



Issues Paper – Excerpt

Companion to the WACOSS Pre-Budget Submission

Investing in Outcomes
Making it Count for the People of WA

**Part One – Issues and Funding Pressures in the Community Services Sector
Housing and Homelessness**

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*Part One – Issues and Funding Pressures in the Community Services Sector
Housing and Homelessness*

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HOUSING AND HOMELESSNESS

Background

Housing affordability and homelessness are not new issues and will always be of central significance to individual wellbeing. Policy makers have devoted considerable effort over many years to addressing issues of housing affordability and homelessness. Most recently the Social Housing Taskforce Report, *More Than a Roof and Four Walls*, provided Government with a range of options for addressing the lack of affordable housing in Western Australia. While the private market plays a critical role in creating new housing stock, the price of private dwellings is out of reach for most people on low to moderate incomes. There is an ongoing need for Government to increase the stock of social housing in WA. Social housing plays an important role in the housing mix to ensure all West Australians have access to safe, affordable and appropriate housing.

Increases in house prices and rents have seen many people in the lowest income brackets, and increasingly middle income earners, join the Department of Housing's social housing waiting list. As the cost of accommodation in the private market has increased so too has the demand for public housing. In December 2004 there were 12,779 applications for public housing. By December 2008 this had increased to 19,296. In June 2009 there were over 21,000 applicants on the wait list and approximately 3,500 on the priority waiting list.¹ Increasing the affordable housing options would ease the pressure on the social housing waiting list and help alleviate the problem of homelessness in the WA community.

WACOSS and the community sector eagerly await the release of the State Government's *Affordable Housing Strategy*. WACOSS broadly welcomes the strategies, initiatives and complementary actions planned to create greater accessibility and affordability in the WA housing market. However, if the Government is to meet the level of community need and achieve the goal of creating 20,000 new social housing dwellings by 2020 an immediate injection of funding is necessary.

Issues

Housing Affordability

Housing affordability continues to be a pressing issue for many Western Australians. Median house prices in Perth have increased substantially in recent years. A number of factors underpin the strong increase in median house prices in WA. These include WA's strong economic growth, which has been driven by the mining sector, population growth, higher household incomes and low unemployment.² Figure 4 below shows the almost exponential growth in median prices from 1978 to 2010. The graph shows median prices increased from \$300,000 in 2006 to \$400,000 in 2007 – a more than 30% increase in 12 months. While prices dipped slightly in 2008 and 2009 due to the Global Financial Crisis prices are again trending upward. Current REIWA data shows the median house price in Perth to be \$490,000 which represents, an 8.9% increase over the past 12 months.³

