

Housing and affordability in the ACT

Australian housing costs have increased rapidly over the last decade, and the ACT has been particularly affected. Housing costs in the ACT increased 63 per cent over the six years to 2012ⁱ, making Canberra's housing market one of the country's least affordable for low and moderate income earners. The ACT private rental market is among the most expensive in the country; and vacancy rates are among the lowestⁱⁱ. Mortgage repayments have increased rapidly since the mid-2000sⁱⁱⁱ. In the private rental market more than 40 per cent of low to moderate income earners experience housing stress.^{iv}

In addition the supply of social housing has decreased in real terms over the past 20 years. The impact of the large-scale sale of public housing properties during the 1990s and 2000s is yet to be reversed, and limited investment in public and community housing since this time means that the ACT's social housing system cannot deliver sufficient affordable housing to meet demand or need. This remains the case despite the very significant investment in social housing by the Commonwealth from 2008 as part of the Economic Stimulus package. As a result housing options for low to moderate income earners are highly constrained.

What is affordable housing?

Affordable housing is housing in which people have enough income, after paying their rent or mortgage, to afford food, utilities, transport, education and other necessary costs for all the members of a household^v, and to enjoy leisure and community activities.

'Affordable housing' refers to the cost of housing relative to peoples' ability to pay for it, not to a particular type of housing. It can be a mortgaged or purchased dwelling, a private rental property, a public housing property (housing that is rented from the government, where the rent is a percentage of tenant's incomes), or in community housing (housing rented from a community housing organisation, where rent may be calculated as a percentage of income, or a percentage of the market rent).

Affordable housing can also be thought of as housing that does not place its residents in *housing stress*. A household is considered to be experiencing housing stress if it is among the lowest 40 per cent of income earners but is spending more than 30 per cent of household income on recurrent housing costs (rent or mortgage payments).^{vi} However, this measure may underestimate the extent of housing stress because it does not take into account housing related costs such as electricity, water and transport.

A household living in housing stress may struggle to meet other day-to-day needs after they pay their housing costs. In addition to the financial and emotional stress this places on those affected, high levels of housing stress have negative impacts on community life and on social cohesion. High levels of housing stress indicate disadvantage and inequality, and are a sign of housing market dysfunction - this has additional and significant negative implications for economic productivity.

Buying a home in the ACT

- In the ACT it now takes 6.2 times the annual average income to afford the median house price - in 2001 housing was just 3.4 times the annual average income.vii
- Between 1991 and 2011 house prices increased by 263 per cent while after tax income grew by 95 per cent. viii
- The median house prices in the ACT close to doubled between 2000 and 2003 alone.ix
- The ACT has the highest median house prices in the country after Sydney.x

Renting privately

- Private rents in the ACT are among the most expensive in the country.xi
- Rental vacancy rates are among the lowest in the country.xii
- The rents paid by people in the ACT in receipt of Commonwealth Rent Assistance* increased by an average of 13 per cent between 2008 and 2010. CRA is the same amount wherever you live, but the average rent paid by people receiving CRA in the ACT is the highest in the country. In short, CRA is not effective in preventing rental stress in the ACT. xiii

The Commonwealth Government payment intended to assist people on low incomes to pay rent in the private rental market)

Public and community housing in the ACT

- Approximately 8.5 per cent of households in the ACT live in public housing. xiv.
- Although the ACT has more public housing stock than other states and territories, stock growth has not kept pace with population growth.
- Under the Nation Building and Jobs Economic Stimulus Package more than 400 new public housing dwellings were constructed in the ACT, a significant one-off increase in stock numbers.xv
- In the ACT, as across Australia, public housing has suffered long-term underinvestment. The very long wait times for public housing reflect this. Wait times for ACT public housing in early 2013 were:

| Application Category | Average Waiting Time (days)^{xvi} |
|-----------------------------|--------------------------------------------------|
| Priority Housing | 154 |
| High Needs Housing | 598 |
| Standard Housing | 618 |

- There are just a handful of community housing providers in the ACT, and these organisations provide around 0.4 per cent of all ACT housing supply.xvii Some community housing is charged at 74.5 per cent of market rent while some is charged at the same rate at public housing i.e. 25 per cent of income.

Overall, there is a lack of housing options for people earning low to moderate incomes.

People who experience the negative impacts of an expensive housing market include: people experiencing housing stress in the private rental market; people with specific housing needs (such as for aged or disability housing); and low to moderate income earners who are locked out of home purchase due to the high cost of housing relative to incomes.

There are a range of groups of people who, as a result of enhanced vulnerability to poverty and/ or a lack of appropriate housing options, are at an especially great risk of housing stress, inadequate housing and homelessness. Among these, Indigenous Australians experience a disproportionately greater risk of homelessness, overcrowding and inadequate housing, and a disproportionately lower level of access to private rental and home ownership. Refugees, asylum seekers and migrants have specific short and longer-term housing needs that are not met in full by the housing system, especially by the private market. Women, and especially older women, experience a disproportionate likelihood of housing poverty and housing stress as a result of lower lifetime earnings and savings.

