Thursday 29 April 2021 | 2:00pm – 3:30pm (AEST) | #AHURIwebinar

AHURI Research Webinar Series

# Urban productivity and affordable rental housing supply


Speaker

Prof Nicole Gurran, The University of Sydney

Respondent

John Brockhoff, Planning Institute of Australia

# Welcome

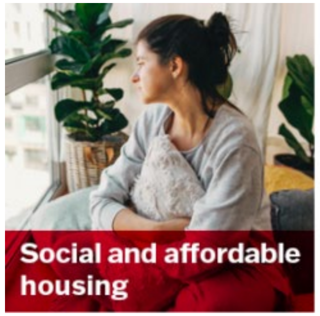
**Dr Michael Fotheringham**

AHURI (facilitator)

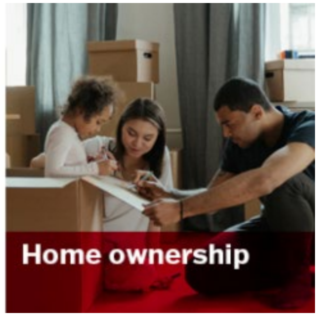








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## Webinar recording available at:

https://www.ahuri.edu.au/events/ahuri-research-webinars/webinar-urban-productivity-and-affordable-rental-housing-supply

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# Urban productivity and affordable rental housing supply

Download the report: ahuri.edu.au/research/final-reports/353

Speaker

Prof Nicole Gurran, The University of Sydney

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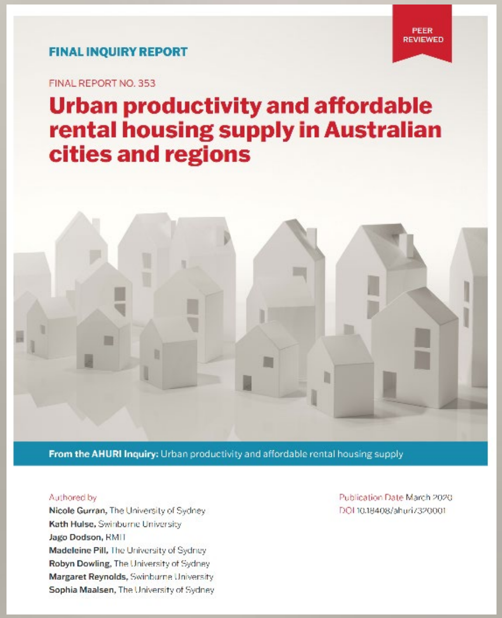
# Urban productivity and affordable rental housing supply

Overview of Inquiry research findings

**Professor Nicole Gurran,** University of Sydney



# The “superstar city” paradox – economic success = affordability pressures – productivity implications?

American Economic Journal: Economic Policy 2013, 5(4): 167–199
http://dx.doi.org/10.1257/pol.5.4.167

## Superstar Cities[†]

By Joseph Gyourko, Christopher Mayer, and Todd Sinai*

*We document large long-run differences in average house price appreciation across metropolitan areas over the past 50 years, and show they can be explained by an inelastic supply of land in some unique locations combined with an increasing number of high-income households nationally. The resulting high house prices and price-to-rent ratios in those “superstar” areas crowd out lower income households. The same forces generate a similar pattern among municipalities within a metropolitan area. These facts suggest that disparate local house price and income trends can be driven by aggregate demand, not just changes in local factors such as productivity or amenities.* (*JEL* R11, R23, R31, R52)

Journal of Housing Economics 45 (2019) 101638

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## Superstar cities and the globalization pressures on affordability

ARTICLE INFO

*Keywords:*
Housing affordability
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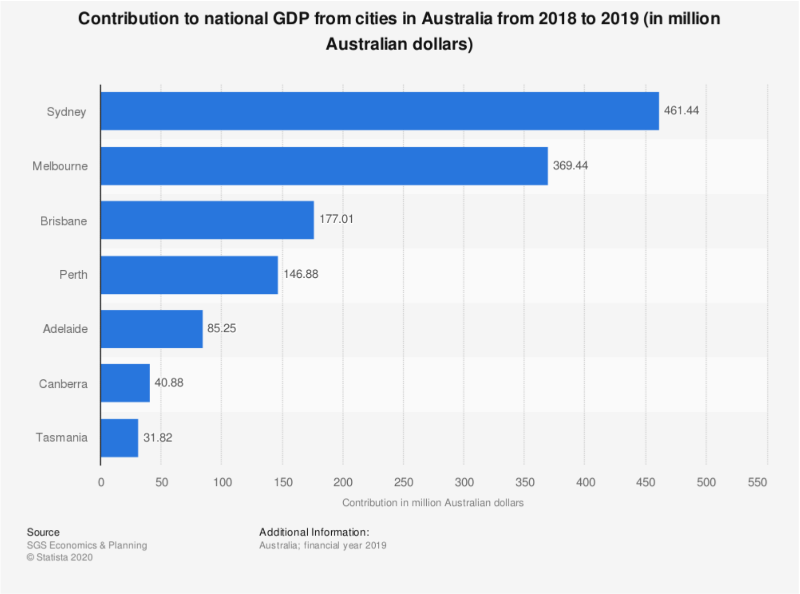
Housing supply and demand
Housing price
Housing affordability index
Mixed-income community
Inequality
Crowding out effect
Living arrangement
Housing policy

*JEL classification:*
R20
R30
R50

ABSTRACT

This paper provides the introduction to the special issue on Superstar Cities and the Globalization Pressures o Affordability in the Journal of Housing Economics in 2019. The paper discusses the broad picture of the speci issue, and briefly introduces the topics covered in this issue, including the consequences of housing unaffor ability in superstar cities; the measurement of housing affordability; and the policy solutions to improve housi affordability in such cities.



