

# Housing Affordability and Homelessness

At Hanover we believe all people should have access to safe, secure and affordable housing.

## Key statistics:

- There is an overall shortage of housing nationally<sup>i</sup>
- The cost of housing has increased for both ownership and renting<sup>ii</sup>
- Housing prices have risen faster than the average wage over the past 15 years<sup>iii</sup>. In the same period wage inequality has increased; with those on higher incomes having the greatest wage increases<sup>iv</sup>
- Melbourne has been experiencing record low rental vacancy rates; currently the rate is 1.6%<sup>v</sup>
- There has been a fall in the amount of public housing stock over the past decade and a decrease in the proportion of public housing relative to the population<sup>vi</sup>

An insufficient supply of affordable housing is a significant cause of homelessness for those on low incomes. Without affordable housing; individuals, couples and families will remain homeless.

Hanover staff report that obtaining housing for clients has become increasingly difficult – whether that be public housing, community housing or private rental.

## What are the causes?

Housing costs have increased faster than wages both in Australia and internationally<sup>vii</sup>. Costs are being driven by a number of factors including: population growth, a shortfall in the number of dwellings to the number of households, reduced profitability of other forms of investment, high tax concessions for housing, availability of housing finance, the strong psychological desire for home ownership and the increasing scarcity of land<sup>viii</sup>.

Australia's capital cities have been experiencing record low vacancy rates over the past 5 years<sup>ix</sup> generating fierce competition for the few low cost rental properties that are available. The shortage of low cost rental housing, the increasing cost of rental housing generally and record low vacancy rates have combined to form a squeeze in the low cost housing market. Hanover clients report that this can mean they compete with up to 90 other applicants for a single rental property.

The difficulty faced by low income households is further compounded by a shortfall in public and social housing<sup>x</sup>. There has been a decline in the actual number of public housing properties and a decrease in the proportion of these properties in the market as the population grows<sup>xi</sup>. In response to increased demand, public housing waiting lists have grown and the eligibility policies have become more restrictive. Once public housing was available for anyone on a very low income. This is no longer the case.

**'I was looking and looking and looking for private rental, but I kept getting rejected wherever I went'**

Nicole, Hanover Client

## What are the consequences?

The lack of affordable housing has far reaching consequences: on the economy, for the community, individuals, couples and families.

Housing affordability problems have negative consequences for the overall economy, causing households to reduce the amount they purchase<sup>xii</sup>. Household consumption accounts for 60% of Aggregate Demand<sup>1</sup> in the economy<sup>xiii</sup>. Further the factors affecting supply and demand for housing interact to make the housing market and hence the overall economy, more volatile<sup>xiv</sup>.

Research suggests that concentrations of affordable housing to pockets on the outer rims of cities can lead to regional skill shortages, as low income workers struggle to commute long distances to employment.

Lack of affordable housing also leads to social isolation, poorer access to services and public transport, negative health impacts as a result of financial stress and family instability<sup>xv</sup>. A lack of affordable housing can also lead to homelessness.

Private rental properties available to rent from Real Estate Agents are of variable quality. A recent survey<sup>xvi</sup> found that 12% of rental properties that were affordable to those on low incomes were of such poor quality that they were literally uninhabitable. These

<sup>1</sup> Aggregate Demand is the total demand for final goods and services in the economy at a given time and price level.

properties had holes in the roof, walls or floor, no heating, or extensive mould. Research has confirmed that there is a clear relationship between poor quality housing and poor health.

The affordability crisis means that individuals and families are forced to move to the outer rims of major cities<sup>xvii</sup> where increasing transport costs makes accessing employment and services more difficult. Some research has found that children miss out on school activities in order for their parent(s) to maintain rental or mortgage payments<sup>xviii</sup>. A number of people who experience housing stress report going without meals.

## Solutions:

The best solution to homelessness is to address the causes and prevent people becoming homeless in the first place.

Hanover welcomes the Federal Government's recent National Rental Affordability Scheme and its unprecedented increase in funding for public and social housing. These initiatives will help to alleviate supply side pressures for affordable rental housing and public and social housing. However, to make a long term difference these initiatives will need to be sustained over time.

A multitude of other factors will need to be addressed in order for Australia to have a healthy housing market in which everyone can gain access to safe, affordable and appropriate housing. Hanover plans to undertake further research into the relationship between housing affordability problems and homelessness. Hanover supports research into strategies for increasing the supply of housing affordable to low and middle income Australians.

Hanover will continue to advocate for an increased supply of affordable housing for low income Australians.

## References:

ABS, Year Book Australia, 2009-10 *Household income, expenditure and wealth*. Cat no. 1301.0. 2010. Available at <http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/4EABC33B47FEE100CA25773700169C75?opendocument>

André, C, *A bird's eye view of OECD Housing Markets*, OECD Economics Department Working Papers, No 746, OECD Publishing. 2010

Berry, M., *Housing affordability and the economy: a review of macroeconomic impacts and policy issues*. National research venture 3: housing affordability for lower income Australians. Research Paper 4. For AHURI, RMIT-NATSEM research institute. April 2006.

