

# Literature review on housing affordability

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***Land supply and housing affordability***, Shelter New South Wales, Sydney, 2003  
[http://www.shelternsw.infoexchange.net.au/docs/rpt03land\\_sb.pdf](http://www.shelternsw.infoexchange.net.au/docs/rpt03land_sb.pdf)  
Viewed on: 2 July 2008

There are several problems associated with the issue of availability of affordable housing in Sydney; the extensive land that city covers has got natural geographic and environmental barriers. This makes it hard to release new land for the purpose of new urban development (Greenfield), as the cost of physical infrastructure to serve the developments in new land released areas are quite high. Sydney is also experiencing a very rapid growth in population rate that is about 58,000 people settling in Sydney each year, which is far beyond what was initially estimated (Shelter New South Wales, Sydney, 2003).

Simon Tennant, 2005. ***Report on the forum: housing for the 21<sup>st</sup> century***  
[http://www.ncc.nsw.gov.au/data/assets/pdf\\_file/0020/5618/housing\\_21\\_century\\_workshop\\_report.pdf](http://www.ncc.nsw.gov.au/data/assets/pdf_file/0020/5618/housing_21_century_workshop_report.pdf)  
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The cost of owning a house is too high which means families who wish to purchase, have to spend a great percentage of their income in mortgage repayments. This cost acts as a discouragement for them to buy, so instead of buying they prefer to rent. On the other hand the cost of building, influenced by several factor cost such as; cost of building materials, shortage of skilled labour, regulation and compliance control, as well as taxes on purchases of land and housing, and interest rates are making the property investor to move away from investing in rental properties. As a consequence there will not be enough houses added to the rental stock, leaving the rental market tight without further improvement in affordability of housing (Tennant, 2005).

WSROC 2008. ***WSROC submission on housing affordability in Australia***  
[www.aph.gov.au/SENATE/committee/hsaf\\_ctte/submissions/sub31b.pdf](http://www.aph.gov.au/SENATE/committee/hsaf_ctte/submissions/sub31b.pdf)  
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The most concerning issue for the population of Western Sydney is the lack of adequate affordable housing to provide reasonable access to work opportunities and community services at a reasonable cost. It is estimated that one in three low income households are in housing stress, and that the rate of stress for single households are greater than couple households. This housing stress is considered to be more associated with income than profession.

A good indicator of rising housing prices could be that people in their 40s, 50s and 60s are more likely to be still paying a mortgage than those at the same age a decade ago. The economic and social consequences of housing are huge; it can result in inefficient urban development and high transport costs, it influences the fertility rate and family cohesion, it can also reduce retirement security and adversely impacts on intergenerational equity and the social strength of local communities.

During the last decade the average housing prices in Australia, particularly in Sydney, have almost doubled relative to income. This has resulted in Sydney having a higher proportion of renters than the national average, while the greater majority of low income renters are paying 30 to 50 percent of their incomes on rent. This is causing the gap between the rich and poor to widen as the population of the region is divided in to those who have and those who have not (WSRC 2008).

Refugee Council of Australia (2008) ***Australia's refugee and humanitarian programs 2008-09, RCOA submission***

[www.refugeecouncil.org.au/docs/resources/submissions/2008-09\\_intakesub.pdf](http://www.refugeecouncil.org.au/docs/resources/submissions/2008-09_intakesub.pdf)

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The high cost of home ownership has caused many renters to remain in the private rental sector as their incomes are above average they are considered to be higher income earners displacing the lower income earners from having affordable rental accommodations. Due to the commercial nature of the private rental market, the lower income earners have to compete with them in the rental market in order to obtain rental accommodation.

Many humanitarian entrants and refugees find themselves in housing stress. They are unable to afford suitable housing so they live in shared accommodation with their friends or relatives suffering from hardships such as overcrowded conditions, living in houses poorly maintained by landlords, far from public transport and working opportunities.

There is evidence suggesting that in a highly competitive rental market where refugees have to accept whatever they can get, there is almost no opportunity for them to exercise any choice over whether a house is properly maintained or not, in terms of availability of gas, electricity or energy saving fittings. They might be living in houses where the overall standard is extremely low and unacceptable for others in Australia to live in; however it has been well documented that refugees will often hesitate to complain in fear of losing their housing (Refugee Council of Australia, 2008).

Yates J, Randolph B and Holloway D (2006). ***Housing affordability occupation and location in Australian cities and regions***. Australian Housing and Urban Research Institute. Final Report No.91.

[www.ahuri.edu.au/publications/download.asp?ContentID=60279\\_fr&Redirect=true](http://www.ahuri.edu.au/publications/download.asp?ContentID=60279_fr&Redirect=true)

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When making decisions related to occupation and work location, housing affordability plays an important role in peoples' lives. Those who cannot afford to live close to their workplaces are forced to live in distanced areas, paying high transportation costs while bearing longer travelling times. By moving from the high cost rental locations to low cost areas, it appears that the pressure of high housing costs have been reduced, however these costs are reinforced by high commuting costs. And these high commuting costs if not compensated for by high housing consumption, are more likely to be a burden to employees.