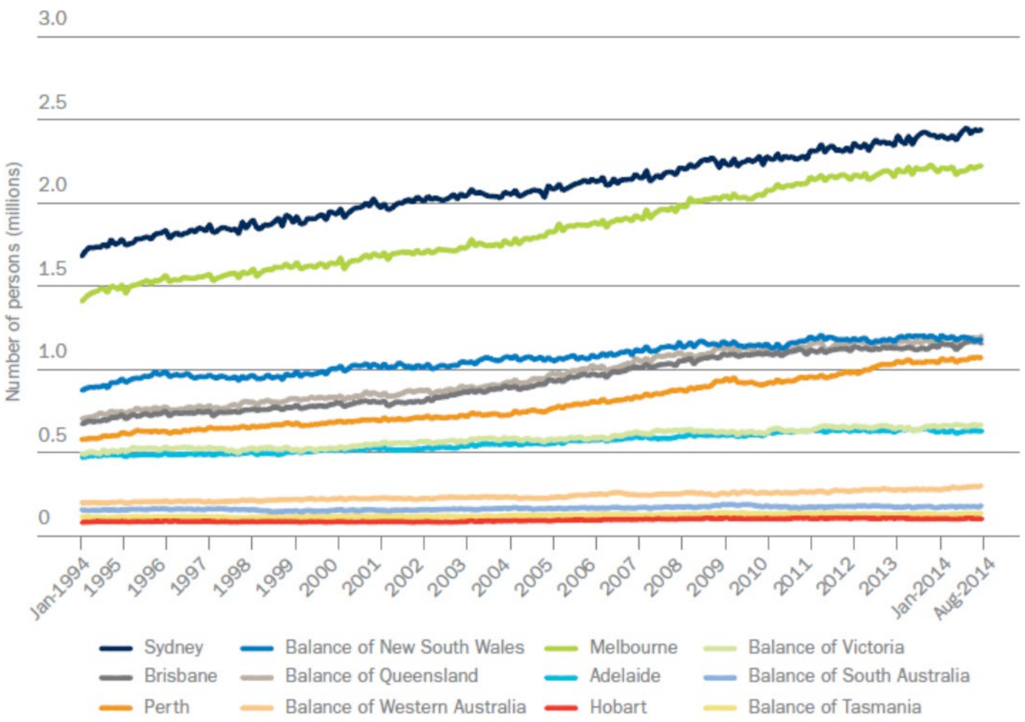
# Inquiry research focus

# Productivity and rental housing

Productivity = the ratio of economic outputs relative to labour or capital inputs

Grows in cities through agglomeration - clustering of activities, skilled labour and knowledge 'spill-overs’

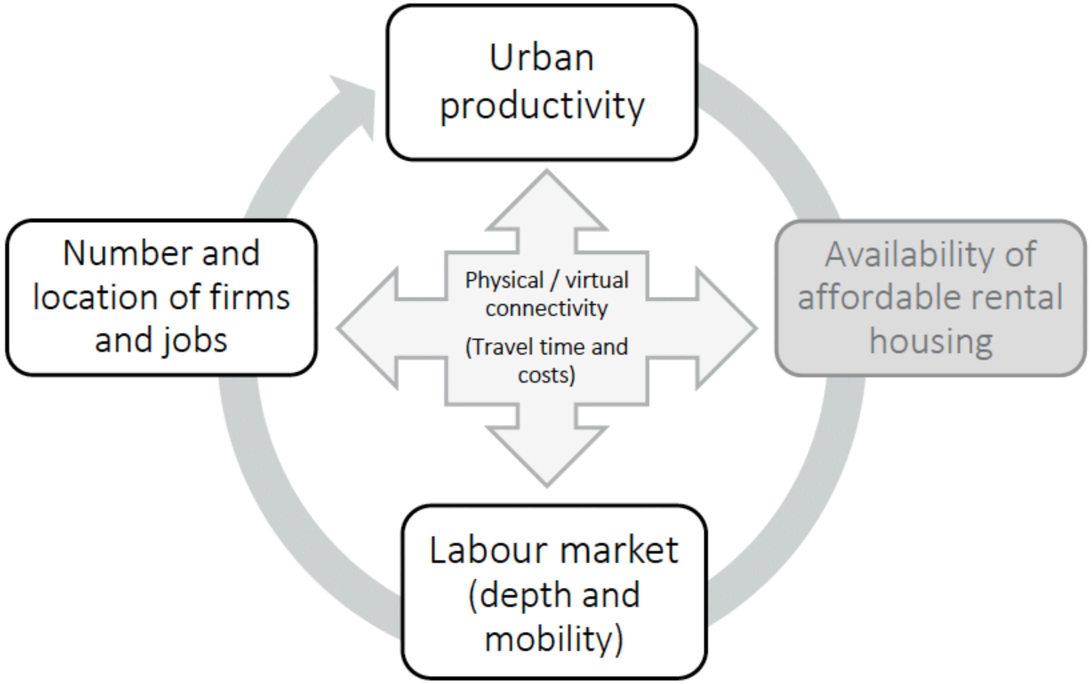
Rental housing can support this agglomeration process by enabling workers to relocate to job-rich regions (and for lower income workers to remain)




Jobs distribution by capital city and balance of state, 1994–2014, State of Australian Cities MCU 2015

# Affordable rental housing critical for lower income (Q2); critical segment of workforce

Figure 1: Conceptualising relationships between affordable rental housing, employment, connectivity, and urban productivity




Source: Authors.

