023a, March 22) Census of Population and Housing: Estimating homelessness, 2021.

DISCUSSION AND POLICY RECOMMENDATIONS

DISCUSSION AND POLICY RECOMMENDATIONS

Housing market trends

Housing affordability in WA has deteriorated rapidly in the two years since the last BCEC housing affordability report. Rising interest rates have increased mortgage payments for existing homeowners while rising house prices, lower borrowing capacity and increase mortgage repayments have affected prospective home buyers. The areas where new households can reasonably afford to purchase in Greater Perth have shifted further out to the urban fringe. Meanwhile regional areas have witnessed strong price growth on the back of recent population movements, meaning many of the WA regions are no longer a cheaper alternative to the capital city.

Almost 18 per cent of renters in WA (almost 50,000 households) now regard their housing as unaffordable, while less than half of renters have money left over after rent to save or invest. While households have got smaller, supply within the private rental market has contracted as many investors have exited the market – with an estimated 19,000 in WA taking advantage of the first significant capital growth in over five years. Smaller household sizes due to COVID-19-led restructuring, population movements into the state and a contraction in the supply of rental housing explain both the sharp increases in rents and a historically low vacancy rate across many parts of WA.

While some households are struggling to meet their mortgage payments, mortgage defaults remain very low, although rates are likely to increase as households on fixed rate mortgages transition to variable rates over the coming months and savings accumulated during the COVID-19 period are eroded. Any large-scale, forced movement from ownership into the private rental market will place even more pressure on a rental sector already struggling with a supply crisis. Moving forward, the lack of new housing supply expected once the current surge of HomeBuilder driven commencements feeds through to completions will reduce options available to new purchasers, who may instead have to look to purchase established dwellings. Such a scenario is likely to support continued dwelling price growth over the next two years.

In short, rental supply is likely to remain constrained and vacancy rates low, while options for new purchasers will also remain limited, putting ongoing upward pressure on both rents and house prices for some time into the future. Some easing of the housing market and softening or housing costs looks unlikely for some time to come.

As construction times and costs have blown out, many in the industry have in hindsight linked the current supply crisis to state and federal government policy. The decision to implement the HomeBuilder program and the state's building bonus were based on an identified need to stimulate the construction industry to protect jobs and help stimulate the broader economy (see Rowley, Crowe et al., 2021). No one knew at the start of COVID-19 how the housing market would react and there were many, particularly the banks, forecasting large price falls. Also unknown at the time was how construction costs would rise sharply on the back of material shortages and supply chain blockages, as was the impact of extended border closures preventing labour mobility, that further constrained the capacity of the industry reeling from five years of weak development activity.

The extent of consumer demand stimulated by what was a very attractive grant package was also underestimated and the eleven subsequent interest rate increases could not have been predicted. All these events have combined to deliver a perfect storm, resulting in delays in dwelling completions and financial pressures on those who took advantage of the grants.

For the industry, the combination of rising costs, material delays and a lack of labour has been disastrous for many companies. This combination of unforeseen events means it is both wrong and unhelpful to blame anyone for current market conditions. Clearly, in hindsight, the stimulus grants could have been structured differently to avoid a demand rush that would subsequently accentuate labour and material shortages. However, governments could not control construction cost rises and could do little to increase industry capacity, factors which have contributed to the downfall of a number of building companies. Similar scenarios have emerged in most housing markets in other jurisdictions both in Australia and overseas. Our challenge now is not to apportion blame, but to better understand the precursors of this perfect storm so that we can recommend better analytic processes and develop more responsive policies to respond to future crises.