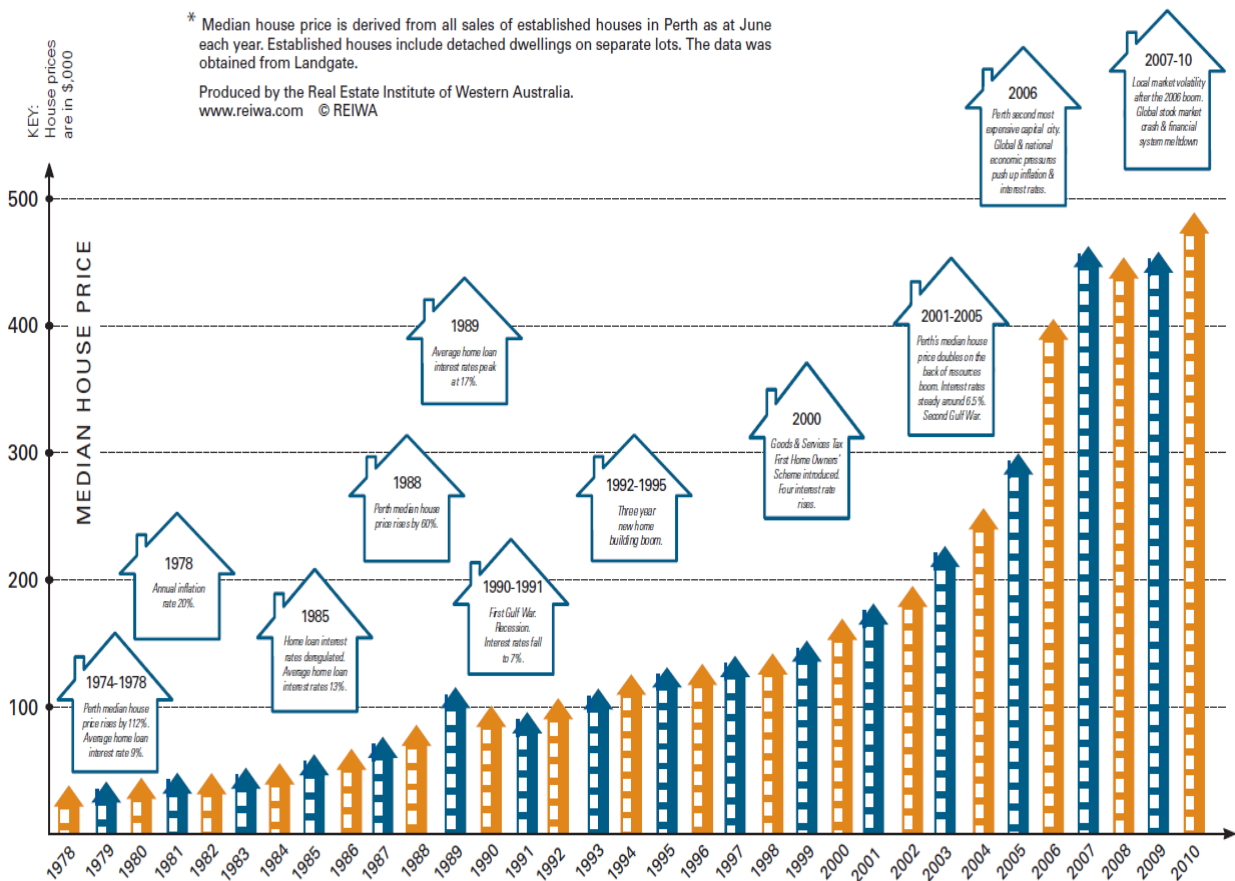
¹ Social Housing Taskforce. *More than a Roof and Four Wall*, pp.13-15.

² Ibid. p.12

³ REIWA. Property Market Indicators. See <http://reiwa.com.au/res/res-marketindicators-display.cfm> Accessed 28 September 2010.

The latest ABS data shows Perth recorded a new median price peak in December 2009. In the 12 months from December 2008 to December 2009 median house prices increased from \$425,000 to \$505,000. This represents a 19% increase and surpasses the previous median price peak of \$480,000 recorded in the December quarter of 2007, during Perth's housing boom.⁴

Figure 4: Perth's Skyrocketing Median House Prices⁵



The increasing price of housing has put homeownership out of reach for many people on low to moderate incomes. Figure 5 below shows just 2.6% of homes sold in WA in 2007-2008 were affordable to people on low and moderate incomes. This was lower than the national average of 3% and lower than all other states except Queensland. WA was the least affordable state for people on moderate income, with only 9.8% of homes sold in WA deemed affordable⁶ This compares poorly