# Inquiry research program

*How has the supply of affordable/available private rental housing changed 2011-2016; what is the performance of capital cities and satellite cities in providing affordable and available supply for Q2 households?*

*How does the changing supply of affordable rental housing for the second lowest income quintile households in Australian cities affect labour force participation including job accessibility and commuting cost burden?*

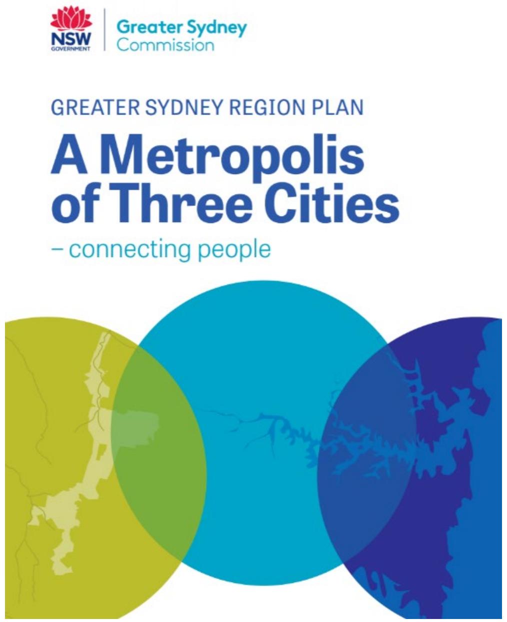
*How can strategic spatial planning and funding interventions leverage affordable rental housing choices near employment, enhancing urban productivity?*

*What possibilities for affordable housing supply are provided by smart city and innovation-led employment strategies, especially for regional and outer metropolitan areas?*

National analysis (ABS rental data 1996-2016, planning analysis) + case study areas (employment, transport data and policy analysis)

**Sydney & Melbourne** (major capital city employment centres and housing markets)

**Wollongong & Geelong** – *satellite cities with own economic base & labour supply but also housing options for commuters to major cities*




# Key findings

# Findings 1: Changing supply of affordable & available private rental housing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**The supply of affordable private rental housing in Australian cities: short-term and longer-term changes**

From the AHURI Inquiry
Urban productivity and affordable rental housing supply

FOR THE
Australian Housing and Urban Research Institute

PUBLICATION DATE
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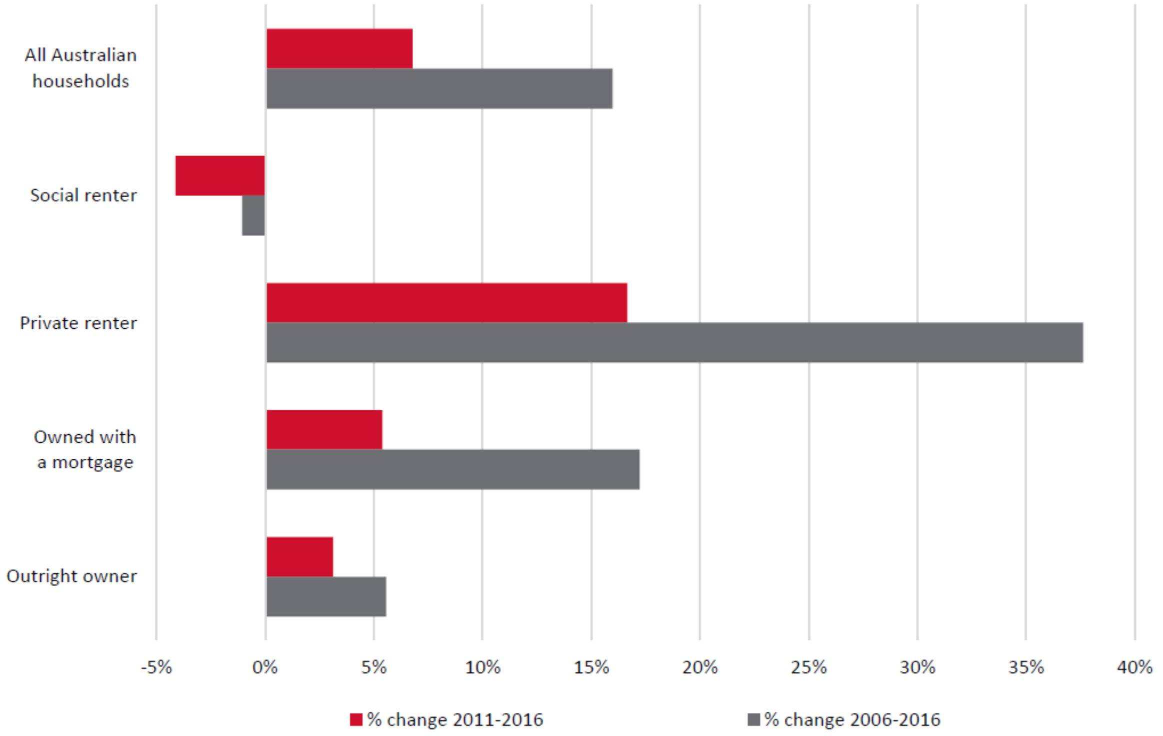
# Long term growth and change in private rental sector (PRS)

PRS grew by 17 per cent in 2011–2016, more than twice the rate of household growth (7%)

Figure 2: Per cent change in the number of households by housing tenure, 2011–16 and 2006–16, Australia

