Presentation to Victorian Ministerial Forum

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Purpose

- Evidence foundation for today’s discussion
- Sharpen definition of ‘the housing problem(s)’
- Identify solutions fit for addressing those problems
Structure

- Backdrop of long-run changes in the structure and dynamics of Australia’s housing system
- Focus in on Victoria with a view to clarifying the differing nature of the housing problems we face
- Overview the policy interventions that are fit-for-purpose, given the nature of the problem(s)
Part one
Long-run changes in the Australian housing system
Housing system snapshot

- **No stable housing** ~105k people
- **Renters** 30%
  - Social housing 5%
    - Public housing ~338k dwellings
  - Private market 25%
    - Community housing ~82k dwellings
- **Owners** 67%
  - Mortgage holders 35%
  - Outright owners 32%

Note: 934,470 unoccupied private dwellings in 2011

Percent of 7.76m **occupied** dwellings from ABS 2011 Census and 2013 admin data (includes Indigenous community housing and state owned and managed Indigenous housing)
Fewer households in the most secure tenures
Public housing and outright ownership

Source: ABS 4130
... and rates of ownership and purchase are falling for younger cohorts

Exit from and churn through home ownership

Ongoing owners, leavers and churners, 2001-10

Long term and short term rental increasing…

Lack of affordable housing for low income renters

Source: ABS Census of Population and Housing 2011, data Lowest two quintiles (From Hulse et al. 2014)
Shortages have grown over time

Source: Hulse et al. 2015, customised ABS 1996, 2006 and 2011 ABS Census of Population and Housing data
Social housing stock numbers declining

Source: ROGS 2014, Table 17A.3; ABS 3101

Social Housing Stock (excluding Indigenous specific housing)

Dwellings per 1000 population

Source: ROGS 2014, Table 17A.3; ABS 3101
Higher homelessness linked to crowding not rough sleeping

Source: ABS 2049, Census of Population and Housing, Estimating homelessness 2011
Conclusion
Long run structural change in the Australian Housing system

- Home ownership falling—entries and fall outs
- Private rental growing—long term, supply shortages and high affordability stress
- Social housing supply falling and three quarters of allocations to those in highest need, changed tenancy profile
- Long-term structural trends are negative and these are the backdrop for housing policy reform
Part two
Victoria: defining the problem
General supply and affordability

Population growth, lot release, dwelling completions and house price growth - Victoria
(Sept 1997 =100)

Sources: Population change: Cat. 3101.0 - Australian Demographic Statistics, Sep 2014
Dwelling completions: Cat. 8752.0 - Building Activity, Australia, Sep 2013
Lot release: Residential Land Bulletin data Department of Transport, Planning and Local Infrastructure
House price index: Cat. 6416.0 - Residential Property Price Indexes: Eight Capital Cities, Dec 2014
## Additions to demand and supply
Average annualised per cent changes (Victoria)

<table>
<thead>
<tr>
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<th>Rate of net additions to demand</th>
<th>Rate of additions to supply</th>
<th>Rate of price increase</th>
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<td></td>
<td>Population</td>
<td>Lot release</td>
<td>Dwelling completions</td>
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<td><strong>5 years to March 2013</strong></td>
<td>0.0</td>
<td>5.5</td>
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<td><strong>16 years to March 2013</strong></td>
<td>6.7</td>
<td>4.4</td>
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Mortgage affordability

Source: Reserve Bank of Australia, Australian Bureau of Statistics, RP Data, Moody's Investors Service
Shortages of affordable and available rental stock for low income households Victoria

Source: 2011 Australian Census of Population and Housing data
Housing affordability stress rising in Melbourne

Percent of low income renter households paying unaffordable rents

Australian Census of Population and Housing data
State shares of homelessness, CRA recipients, and affordable housing compared to population
Victorian public housing supply static… but growth in community sector

Average annualised rate of growth 1998 to 2011:
- Social Housing = 0.7 per cent/yr
- Population = 1.4 per cent/yr

Source: Productivity Commission Report on Government Services Housing
Attachments Table 17A.3 (Latest data to 30 June 2014)
Public housing waiting list for early housing has increased...

Source: Department of Human Services (DHS).
Conclusion

- Key housing problem in Victoria is lack of supply of dedicated affordable stock – public, community, NRAS, shared equity.
- Increases in general land and housing supply necessary but not sufficient to address the key problem.
- Targeted interventions to stimulate new supply of dedicated affordable housing are required.
Policy interventions for new supply of dedicated affordable housing

a) Inclusionary zoning
b) Tax credits (NRAS)
c) Equity sharing (retain subsidy)
d) Support social purpose entities (real estate agencies, developers, housing associations, financiers)
e) Social housing reform to drive financial viability
f) Government borrowing:
   ▪ to build
   ▪ to lend
References

Australian Bureau of Statistics (ABS)
- Cat. 4130.0 Housing Occupancy and Costs 2011-12
- Cat. 8752.0 Building Activity, Australia, Sep 2013
- Cat. 3101.0 Australian Demographic Statistics, Sep 2014
- Cat. 6416.0 Residential Property Price Indexes: Eight Capital Cities, Dec 2014 (House price index)
- Cat 4102.0 Australian Social Trends, Data Cube – Housing


Department of Human Services (DHS) Waiting List data


Real Estate Institute of Victoria Rental Vacancy Rates http://reiv.com.au/Property-Research/Rental-Data/Vacancy-Rates


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