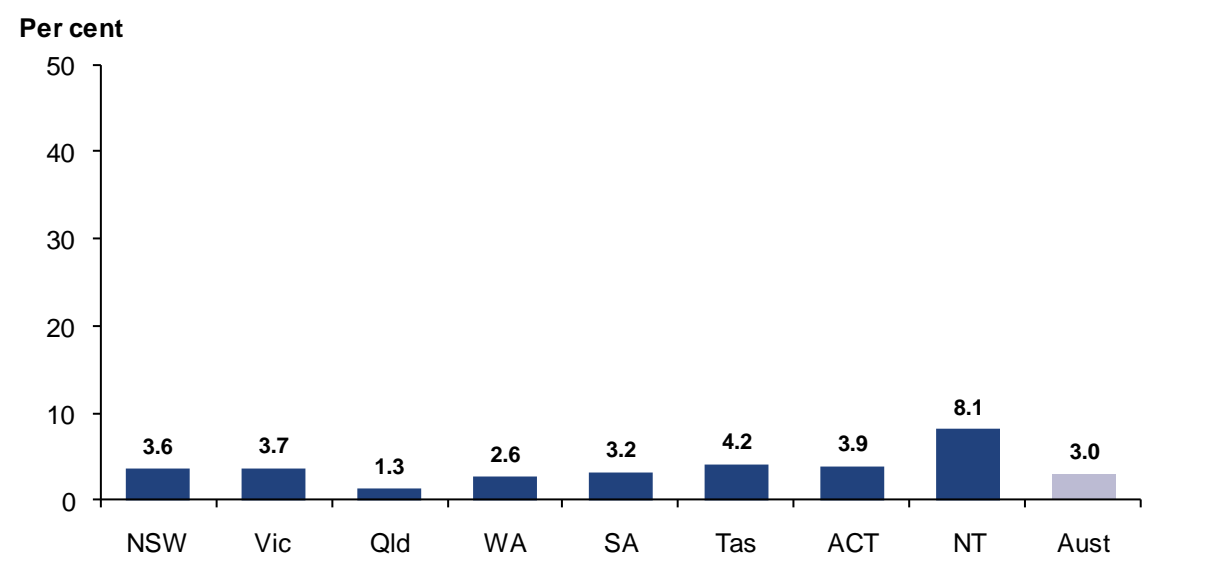
⁴ ABS 1367.5 Western Australian Statistical Indicators, 2010. See

<http://www.abs.gov.au/ausstats/abs@.nsf/Products/738C2573EB9ED2A7CA257798001B1CDB>

⁵ REIWA. Perth House Prices 1978-2010. See <http://reiwa.com.au/res/res-salesgraph-display.cfm>

⁶ COAG Reform Council. National Affordable Housing Agreement: Baseline performance report for 2008-09, pp.67-8.

Figure 5: Proportion of homes sold that were affordable to low-income households, by State and Territory, 2007-08⁷



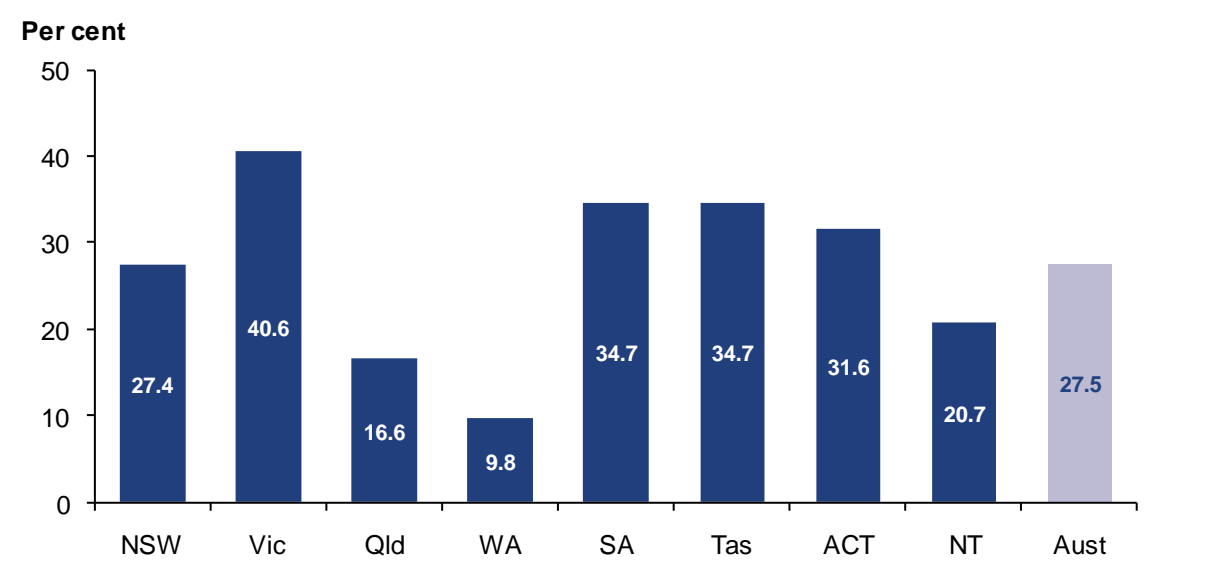
Notes:

1. Excludes households in very remote collection districts—about 23% of the Northern Territory population.

2. See volume 2, table NAHA 2.1, for data.

Source: ABS (unpublished) Survey of Income and Housing 2007-08; Valuer-General sales data for 2007-08.