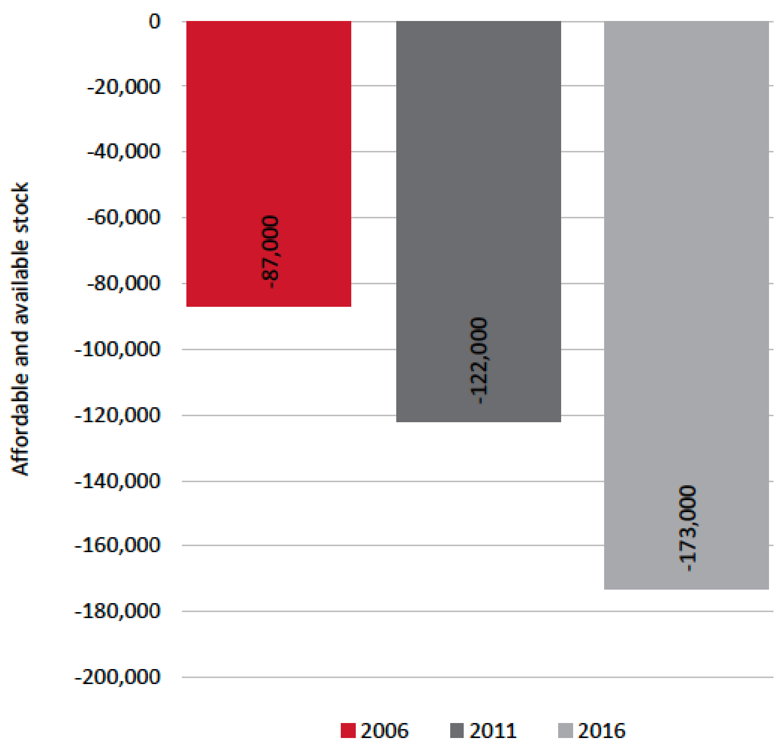



Source: ABS customised matrices derived from the Australian Census of Population and Housing 2006, 2011 and 2016.

BUT- national shortage of 173,000 PRS dwellings that are affordable and available for Q2 households

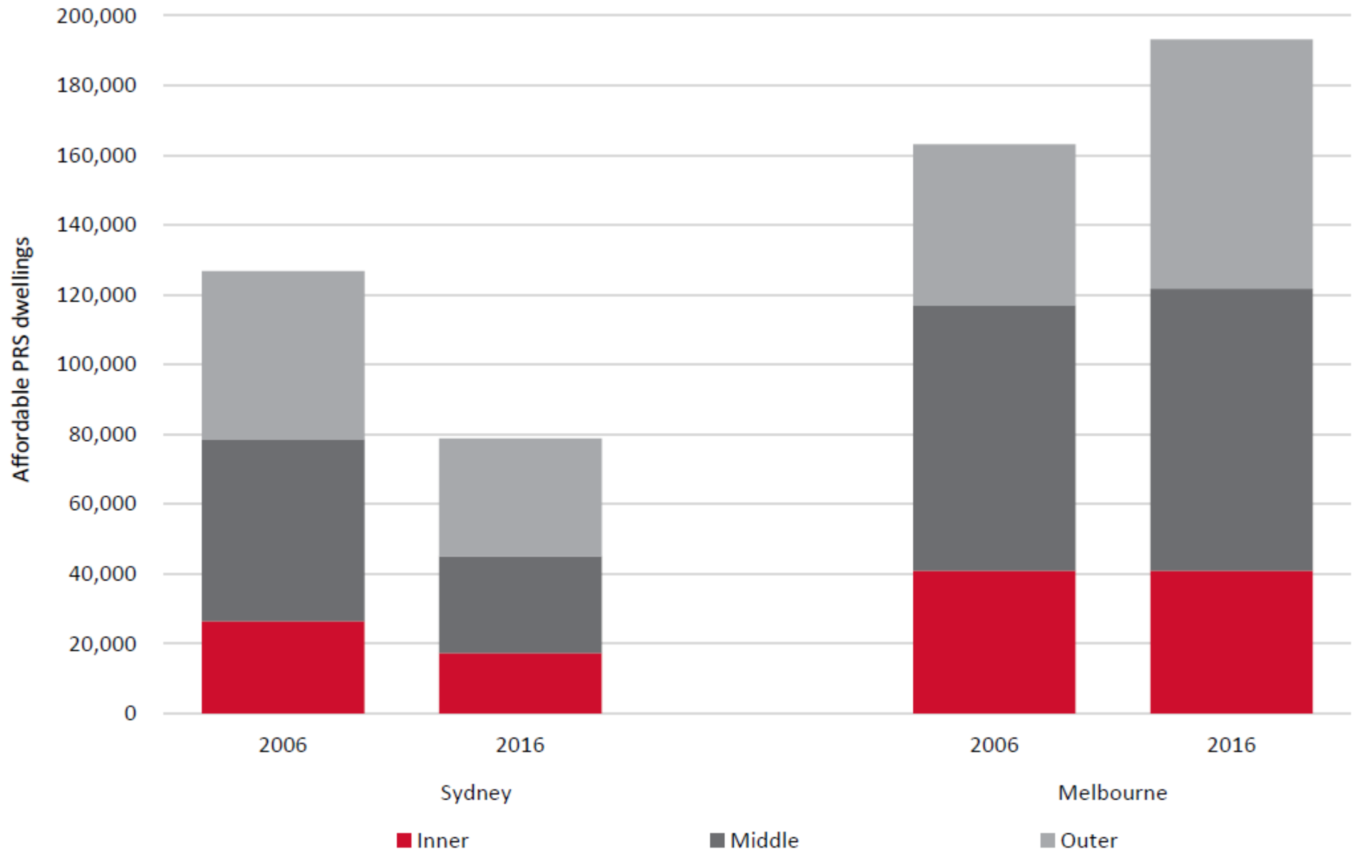
Shortage most extreme in Sydney

Figure 1: Estimates of shortage of affordable and available stock for Q2 private renter households, Australia, 2006, 2011, 2016