There is a specific gap in the availability of housing that is appropriate and accessible to older people, in particular those with age-related disability. People with chronic health conditions including mental health issues are also particularly marginalised in a competitive and expensive housing market. Young people tend to earn lower incomes and are more likely to experience particular housing vulnerabilities including lack of access to housing and insecure tenure. These groups experience an enhanced vulnerability to homelessness as well as housing insecurity and housing poverty.

Low and moderate income earners who are negatively affected also include some key workers (public sector employees who fulfil essential roles, such as teachers and nurses). Many people working in non-public sector industries with lower wages, such as in the hospitality industry and the community sector, are also among those low to moderate income earners most affected by rising housing costs. The vulnerability of low-waged workers to housing stress is reflected in the increasing numbers of dual-income earning families who experience homelessness because they cannot afford private rental accommodation.

What can be done?

A range of changes, from better planning for affordable housing, investment in public housing, a plan for the viability and growth of community housing, the reform of the private rental market, would assist in improving housing affordability. ACT Shelter has made a number of recommendations in our 2012-2014 Policy Statement, designed to prompt discussion and action in these areas.

ⁱ Australians for Affordable Housing 2012. *Australia's Broken Housing System* [http://housingstressed.org.au/wp-content/uploads/2011/09/Australias_Broken_Housing_System.pdf]

ⁱⁱ NSW Shelter for National Shelter, 26 August 2011, *Housing Australia factsheet – A quick guide to housing facts and figures* p6.

ⁱⁱⁱ Australian Bureau of Statistics June 2012. *Census Data Shows Snapshot of the Australian Capital Territory* [<http://www.abs.gov.au/websitedbs/censushome.nsf/home/act-03?opendocument&navpos=620>] Accessed 30/09/2012

^{iv} These are 2007-2008 figures which are the most recent available, and are drawn from the COAG Reform Council 2009, *National Affordable Housing Agreement: Performance report for 2009-10*, COAG Reform Council, Sydney in National Housing Supply Council *State of Supply Report 2011* Commonwealth of Australia, Canberra p138

^v Julian Disney. *Affordable Housing in Australia, some Key problems and priorities for action*, National Forum on Affordable Housing, Australian Housing and Urban Research Institute, Melbourne, 19 April 2007, [http://www.ahuri.edu.au/downloads/2007_Events/AHURI_Conf/Julian_Disney.pdf]

^{vi} Yates, J. and Gabriel, M. (2006) Housing affordability in Australia, Research Paper 3 for National Research Venture 3: Housing affordability for lower income Australians, <http://www.ahuri.edu.au/nrv/nrv3/>

^{vii} Australians for Affordable Housing 2012, *Australia's Broken Housing System* <http://housingstressed.org.au/wp-content/uploads/2011/09/Australias_Broken_Housing_System.pdf>

^{viii} NATSEM *The Great Australian Dream – just a dream?* University of Canberra AMP NATSEM Income and Wealth Report issue no 29, July 2001 p 3 in NSW Shelter for National Shelter 2011 *Housing Australia Factsheet* p3

^{ix} ACT Government *Affordable Housing Action Plan 2007* <http://www.economicdevelopment.act.gov.au/affordable_housing/action_plan>

^x Australian Bureau of Statistics 2011 *Table 7, Median Price of Established House Transfers (Unstratified) in Established house prices weighted average of eight capital cities* Cat No 6414.0, p12 [[http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/F5F4537E229230E4CA25793A000ED4BE/\\$File/64160_sep%202011.pdf](http://www.ausstats.abs.gov.au/ausstats/meisubs.nsf/0/F5F4537E229230E4CA25793A000ED4BE/$File/64160_sep%202011.pdf)]

^{xi} ABS *Housing Occupancy and Costs 2009-2010* Cat. No. 4130.0 16 November 2011

^{xii} NSW Shelter for National Shelter, 26 August 2011, *Housing Australia factsheet – A quick guide to housing facts and figures* p6.

^{xiii} National Housing Supply Council *State of Supply Report 2011* Commonwealth of Australia, Canberra p 139

^{xiv} Productivity Commission *Report on Government Services 2011 - Housing* Table 16A.89 <http://www.pc.gov.au/__data/assets/pdf_file/0020/105365/081-chapter16.pdf>

^{xv} Productivity Commission *Report on Government Services 2011 - Housing* Table p16.82 <http://www.pc.gov.au/__data/assets/pdf_file/0020/105365/081-chapter16.pdf>

^{xvi} ACT Government Community Services Directorate *Social Housing Waiting List* <http://www.dhcs.act.gov.au/hcs/social_housing/waiting_lists>

^{xvii} ACT Government *Affordable Housing Action Plan 2007* p4 [http://www.economicdevelopment.act.gov.au/affordable_housing/action_plan] p4