Problems associated with high housing prices are affecting almost all low income earners, however the low skill labour industries whose annual incomes are equal or less than 30,000, such as hospitality workers and cleaners, are affected more than any other labour sector. (Yates et al.,2006)

Housing NSW. ***Information on Auburn Housing Market***.

<http://www.housing.nsw.gov.au/NR/rdonlyres/2AEA5A36-47DD-4C14-BDE7-1E0D3694999D/0/InformationonAuburnHousingMarket.doc>

Viewed on: 8 July 2008

- At the 2006 Census Auburn's population was 64,949, up by 15.2% of what it was in 2001, indicating that Auburn has a high growing population rate with high demand for housing.
- Auburn has a higher proportion of private rental stock compared to the Greater Metropolitan Region and the rest of New South Wales.
- The private rental market is unable to adequately respond to the housing needs of people, and as a consequence a significant number of low income households are in housing stress; especially 45% of those who receive Commonwealth Rent Assistance (CRA) and of them 43% are single person households and 26% are couples with children.
- The proportion of low and medium income earners in housing stress in Auburn is 60%, which is higher than the average for Sydney, with 25% more renters in housing stress than purchasers.

- Auburn lacks diversity in housing, currently there is not enough one bedroom accommodation for single persons. In order to meet the current and future needs of the community, there is a high requirement for a better mix of housing.
- In March 2006 Auburn had experienced considerable increases in rent compared to other Local Government Areas, and in September 2007 the rent increase was experienced particularly for one, two and three bedroom dwellings.
- The proportion of affordable housing to purchase in Auburn is too low that low income earners can't afford to buy their own dwellings.
- Over the last few years Auburn has had a higher median purchase price compared to other Local Government Areas, such as Parramatta and Holroyd. In June 2007 the median purchase price for Auburn was \$370,000, up by 48% since March 2001.
- At the 2006 census 72% of low and moderate income purchasers were in housing stress, and Auburn had the third highest proportion within Sydney Statistical Division after Strathfield (74%) and Hunter's Hill (73%).
- 3.8% of all dwellings in the Auburn LGA are public housing, of which 27.9% is one bedroom, 37.0% is two bedrooms and 35.1% is three bedrooms or larger stock. (NSW Department of Housing)

St Vincent de Paul Society, 2007. ***Don't dream, it's over: housing stress in Australia's private rental market.***

<http://www.vinnies.org.au/UserFiles/File/DONT%20DREAM%20ITS%20OVER%20-%20St%20Vincent%20de%20Paul%20Report.PDF>.

Viewed on: 9 July 2008

- For the past two decades prices for private rental housing have gone so high that many low income Australian families are left with no option but to suffer from housing stress. And in extreme cases the continuous housing stress has led to homelessness with significant disastrous impacts on health, education and wellbeing of homeless people, often causing emotional, behavioural and mental illnesses.
- Half of the people who seek help from homeless assistance services are families with children, and are continuously growing in number, followed by single adults and young people.
- There are a number of causes that are to be blamed for increasing housing stress, such as; low investment in public housing, demographic changes related to households, displacement of low income families by high income young Australians who wish to live in the inner-city which increases the rents and makes private rental housing unaffordable for low income families, less effort by State and Federal government to tackle supply-side of the problem is the most important cause, pointing to the fact that there is a need for direct investment by government in order to increase the supply of proper form of affordable housing for low income families, (public and social housing),(St Vincent de Paul Society, 2007)

Beer. A and Foley P. 2003. Final Report No: 48. ***Housing need and provision for recently arrived refugees in Australia***

[www.ahuri.edu.au/publications/p40048/](http://www.ahuri.edu.au/publications/p40048/) - 21k

- Proper and affordable housing plays an important role in the successful settlement and integration of refugees and other immigrants into Australian society.
- In obtaining affordable housing refugees and immigrants are faced with several types of barriers, such as; discrimination by real estate agents and landlords on the basis of race, gender, age and social status (especially social security recipients), as well as financial barriers to rent proper accommodation, as they are among low income earners.
- Employment status plays an important role in finding proper accommodation for refugees and immigrants.
- Refugees and most immigrants who arrived in Australia between 1999 and 2003 were accommodated in community housing or stayed with their families and friends for the first weeks, before renting through private rental markets.
- Of the 178 refugees and 153 Temporary Protection Visa (TPV) holders who were interviewed by AHURI Southern Research Centre, 27% indicated that low income and other financial problems had influenced their ability to pay rent, find resources to pay their bond and utility deposits, and

about 24% of them (especially families with children) struggled to find appropriate accommodation, they could afford.