# Affordable rental housing supply decreased in Sydney but increased in outer Melbourne 2006-2016

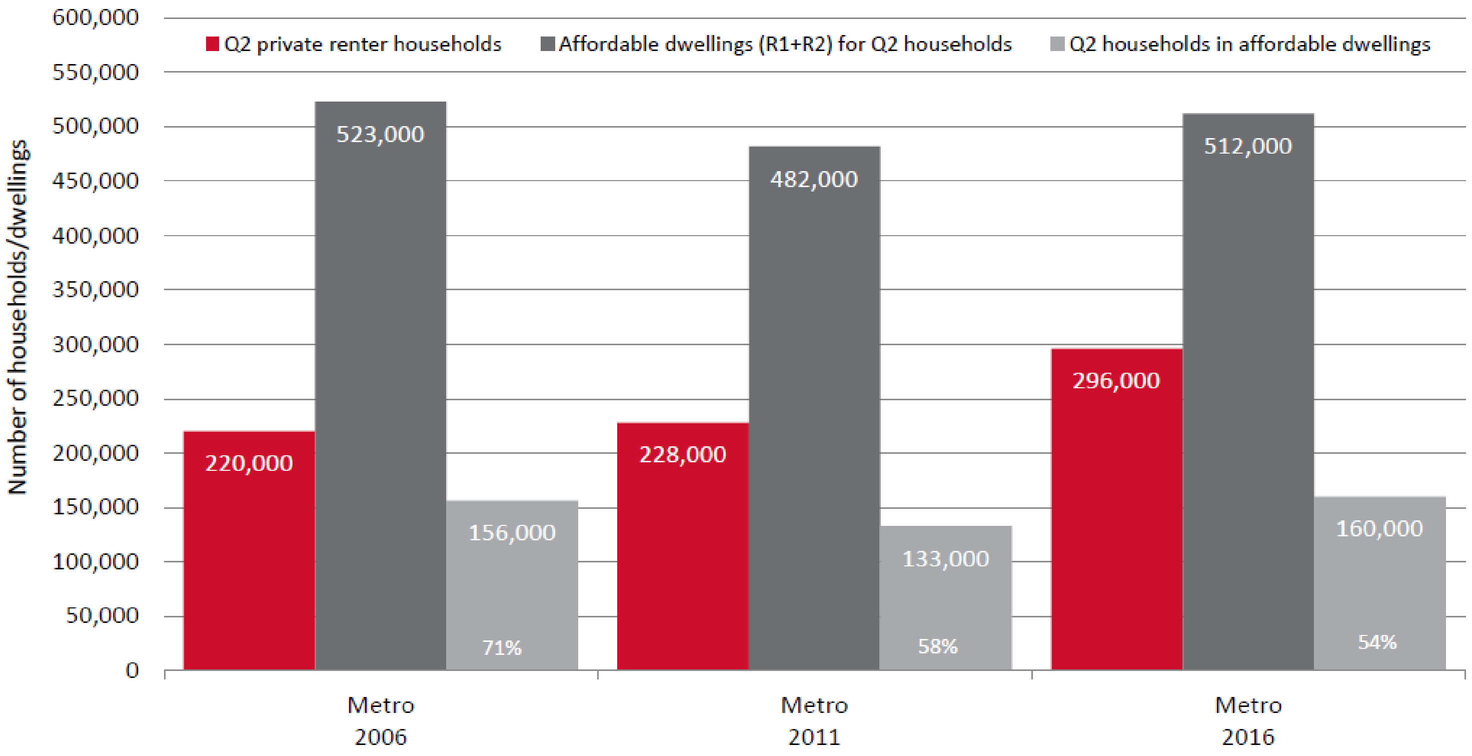
Figure 4: Changes in the supply of housing affordable to Q2 PRS households in inner, middle and outer regions of Melbourne and Sydney, 2006, 2016




Source: Hulse, Reynolds et al 2019: 45, Figure 11.