While interest rate and price rises have resulted in a deterioration in the affordability of home ownership, WA still remains affordable when compared to most markets in Australia. While choices for first homeowners are diminishing due to a constraint on borrowing capacity, there are still some affordable options available. However, the private rental market in WA is clearly in crisis. In the absence of direct government support (such as rental subsidies), the only solution to deteriorating affordability in the rental market is to increase supply – but this is not an easy option in the short-term. While HomeBuilder stimulated completions will take some households out of the private rental market and into ownership in the coming period, there is still a question of scale. With over 27,000 dwellings under construction at the end of 2022, and assuming half these households are currently in the private rental sector, these completions could soon free up around 10,000 dwellings. However, this is not nearly enough to even replace the number of investment properties exiting the market in the last 2 years, so it will have limited impact on the vacancy rate. The impact will not be evenly spread geographically given the location of dwelling completions is skewed towards the urban periphery. The direct provision of new supply through private investors; both small, and institutional (through build-to-rent schemes), is the main route to increasing the vacancy rate and taking pressure off rents in the medium term. Rental returns available in WA are favourable when compared to the east coast, but there is little evidence investment demand is rising. Additionally, the lack of new multi-residential supply expected over the next two years will hinder new investment activity.

In this context, policies and incentives to increase investment at scale in multi-residential build-to-rent initiatives are necessary to ensure sufficient housing supply to tackle WAs current skills shortages and ensure the sustainability of the local economy.

While it is encouraging to see the state government is implementing a large-scale program of social housing investment, and the federal government is investing in social housing through NHFIC and the Housing Future Fund, there remains a chronic undersupply of social housing. This new investment, while welcome and sorely needed, will not be nearly enough to tackle the public housing waiting list.

To keep the proportion of social housing stock at its current level of 3.8 per cent (around 43,400 dwellings), WA needs almost 900 additional social housing dwellings per annum. This requires on-going investment of around $500m each year in perpetuity. This reflects the chronic under-investment in social housing over a prolonged period. While one-off spending announcements

131

to boost supply are encouraging, significant and certain funding is required on an ongoing basis. State governments can help the construction industry by increasing and accelerating house building programs when private sector housing supply drops off. This counter cyclical activity will keep workers employed and help the housing industry retain its capacity.

State government also needs to be doing more to help the community housing sector grow and leverage federal funding available through NHFIC and the Housing Future Fund.

Housing affordability

Policies and programs to address housing affordability and supply need to be targeted and balanced across the housing spectrum, to ensure that the scale, form and price-point of housing options on offer are able to meet the distribution of need across the WA community. For example, one key finding of our analysis of comparative rental costs of established houses and multi-residential units in WA is the critical gap in affordable rental for lower income households. While median house and unit rent-to-income ratios in Perth compare favourably to other capital cities (24.3 against a range of 21-28 for other cities), Perth ranks worst on the lower quartile rent-to-income ratio (35.7 compared to a range of 17 to 32). The same also holds true for lower quartile rents in the rest of the state. The lack of small, affordable stock reflects patterns of house building concentrating on large, separate dwellings on greenfield sites.

A key blockage in the housing continuum is the lack of affordable options for existing social housing tenants to transition to if and when their circumstances improve. This also means that young Western Australian households looking for their first rental property have very few options – encouraging them to take on unaffordable or unsustainable options, or consider home ownership before they are financially secure.

Given the current crisis in the private rental sector, the lack of social housing supply and an expected housing supply shortfall over the coming years (over 25,000 dwellings over the next 5 years according to NHFIC), what can government and industry do to address these shortages moving forward?

Housing supply

Dwellings for sale in the established market remain low by historic standards, resulting in a vicious cycle where homeowners are reluctant to sell because of a lack of options to buy. Dwelling commencements and completions are expected to contract over the next two years because consumers are reluctant to purchase land and commence a new build due to long construction timelines and high (and uncertain) costs. Meanwhile developers cannot make multi-residential developments financially feasible because of the costs of construction and increased risk. Banks are also more reluctant to lend because of this risk. Over the last 15 years, dwelling commencements have averaged around 20,000, however, it is highly unlikely commencements for 2023 and 2024 will come anywhere close to this figure. The growing gap between supply and new home development has implications across different sectors of the housing market.

This report has shown how interest rate, rent and price rises have reduced the availability of affordable dwelling options and pushed affordable options out towards the urban periphery. The lack of listings for sale limits choice for purchasers and prevents household mobility. So how can industry boost supply?