Department of Human Services, Services, *Rental Report, March quarter 2010*. Victorian Government, Australia. 2010 Available at: [http://www.housing.vic.gov.au/\\_\\_data/assets/pdf\\_file/0004/439645/Rental-Report\\_Mar-Q-10.pdf](http://www.housing.vic.gov.au/__data/assets/pdf_file/0004/439645/Rental-Report_Mar-Q-10.pdf)

Hall, J., and Berry, M., *Sustainable financing for public housing authorities*, AHURI research and policy bulletin, issue 41, April 2004.

Muellbauer, J and Murphy, A, Housing Markets and the economy: the assessment, *Oxford journal of Economic Policy*, vol 24, num 1, pp 1-33. 2008

National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008.

National Housing Supply Council, *Key findings of the 2nd state*

*of supply report*, Commonwealth of Australia, Canberra. 2010.

Productivity Commission *First Home Ownership*, Report no. 28, Melbourne. 2004.

Spies Butcher, B „Restocking the economic toolkit: changes to social policy and the ability of the state to manage the economy , *Journal of Australian Political Economy*, no. 61, June 2008

Senate inquiry: “Links between Australia s Current Account Deficit, the Demand for Imported Goods and Household Debt” 2005.

Victorian Council of Social Service, (VCOSS) *Decent not Dodgy. 'Secret Shopper' survey*. Melbourne. 2010.

Yates, J, 'Australia s housing affordability crisis', *Australian Economics Review*, vol. 41 (2), 2008, pp. 200-214.

Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007.

- <sup>i</sup> National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008.
- National Housing Supply Council, *Key findings of the 2nd state of supply report*, Commonwealth of Australia, Canberra. 2010.
- <sup>ii</sup> Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007.
- <sup>iii</sup> Yates, J., 'Australia's housing affordability crisis', *Australian Economics Review*, vol. 41 (2), 2008, pp. 200-214.
- <sup>iv</sup> ABS, *Year Book Australia, 2009-10 Household income, expenditure and wealth*. Cat no. 1301.0. 2010.
- <sup>v</sup> Department of Human Services, *Rental Report, March quarter 2010*. Victorian Government, Australia. 2010
- <sup>vi</sup> Hall, J., and Berry, M., *Sustainable financing for public housing authorities*, AHURI research and policy bulletin, issue 41, April 2004.
- National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008.
- <sup>vii</sup> Yates, J., 'Australia's housing affordability crisis', *Australian Economics Review*, vol. 41 (2), 2008, pp. 200-214.
- National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008.
- André, C, *A bird's eye view of OECD Housing Markets*, OECD Economics Department Working Papers, No 746, OECD Publishing. 2010
- <sup>viii</sup> Productivity Commission *First Home Ownership*, Report no. 28, Melbourne. 2004
- Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007
- Muellbauer, J and Murphy, A, *Housing Markets and the economy: the assessment*, *Oxford journal of Economic Policy*, vol 24, num 1, pp 1-33. 2008
- National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008.
- National Housing Supply Council, *Key findings of the 2nd state of supply report*, Commonwealth of Australia, Canberra. 2010.
- <sup>ix</sup> Department of Human Services, *Rental Report, March quarter 2010*. Victorian Government, Australia. 2010
- <sup>x</sup> National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008. Hall, J., and Berry, M., *Sustainable financing for public housing authorities*, AHURI research and policy bulletin, issue 41, April 2004.
- <sup>xi</sup> Hall, J., and Berry, M., *Sustainable financing for public housing authorities*, AHURI research and policy bulletin, issue 41, April 2004.
- National Housing Supply Council, *State of Supply Report*, Commonwealth of Australia, Canberra. 2008
- <sup>xii</sup> Berry, M., *Housing affordability and the economy: a review of macroeconomic impacts and policy issues*. National research venture 3: housing affordability for lower income Australians. Research Paper 4. For AHURI, RMIT-NATSEM research institute. April 2006.
- <sup>xiii</sup> Senate inquiry: "Links between Australia's Current Account Deficit, the Demand for Imported Goods and Household Debt" 2005.
- Berry, M., *Housing affordability and the economy: a review of macroeconomic impacts and policy issues*. National research venture 3: housing affordability for lower income Australians. Research Paper 4. For AHURI, RMIT-NATSEM research institute. April 2006.
- <sup>xiv</sup> Spies Butcher, B „Restocking the economic toolkit: changes to social policy and the ability of the state to manage the economy , *Journal of Australian Political Economy*, no. 61, June 2008
- Berry, M., *Housing affordability and the economy: a review of macroeconomic impacts and policy issues*. National research venture 3: housing affordability for lower income Australians. Research Paper 4. For AHURI, RMIT-NATSEM research institute. April 2006.
- <sup>xv</sup> Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007.
- <sup>xvi</sup> Victorian Council of Social Service, (VCOSS) Decent not Dodgy. 'Secret Shopper' survey. Melbourne. 2010.
- <sup>xvii</sup> Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007.
- <sup>xviii</sup> Yates, J., Milligan, V., Berry, M., Burke, T., Gabriel, M., Phibbs, P., Pinnegar, S., and Ran, B., *Housing affordability: a 21st century problem: National Research Venture 3: Housing affordability for lower income Australians*, for the Australian Housing and Urban Research Institute, AHURI Final Report No. 105, 2007.