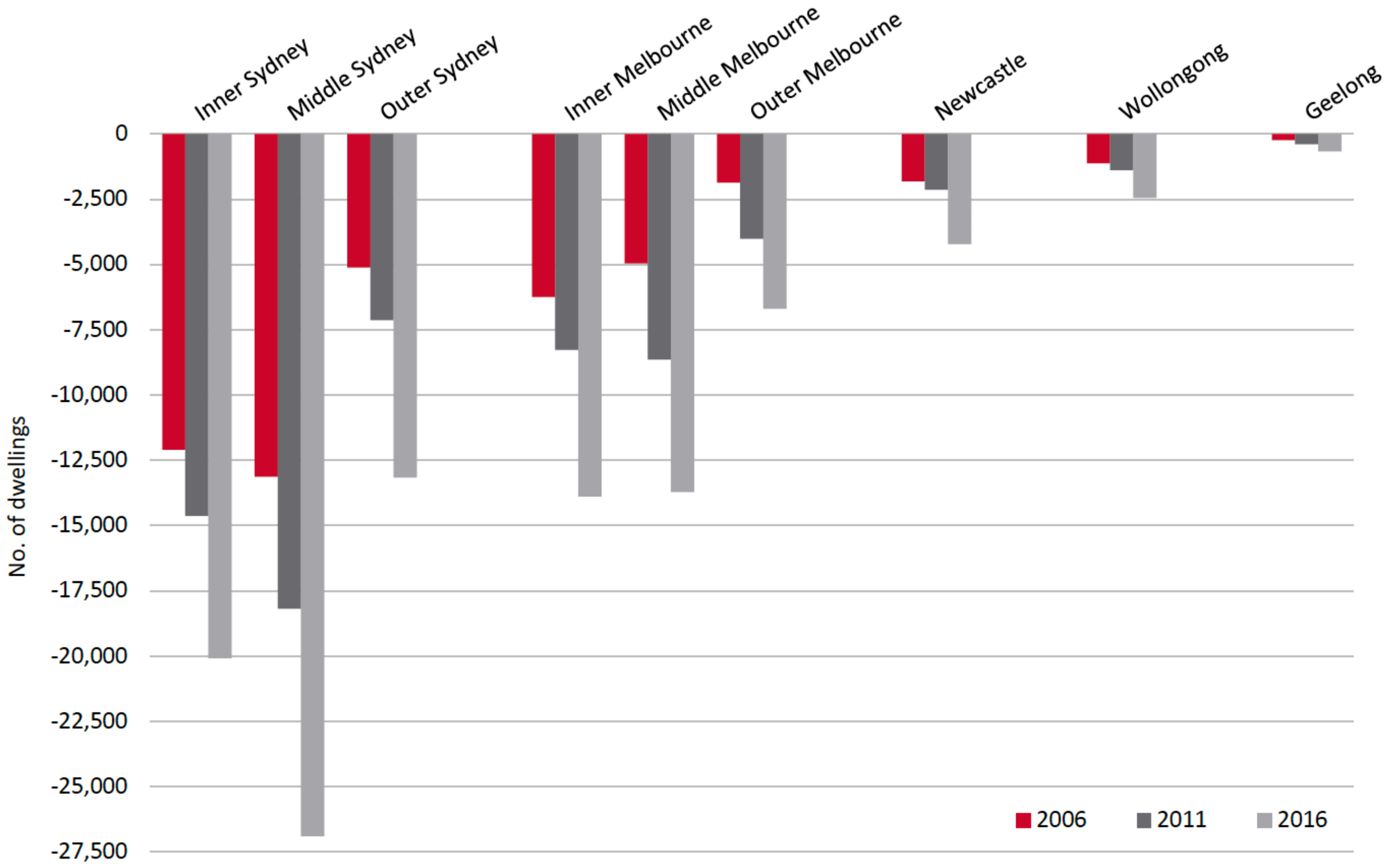
# Competition for affordable rental housing means net shortage for Q2 hh – 46% in rental stress (29% in 2006)

Figure 3: Shortage of affordable and available rentals for Q2 PRS households in metropolitan regions, 2006, 2011, 2016



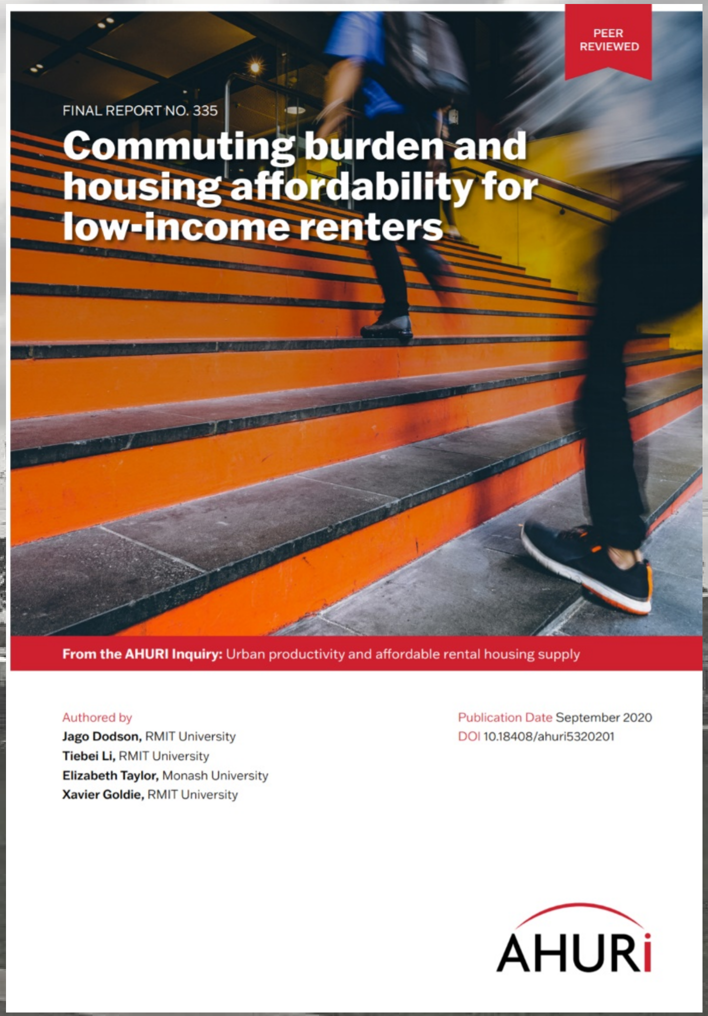

Source: Adapted from Hulse, Reynolds et al, 2019: 36, Table 4, drawing on customised matrices derived from the Australian Census of Population and Housing 2006, 2011 and 2016.

Figure 5: Shortage of affordable and available dwellings for Q2 private renter households, Sydney and Melbourne (inner, middle, outer) and selected satellite cities, 2006, 2011, 2016




Source: Adapted from Hulse, Reynolds et al 2019: 47, Figure 13: 49, Figure 15, calculated from ABS customised matrices derived from the Australian Census of Population and Housing 2006, 2011 and 2016.