Figure 6: Proportion of homes sold that were affordable to moderate-income households, by State and Territory, 2007-08⁸



Notes:

1. Excludes households in very remote collection districts—about 23% of the Northern Territory population.

2. See volume 2, table NAHA 2.4, for data.

Source: ABS (unpublished) Survey of Income and Housing 2007-08; Valuer-General sales data for 2007-08

⁷ COAG Reform Council. National Affordable Housing Agreement: Baseline performance report for 2008-09, pp.67.

⁸ Ibid, p.68.

to the national average of 27.5%. A much greater proportion of homes sold in Victoria and NSW were affordable to people on moderate incomes. 40.6% of homes sold in Victoria were affordable, while 27.4% were affordable in NSW. Figures 5 and 6 above clearly illustrate the unaffordability of housing in WA for people on low and moderate incomes.

The Private Rental Market

For most people on low incomes owning their own home is almost an impossibility and they are forced to rent in the private rental market. The private rental market is crucial to the overall functioning of the housing system. It makes up 23% of all households in WA and is home to more than 60,000 low and moderate income households in the State.⁹

As the cost of housing has increased so has demand for rental accommodation from people in all income brackets. This has placed upward pressure on rents disproportionately affecting people on low incomes. In 2007-2008 36.2% of low-income households were in the private rental market.¹⁰ Of these over a third (37.6%) were experiencing rental stress.¹¹ Figure 7 below shows the substantial increase in median house and unit rent in Perth from September 2003 to June 2010. Currently the median weekly rent in Perth is \$370 a week and has increased by 2.7% over the previous 12 months.¹²

The increased vacancy rate that coincided with the Global Financial Crisis and increases to the Federal Government's First Home Buyers Grant saw a plateauing in median weekly rents. The current vacancy rate stands at 4.3%, a change of +0.8% from 12 months ago.¹³ If the vacancy rate continues to fall median weekly rents will again increase.

Due to high rents, many West Australians are finding it difficult or impossible to maintain tenure in the private rental market. The rise in applications for social housing is an obvious manifestation of this phenomenon. In February 2009 the number of applications for public housing surpassed 20,000. In May 2009 the number of applications for public housing had increased to 21,384. The demand for priority housing has dramatically increased in recent years. In June 2006 there were just 382 applications. This had increased to 3,161 by the end of May 2009.¹⁴

As of August 2010 there were over 23,000 applications for public housing in WA which equates to over 53,000 people.

⁹ Social Housing Taskforce. *More than a Roof and Four Walls*, p.8

¹⁰ COAG Reform Council. *Affordable Housing Agreement: Baseline performance report for 2008-09*, p.59