- WA is almost totally reliant on the private sector to deliver new supply. New development is stimulated by profit with market conditions being the biggest driver of profit outcomes. Incentivising demand with poorly timed and targeted supply side grants and incentives that deliver unintended consequences such as rising prices, material shortages and construction delays need to be avoided. Directly facilitating new supply targeted to housing need is a better option. Construction cost growth is easing, which will help with the capacity to deliver new supply. However it will take time for revenues to increase to a level where they outweigh recent cost increases, making previously unviable projects financially feasible again. Reducing the costs of urban regulation and supporting the provision of new infrastructure would be a positive step, and the state government's announcement of an $80m infrastructure fund to unlock infill sites is a good start. Making the development approval system as efficient as possible, reducing timeframes and costs can also improve the profitability of sites and increase new supply.

- The strategic release of land for fast-tracked development in areas where there is high demand can help deliver new housing. While increasing the availability of sites will not automatically result in new development as sites also need to be profitable, there are areas within WA where new land release, or re-zoning, will almost certainly result in new development relatively quickly. Supply in these high value areas may be controversial, and many sites constrained, but if sites that developers have already earmarked as feasible for development can be appropriately managed then supply can be provided to the market quickly. State and local government should explore all options to partner with the housing industry to deliver new developments quickly to the market.

- While state government has released a number of state-owned sites for development, it takes too long to deliver dwellings on these sites and the process must be streamlined. While these are often difficult and constrained sites, the decision making process is slow and the private sector often loses interest due to timeframes.

- With a likely contraction of supply once the HomeBuilder driven completions work through the system, the domestic construction industry will have excess capacity in the face of a period of suppressed private demand. State government should take advantage of this capacity and look to accelerate its social housing development program by identifying opportunities to partner with the not-for-profit and private sector to deliver a range of affordable housing products.

- State government should explore the removal of the foreign buyers duty surcharge. Encouraging investment in new supply is essential and overseas investment could be the difference between projects commencing and being abandoned (for example, due to lack of pre-sales). A middle ground could be exemption from the surcharge if the dwelling is rented on the private rental market for a minimum specified duration or within an affordable rental band.

- The dwelling construction downturn during the period 2016-2020 reduced the capacity of an industry that was able to deliver 32,000 dwellings in 2014-15. The industry now struggles to deliver 20,000 due to labour constraints. There are fewer builders in the state than even two years ago and their risk appetite is much lower due to construction cost pressures and exposure to problematic existing projects. This lack of industry capacity will continue to impact on supply in the coming years. State government and the housing industry must continue to work together and implement schemes designed to sustainably increase capacity in the industry through both encouraging new entrants to the workforce and helping retain existing staff with counter-cyclical investment.

Home ownership

The dream of home ownership is certainly not dead in WA – with almost half of current renters in the Australian Housing Conditions Data Infrastructure survey believing they will be able to purchase in the future (the highest proportion of any state) and over three quarters of them expect to purchase within five years. The ownership dream does however diminish sharply with age. Recent interest rate rises and rising prices have made entry to ownership more difficult and daunting for younger Western Australians.

So what are the potential policy options for increasing rates of home ownership?

- The removal of stamp duty would encourage more households to sell, improving established supply.

- Increasing new supply, particularly smaller, more affordable lots and dwellings would improve housing choice and address the gap for lower income households. Policy settings to facilitate the provision of smaller dwelling products delivered through modular construction for example, could add quickly to supply and would also be particularly effective in regional areas.

- Policies to encourage private renters into home ownership can help ease pressure on the rental sector. However, demand side grants are not the answer, as they simply push up prices and bring forward purchasing decisions, especially where incentives target the established market.

- The deposit gap remains the biggest barrier to home ownership, particularly for first home buyers. The various government programs on offer designed to help households overcome the deposit gap under the Home Guarantee Scheme (HGS) are positive, and not of a scale that will put upward pressure on prices. In WA, Keystart has been offering low deposit home loans for over 30 years and is one of the reasons first home ownership rates are so high in the state. State government should review the income eligibility limits of Keystart and align them with the First Home Guarantee (FHG) scheme to increase the number of eligible customers than can access the Keystart product. There should also be a review of the interest premium attached to the Keystart loan products.