# Findings 2: Affordability / commuting / labour market participation trade-offs for Q2 rental households


PEER REVIEWED

FINAL REPORT NO. 335

**Commuting burden and housing affordability for low-income renters**

**From the AHURI Inquiry:** Urban productivity and affordable rental housing supply

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Publication Date September 2020
DOI 10.18408/ahuri5320201

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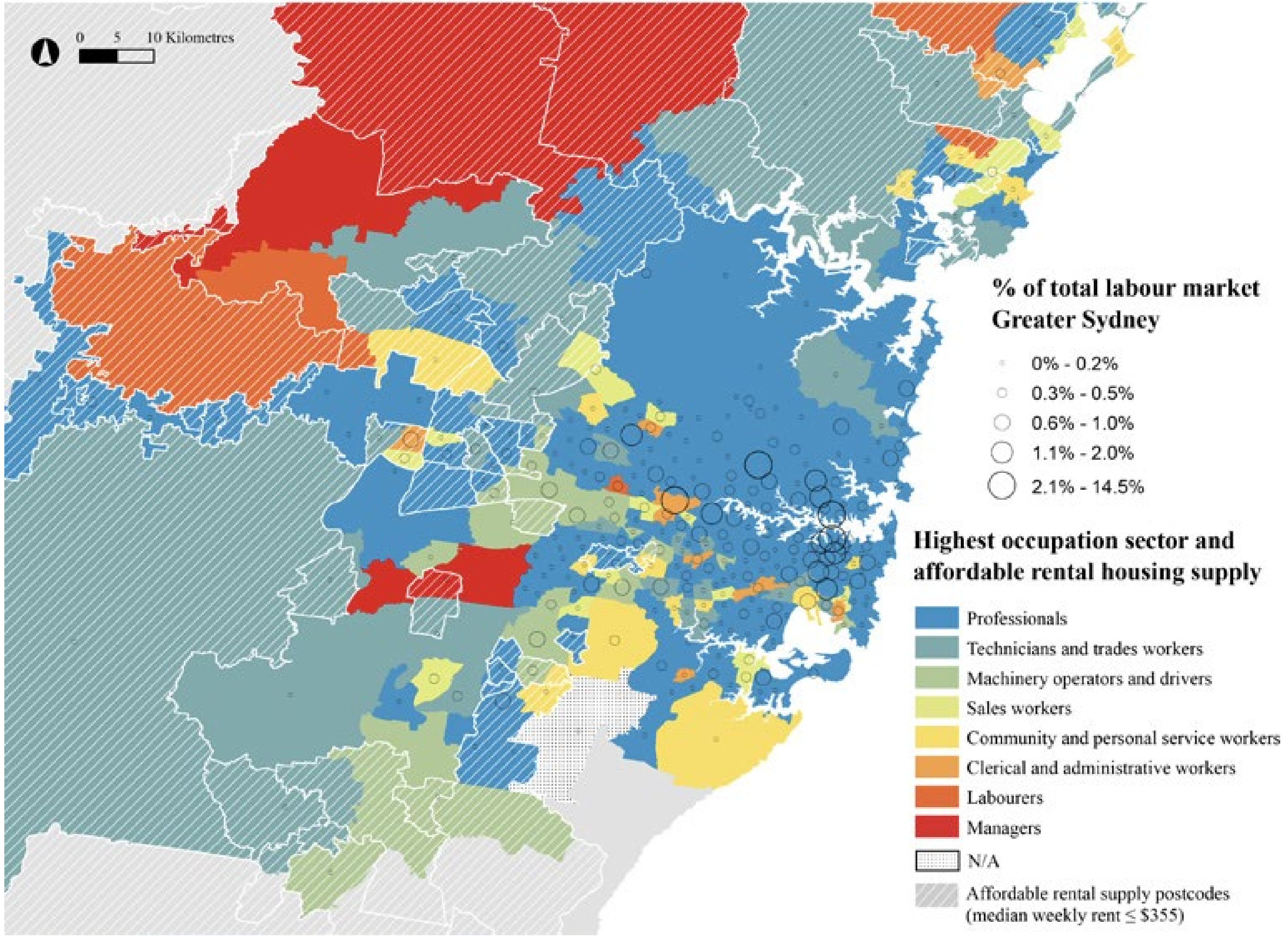
# Geography of jobs / affordable rental housing

Geography of PRS supply affordable and available to Q2 gravitating away from central city employment opportunities