- There are a number of problems that refugees and immigrants have in relation to their current accommodation, such as: too expensive, overcrowded, too small, old with maintenance problems, lack of privacy and most importantly isolated and far from employment, schools and other services. (AHURI Final Report; 2003)

National Shelter (2007). *National Shelter Policy Platform, 2007. Australian housing: a fair share?*

[http://www.actshelter.net.au/policy\\_platform.pdf](http://www.actshelter.net.au/policy_platform.pdf)

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- Housing plays an important part in the national economy, while being a generator of employment and household wealth for ordinary Australians, it satisfies a variety of social needs, such as; it provides a place of shelter, a location in a neighbourhood and community, and a place to belong.
- The private rental market provides accommodation for approximately 20% of Australia's households. It is always considered to be a temporary form of housing. Tenancy legislation provides for only short term leases with short term notice periods for tenancy termination and or changes to the tenancy conditions.
- About 1.2 million households who are paying over 30% of their income in housing costs are in "housing stress". And over 400,000 who pay more than 50% of their income in housing costs are in "extreme housing stress".
- All Australians including low income households should have access to housing that is; affordable so that low income households don't have to spend over 30% of their income on housing costs, it should meet minimum standards for space, safety and physical conditions, and tenants to have the rights to choose whether to stay or leave. It needs to be appropriate both for aged and disabled people, with locations from which households can easily access employment, services and transport.
- Despite the valuable assistance that many Australians receive from programs such as First Home Owners Grant, Commonwealth Rent Assistance and Social Housing programs, housing stress is still not eliminated. Simply because the way these programs are designed and the amount of funding allocated to them is not enough to do so.
- While Australia's population and the number of households in housing stress are growing, funding for the social housing sector (targeted towards households unable to participate in workforce) is declining, and over the past decade the level of funding for the social housing sector was reduced by 30% in relative terms.
- Currently private rental housing is the only available option for many households, leading to an increase in demand for rental properties and a considerable raise in rents, with vacancy rates for many capital cities below 2%. As a consequence many households are pushed to housing stress because incomes fail to keep pace with the raising rents. (National Shelter,2007)

Berryman C, (2007). *Housing affordability in Greater Western Sydney: sales price, median rent, mortgage payments and income changes from 2000 to 2006*. Report by WSROC

<http://www.wsroc.com.au/page.aspx?pid=58&vid=1&fid=283&ftype=False>

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"Among the highest and/or least affordable rent levels experienced in the LGAs clustered in the eastern part of the region during 2000 to 2006, Auburn stands out in registering the highest average rent increase, at 35.1%, along with lower than average income increases, at 28.7%"( Berryman, 2007).

Law and Justice Foundation of NSW. 2005. **No home, no justice: the legal needs of homeless people in NSW**

[www.lawfoundation.net.au/ljf/site/articleIDs/46AFCFE76A8314F8CA25707500815B9F/\\$file/no\\_home\\_no\\_justice.pdf](http://www.lawfoundation.net.au/ljf/site/articleIDs/46AFCFE76A8314F8CA25707500815B9F/$file/no_home_no_justice.pdf)

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- Inadequate affordable housing, including poverty and unemployment, is identified as one of the structural causes of homelessness.
- Public housing is considered to be the main source of housing for the homeless and people who are inadequately housed. But the number of people on the public housing waiting list is far more than the number of public housing being supplied, for example as of June 2003 there were 80,188 people waiting in the list while during 2002-2003 only 10,462 people were housed by Department of housing, (Law and Justice Foundation of NSW, 2005)

**Interview with Sam Ibrahim (2008), Sales Manager, National Real Estate Auburn**

1. What are the current prices for different sales and rental properties?
  - Sales prices are down 20 to 30% from the time of boom, and Rentals are up by 30 to 40%.
2. What type of housing is in high demand by Auburn community? (Rental or sales and how small or large)
  - All properties are in high demand for sales and rentals, due to the make-up of families large and small.
3. How long a vacant property stays in rental list? (vacancy rate)  
What is the average number of applications per rental property?
  - Vacancy rate for rental properties is about 3%.
  - Rental properties attract 6 to 7 applications per property.
4. What is the standard condition for a property at start of tenancy agreement?
  - Conditions of properties vary depending on individual landlords, but usually they are fair to good.
5. What are the top (5) problems you experience with tenants in the Auburn Area?
  - Language problems
  - Unable to understand their rights/obligations towards rental properties
  - Leaving rubbish on foot path (especially new comers)
  - Not paying rent on time
  - Not looking after the property
6. How often do you get new built Properties listed as rentals?
  - Not very often
7. Do you believe if there is a need for further development in housing to meet the current and future accommodation needs of Auburn's growing population?
  - Yes, there is a desperate need for further development as demand is out stripping supply.