- Development WA plays a vital role in the provision of housing on challenging sites in both Greater Perth and regional WA. It is encouraging to see a growing requirement for the provision of affordable housing within Development WA sites. Development WA will play a vital role in demonstrating how affordable housing in many forms (such as low cost rental, shared equity, key worker housing) can be successfully integrated with private market housing. It seems illogical that Development WA pay land tax on its land holdings when these funds could be used to deliver more affordable housing instead. A review on this issue would be welcomed. Additionally a greater emphasis on the development of built form on Development WA sites to speed up the provision of housing, particularly affordable housing, is necessary.

Private rental sector

This report has highlighted the many issues plaguing the private rental sector in WA. While rental affordability continues to deteriorate, particularly for lower income households, less attention has been paid to the issue of housing conditions – which our survey responses show has far more impact on a household's satisfaction with their dwelling. While many households can adjust expenditure to meet housing costs, up to a limit, it is very difficult to adjust to poor quality housing, particularly when combined with insecure tenure. It is well documented that Australian tenants have fewer rights than renters in almost every other OECD country (OECD 2023). Research continues to show Australian states and territories were among the most lightly regulated as regards security of tenure, rents, housing quality, thermal efficiency and registration of landlords (Martin, Hulse et al. 2018; Martin *et al.* 2022; Morris, et al. 2021). At the state level, WA has some of the lowest rates of tenancy security across the country (Shelter WA 2023).

- The affordability crisis currently impacting Western Australians has pushed many households into housing stress, precarious housing arrangements and homelessness. Something urgently needs to be done to address this growing crisis. Minimum conditions, rent increases, rights to dwelling modification and pet ownership are all critical issues that need to be addressed in the review of the Residential Tenancies Act. No ground eviction undermines security of tenure and, in a tight market, makes tenants very reluctant to exercise their limited rights. Tenancy reform to improve security of tenure and enable renters to make a house feel more like a home (as is the case in other states and comparator countries) is critical to establish a fair and stable sector and to support community wellbeing.

- The rights of tenants need to be balanced with the rights of landlords and reflect the fact that the market is reliant on small investors who make decisions to buy and sell based on a range of factors which can add a level of volatility to supply. At a time when rental vacancy rates are at historic lows, state government needs to weigh the vital need for rental reform against the potential impact on supply. WA has seen thousands of investors exit the market in the last two years and cannot afford to risk a further exodus of landlords who may feel tenancy reform is eroding their control over their property. State government needs to consider whether the implementation of tenancy reforms should wait until supply in the private rental sector has recovered sufficiently to deliver a more balanced market. Reforms designed to aid tenants might have the opposite effect when supply is constrained and if supply were to contract even further. Likewise, options such as rent freezes or rent caps could have unintended consequences in such a tightly constrained market and may not end up being beneficial to tenants. A thorough assessment of the reforms that would deliver a private rental system equitable for both tenants and landlords is required.

- Enabling policy settings that stimulate build-to-rent investment and the subsequent provision of dwellings into the private rental sector should be a priority for the state. Additional support, in the form of reduced land tax rates as recently announced in Queensland, and more favourable rates of depreciation, should be available to build-to-rent investors. Additional incentives should be available to build-to-rent providers who deliver a proportion of affordable (below market) housing within the development, ideally in partnership with the community housing sector. In the longer term a transition to a market with fewer smaller investors and more institutional investments delivering affordable rental at scale may reduce market volatility, enhance sustainability and security of tenure, and achieve a better balance of supply across the housing spectrum.

- A review of Commonwealth Rent Assistance is long overdue as it is no longer fit for purpose.

- Given recent rent increases, state government should consider financial support for those tenants most in need, given the safety net of social housing is not sufficiently available, and that the next step for vulnerable tenants could potentially be homelessness. This could mirror the support provided during the COVID-19 pandemic. Financial support to keep people in their homes is more cost effective than dealing with a significant increase in homelessness.

- State and local government should 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.

- Dwellings let on a short-term basis, such as Airbnb, should be heavily regulated when the vacancy rate in the local private rental market drops below a certain level, for example 2 per cent. Regulation should ensure suitable accommodation is made available on the local private rental market to ease local shortages. The federal government should also explore reforming negative gearing, so that it applies only for the duration properties are available for lease on the private rental market, encouraging a switch from short-term letting. Policy settings should be able to be flexible based on local market conditions.