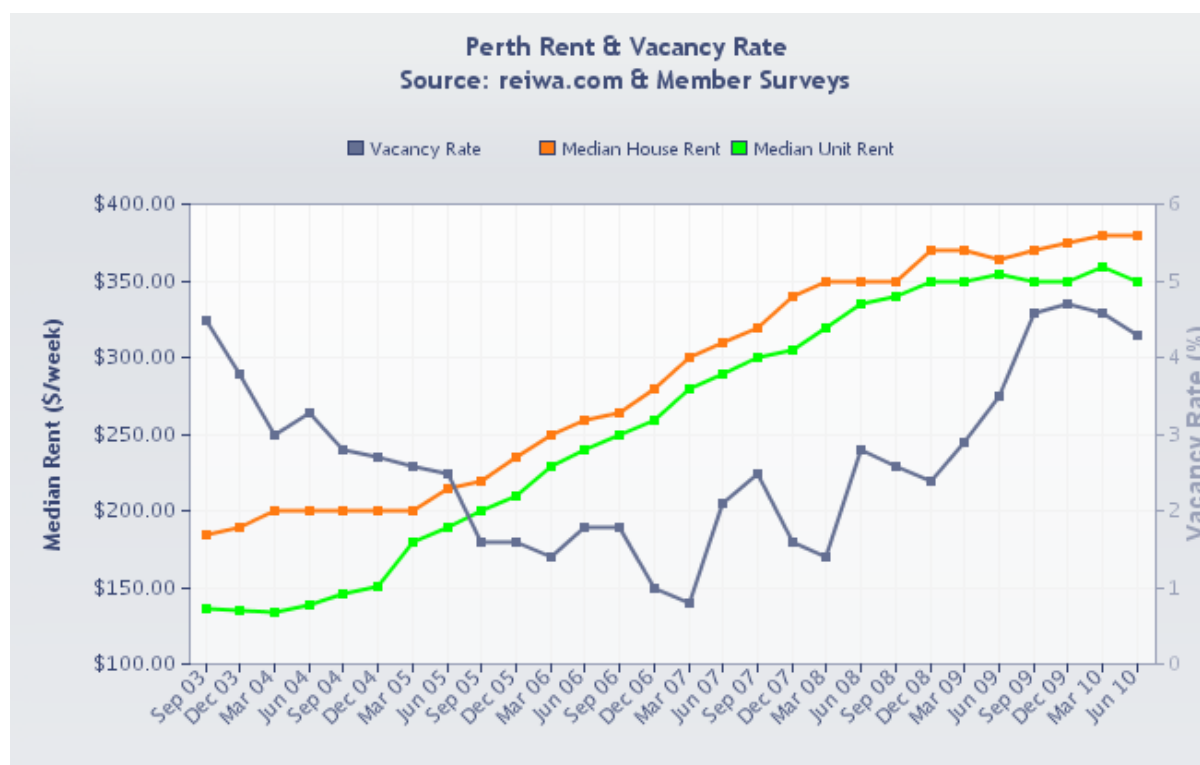
¹¹ *Ibid.* p.58

¹² REIWA. Market Indicators. See <http://reiwa.com.au/res/res-marketindicators-display.cfm>

¹³ *Ibid.*

¹⁴ Social Housing Taskforce. *More than a Roof and Four Walls*, p.13-15

Figure 7: Perth Median Weekly House and Unit Rent and Vacancy Rate ¹⁵



Also of note is the fact that the private rental market heavily favours vendors over renters due to the lack of supply. People on lower incomes are often overlooked by landlords in favour of other applicants. While the National Supply Council’s 2nd *State of Supply Report 2010* does not provide specific data for WA on the number of private rental dwellings affordable for low income earners, it does provide national data. According to the National Housing Supply Report, in 2007-08:

- A total of 1,410,000 private rental dwellings across Australia were affordable for the 814,000 private renter households in Australia with incomes below the 40th percentile.
- Of these, 1,089,000 dwellings were occupied by households in higher income percentiles. This results in a change from an ‘apparent surplus’ of 596,000 affordable dwellings to a shortfall of 493,000 affordable and available dwellings for those in the lowest two quintiles.¹⁶

Clearly, an increase in the number of rental properties on the market would be welcome, given that it may serve to alleviate the upward pressure on rents. However, we cannot depend on the emergence of a market based solution. WACOSS believes that the State government can and should play a greater role in increasing the supply of rental properties that are earmarked specifically for households on low incomes, fixed incomes and groups with specific needs such as households from culturally and linguistically diverse backgrounds.