- As highlighted in this report, when compared to owners, private renters have less access to sustainability features such as solar panels, insulation and rainwater tanks. This increases household running costs, placing even more pressure on the household budget. Where households cannot afford heating in winter and cooling in summer (for instance, aged pensioners) this can negatively impact on health and wellbeing, pushing up the cost of healthcare and burden of disease within the community. Private investors should be incentivised to deliver features that will not only benefit their tenants but also have a positive impact on the planet.

Affordable housing products

The supply of social housing is critical to support those with the greatest need, but the provision of affordable housing options to help social housing tenants transition to market housing, and to provide ongoing shelter to households on low incomes, is in short supply. This is only set to get worse with the demise of National Rental Affordability scheme (NRAS). Housing with affordable and subsidised rents, shared equity/ownership products and low deposit loans are an essential component of the housing spectrum. While the WA market is currently well served with affordable ownership products, given access to Keystart and HGS, there is very little affordable rental accommodation available, and the cost of lower quartile rental properties has risen much faster than the rest of the market. Federal and state government needs to ensure a steady supply of low income affordable rental housing to enable transitions across the housing continuum.

- NRAS provided a large-scale supply of affordable rental housing, however the incentives attached to these dwellings are coming to an end. Governments should extent existing incentives, where possible, and introduce a replacement for NRAS to ensure continued delivery of subsidised rental accommodation for those on low incomes on an ongoing basis. A scheme administered through the National Housing Finance and Investment Corporation (NHFIC) 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). We should be learning from its successes and limitations to design and deliver a better targeted and more sustainable affordable rental scheme into the future.

- Key Worker housing is another critical issue for Western Australia, particularly in the regional centres. There needs to be provision for affordable rentals to house key workers to ensure continuity of essential services and the sustainability of local economies. This issue has been highlighted in other states as a critical emerging issue as affordability and availability declines (Gilbert *et al.*, 2021). WA has invested in the past in the Government Regional Officer Housing (GROH) program, where government agencies have sub-let rental properties to state employees. More needs to be done to ensure adequacy of supply and to ensure housing can be practically accessed by key workers in other sectors such as frontline community services.

- Inclusionary zoning should be used to deliver a range of affordable housing products within market developments. While some developers may baulk at the on-site provision of social housing, particularly within apartment developments, the provision of affordable (below market) rental accommodation for key workers and households on lower incomes should be more palatable. Dwellings should be sold (or let in the case of build-to-rent) to community housing providers who can then deliver a range of affordable housing products, bridging the gap between social housing and the bottom end of the private rental market. Such products can also be delivered as part of land subdivisions, with land sold to appropriate providers. Establishing a state wide affordable housing contribution policy as soon as possible, with local government contribution plans, is necessary to allow the market to adjust over time. This would be a major step on the pathway to a consistent supply of affordable housing that follows emerging policy in other states.

Social housing and homelessness

In January 2023, the state government announced a commitment of $2.4 billion over a four year period to increase the quantity and improve the quality of social housing (Carey 2023a). This funding brings together the collective investment across various government programs, including the Social Housing Economic Recovery Package (SHERP) announced during the early months of the pandemic. As at 22 March 2023, 1,100 social homes have been completed with just under 1,000 now under construction (Hansard WA 2023). An additional 492 social homes have also been acquired since July 2021 under the WA Government's spot purchase program (Minister for Housing 2023).

Minor amendments have been made to social housing eligibility criteria that increase the income eligibility limits for single income households, people with disability, and households living in specified remote areas of WA (Carey 2023b). Tenancy and homelessness support organisations have been critical of these amendments, arguing that they were solely the result of an increase to income support payments that would have rendered many sitting tenants of social housing ineligible, and did very little to provide urgent support to the growing population experiencing or at risk of homelessness. As our analysis of lower quartile income rental affordability and availability in this report indicates, there are very few rentals now available that lower income households can afford in Greater Perth or the regional centres, and the affordability gap is continuing to widen.