¹⁵ REIWA <http://reiwa.com.au/research/listings-rental-trends.cfm>

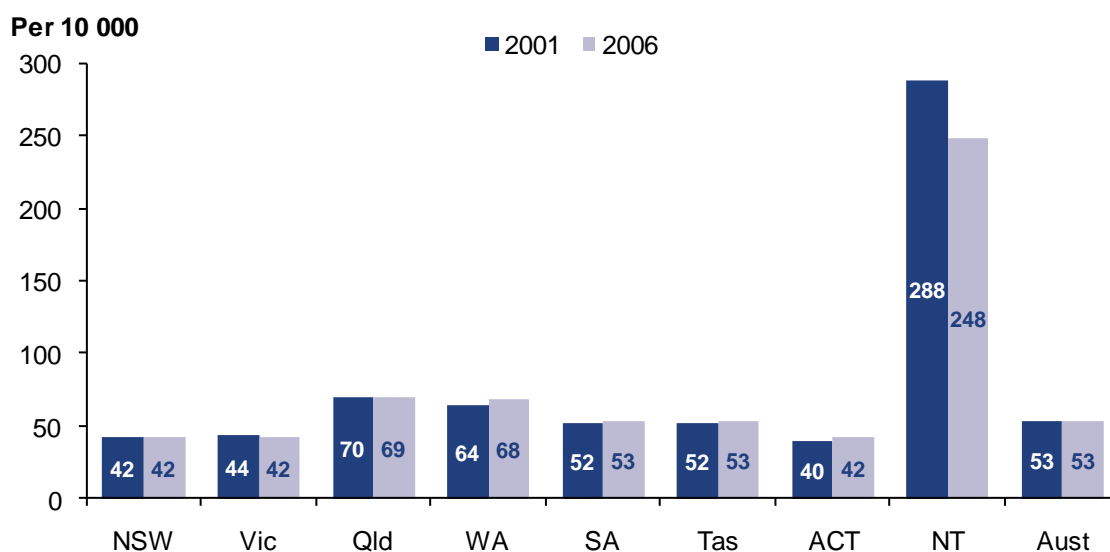
¹⁶ National Housing Supply Council. 2nd *State of Supply Report*, p.103

Homelessness

Numerous factors underpin the problem of homelessness. The lack of affordable housing, long-term unemployment, mental health problems, substance abuse and family and relationship breakdown all contribute to homelessness. While for some people homelessness can be a one off occurrence it can be a long-term cycle for others.¹⁷ Although it is difficult to accurately measure the number of people who are homeless, it is estimated that 104,676 Australians, or a rate of 53 people per 10,000, were homeless at the time of the 2006 Census.¹⁸

As shown in Figure 8 below, the rate of homelessness in WA was higher than the national average. In 2006 the rate of homelessness in WA was 68 per 10,000 which was 15 per 10,000 higher than the national average of 53 per 10,000. While the national rate of homelessness was stable between 2001 and 2006 the rate of homelessness in WA increased from 64 per 10,000 to 68 per 10,000.¹⁹ The homeless population in WA increased from 11,697 in 2001 to 13,391 in 2006.²⁰

Figure 8: Rate of people who were homeless, by State and Territory, 2001 and 2006 censuses (per 10 000 persons)²¹



Homelessness in WA was more likely to affect men and young people. In 2006, 75 men per 10,000 were homeless in WA compared with 62 women per 10,000. Again the rates of homelessness for both men and women were higher than the national average. Nationally the rate of homelessness

¹⁷ COAG Reform Council. *National Affordable Housing Agreement: Baseline performance report for 2008-09*, p.38

¹⁸ Ibid. pp.40-1

¹⁹ Ibid, p.45.

²⁰ Social Housing Taskforce, *More than a Roof and Four Walls*, p.10

²¹ COAG Reform Council. *National Affordable Housing Agreement: Baseline report for 2008-09*, p.45.

for men was 60 per 10,000 while for women it was 45 per 10,000. WA figures continue to be higher than the national averages.

WA had the second highest rate of youth homelessness in the country. 148 per 10,000 young people aged between 12 and 24 were homeless in WA, more than twice the rate of NSW and Victoria.²² Homelessness can have an especially devastating effect on children. Homelessness can cause physical, emotional and psychological damage to children.²³ In 2006 there were estimated to be 4,280 homeless children aged 12 to 18 in WA. WA was the only state or territory to record an increase in the number of homeless young people between 2001 and 2006.²⁴

Indigenous West Australians in regional and remote areas are particularly affected by homelessness. There is a strong relationship between the rate of homelessness and remoteness. The issue of homelessness in regional WA is discussed further in Part 2 of this Issues Paper.