Homelessness peak bodies across Western Australia have also made a series of recommendations to government. For example, Shelter WA has called for a WA Housing Future Fund ($1 billion), a community housing grants program, affordable rentals for regional key workers ($200 million), and energy efficiency programs for lower income households ($350 million) (Shelter WA 2022).

Shelter WA have also called for additional investment in homelessness services, which are experiencing increased financial pressures that are negatively impacting service delivery. Analysis from the Australian Institution of Health and Welfare (AIHW 2021) found that on any given day in WA during 2021, 65 requests for assistance from specialist homelessness services were unmet (Shelter WA 2022, p. 24). Similar experiences were identified in our consultations and correspondence with homelessness support providers, who note that these pressures have intensified in the last 12-18 months.

The increased demands on services, limits on resources, and an already heavily burdened workforce poses a challenge to providing best practice service delivery. Support teams and case workers are juggling high caseloads due to demand across the sector, with few options for referrals to other agencies, and few affordable places for those looking to transition out of services. The emotional toll of supporting people experiencing rough sleeping or in unsafe, unsuitable accommodation for indefinite periods is immense as many of the people seeking help are dealing with comorbid health issues and the mental and physical toll of rough sleeping can be fatal.

As pathways out of homelessness become increasingly constrained, staff are also at greater risk of verbal and physical abuse. The sector is seeing increased staff turnover as people to leave the sector for better pay, less stress and job security. Recruitment and retention issues are prevalent and support organisations are struggling to find staff with the requisite experience willing to do the work. Positions are remaining vacant for longer, which has in turn a significant impact on service delivery. Workers are themselves struggling to find or maintain affordable housing for their families. Support organisations are often forced to employ staff with less skills and experience, requiring substantially more resources dedicated to recruitment, training and supervision.

So what can governments do to support this vital sector?

- State government needs to fund the provision of 900 additional social housing dwellings per annum just to maintain social housing at its current level as a proportion of total stock. This requires significant on-going investment, justifiable because social housing is critical infrastructure, and such investment is essential to the state.

- State government should consider the way it works with the community housing sector and recognise how the status of the sector allows it to leverage funding and deliver housing on a more cost-effective basis that the direct provision of public housing. Community housing providers need access to sites and certainty of funding to allow the provision of new housing and be able to generate the type of scale. This model has been proven to work successfully in other states as a way to facilitate further development opportunities and increase social housing stock. With private sector interest in funding affordable housing growing rapidly (Benedict, Gurran et al. 2022) the community housing sector has never been better placed to deliver new housing with appropriate support from government.

- The income eligibility limits for public housing are much lower in WA than in some other states. For example, in WA a couple is eligible for public housing with an income of $735[8] per week or below. In comparison, the equivalent figure is $950 in NSW[9] and $1,193 in South Australia[10]. State government should review income eligibility limits to align WA with other states. Small changes to support payments such as the aged pension would mean households are no longer eligible for social housing and such households would have little prospect of securing housing in the private rental market. Such low income limits also result in the waiting list being much lower than it would otherwise be if income limits reflected those of other states.

- State government should deliver greater investment in homelessness support services and an expansion of funding to support Housing First initiatives. It is encouraging to see the WA government establish a Housing First Homelessness Advisory Group which will hopefully encourage large investment in housing first programs.

- Many support organisations are funded through time-limited grants, creating uncertainty for both staff and clients, and constraining organisations ability to plan to be strategic and sustainable.
An expansion of secure funding for homelessness support services is essential.

- Establish a Homelessness Housing Fund, tailored to attract public, private and philanthropic funding which could be leveraged to deliver social housing and boost access to the private rental market. An example of this is the *My Home project* which under a PPP arrangement, is in the development phase to deliver 18 new homes for women over 55 experiencing homelessness (see My Home Housing 2023).

8 https://www.housing.wa.gov.au/HousingDocuments/Public_Housing_Income_Limits.pdf.
9 https://www.facs.nsw.gov.au/housing/policies/social-housing-eligibility-allocations-policy-supplement/chapters/income.
10 https://www.housing.sa.gov.au/about-us/policies/income-and-asset-limits.

139

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