Increasing the amount of affordable housing options would help alleviate the problem of homelessness within the WA community.

State Affordable Housing Strategy

While WACOSS welcomes the State and Commonwealth's commitment to build 1,926 dwellings across WA in 2010-11²⁵ a significant proportion of these need to be transferred to social housing to meet the growing need within the community for affordable housing.

The community sector is still waiting for the Government's response to the Social Housing Taskforce through the release of its *Affordable Housing Strategy*. Based on the briefings on the strategy provided by the Department of Housing, WACOSS anticipates that the initiatives outlined in the *Affordable Housing Strategy* have the potential to greatly increase the supply of affordable housing in years to come. There is a strong need within the community for an increase in the range of available, affordable and appropriate housing for West Australians on low to moderate incomes.

The Government's commitment creating a stronger housing sector, a larger pool of affordable rental dwellings and facilitating greater transition within the housing stock, is a good starting point. WACOSS broadly welcomes the State Government's core strategies, initiatives and complementary actions to generate greater accessibility and affordability in the WA housing market:

Core strategies:

- Strengthen social housing
- Improve housing supply
- Enable successful transition

Initiatives beyond social housing

- Private investment vehicles
- Secondary housing market
- Planning reforms

²² Ibid, p.47-8.

²³ Family Housing Fund. *Homelessness and its Effects on Children*, p.2

²⁴ Social Housing Taskforce, *More than a Roof and Four Walls*, p.10

²⁵ The Government of Western Australia. *2010-11 Budget. Budget Statements Budget Paper No. 2 Vol. 3*, p.906.

- Value-adding partnerships
- Keystart loans
- NRAS initiatives
- Public housing company
- Quotas and incentives
- Needs-based allocation
- Improving mainstream and private market response

Complementary actions:

- Leveraged stock transfers
- Workforce and training support
- Government land releases
- Concept trials
- Increased diversity of options
- Alliances and pathways
- Housing plans for major projects
- Bond assistance
- Demand model
- Innovation in urban design
- Public/private partnerships

WACOSS stresses that WA requires an immediate and ongoing increase in its social housing stock. However, this cannot be achieved in the short term unless the government maintains investment at levels similar to the stimulus funding investment in 2010-11. While it is not possible now to quantify the likely number of dwellings the new *Affordable Housing Strategy* will bring on stream, we expect that the level of additional investment required by the Government will diminish in years to come, as the affordable housing market achieves greater maturity and sustainability, particularly by leveraging stock growth through the community housing sector. Bolstering the social housing stock is essential if the government is to achieve the aspirational target of creating 20,000 new social housing dwellings by 2020.

WACOSS estimates that an investment of \$386 million in the 2011-12 State Budget will achieve the goal of building 2000 social housing dwellings. This is based on The Department of Housing's allocation of \$116 million to build 600 dwellings at a unit cost of \$193,000. Figure 9 below shows the unit cost based on funding for housing projects in *State and Federal Government Housing Stimulus Package*. While the unit cost of \$193,000 is the most conservative figure if the unit cost was closer to \$300,000 per unit the total cost would be closer to \$600 million. Investing State funds now to bridge the shortfall in the social housing stock is critical if we are to achieve the target of 20,000 additional new affordable dwellings by 2020. The level of investment required by the State may diminish over time as other strategies deliver results, but an immediate injection is required in the coming year.

Figure 9: Cost Per Unit for Housing Construction Projects²⁶

Source	\$	Number of Dwellings	Unit Cost
Federal Government	\$600m	2000	\$300,000
State Social Housing	\$116m	600	\$193,000
State GROH ²⁷	\$200m	400	\$500,000

²⁶ Department of Housing. *State & Federal Government Housing Stimulus Package 2009*, p.2

²⁷ Government Regional Officer Housing.