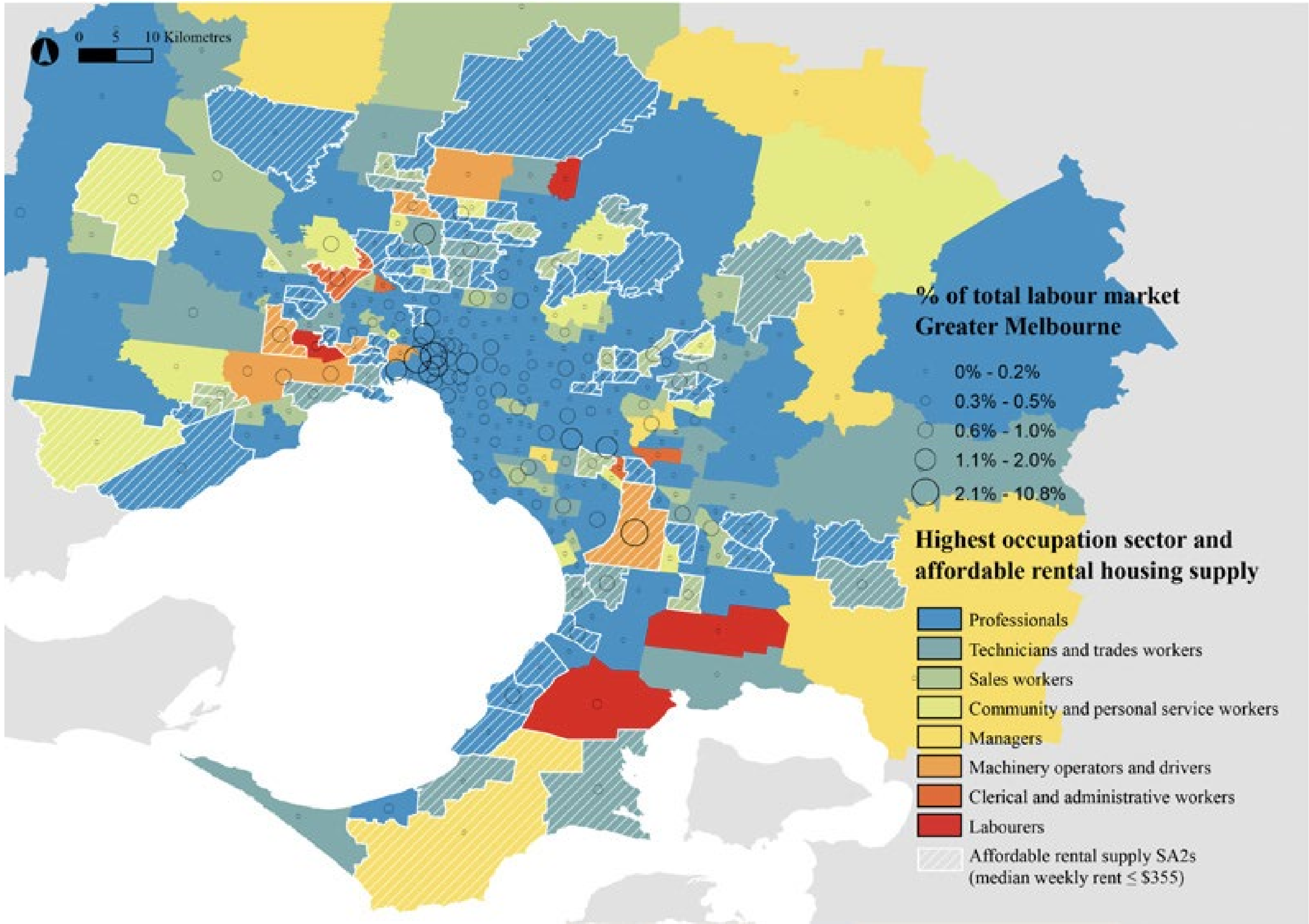
Lower paying jobs near lower cost housing (but limited supply of both)

- Long commutes?
- Lower workforce participation?

# Affordable rental stock at edge of Sydney's outer suburbs; very limited supply; limited employment opportunities



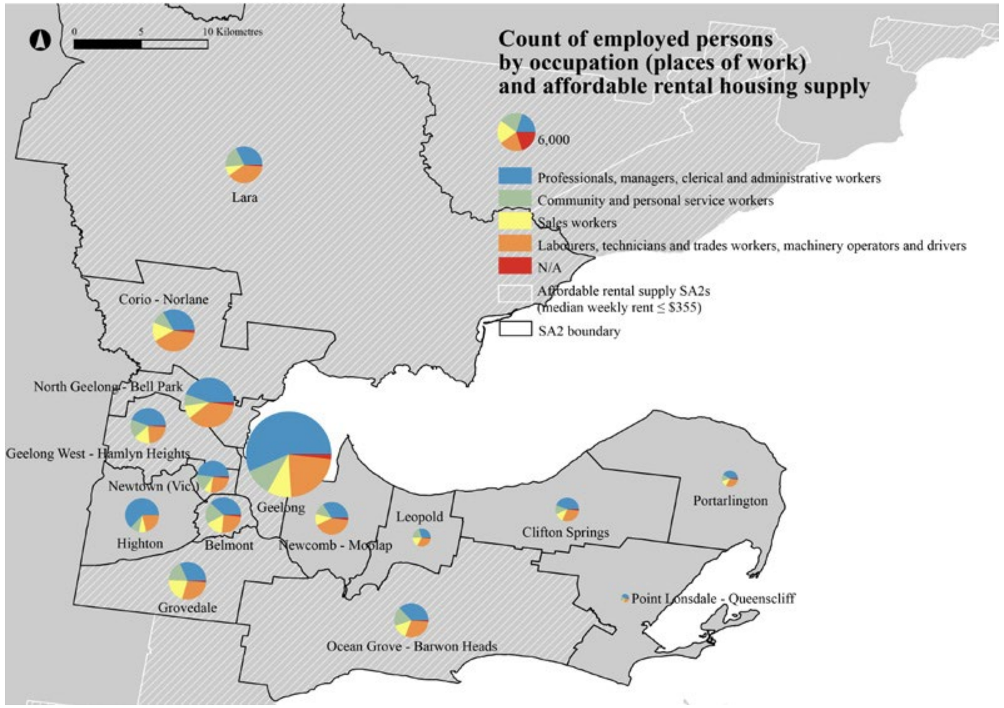

Source: ABS Census 2016 TableBuilder – Counting Employed Persons, at Place of Work, by OCCP Occupation.

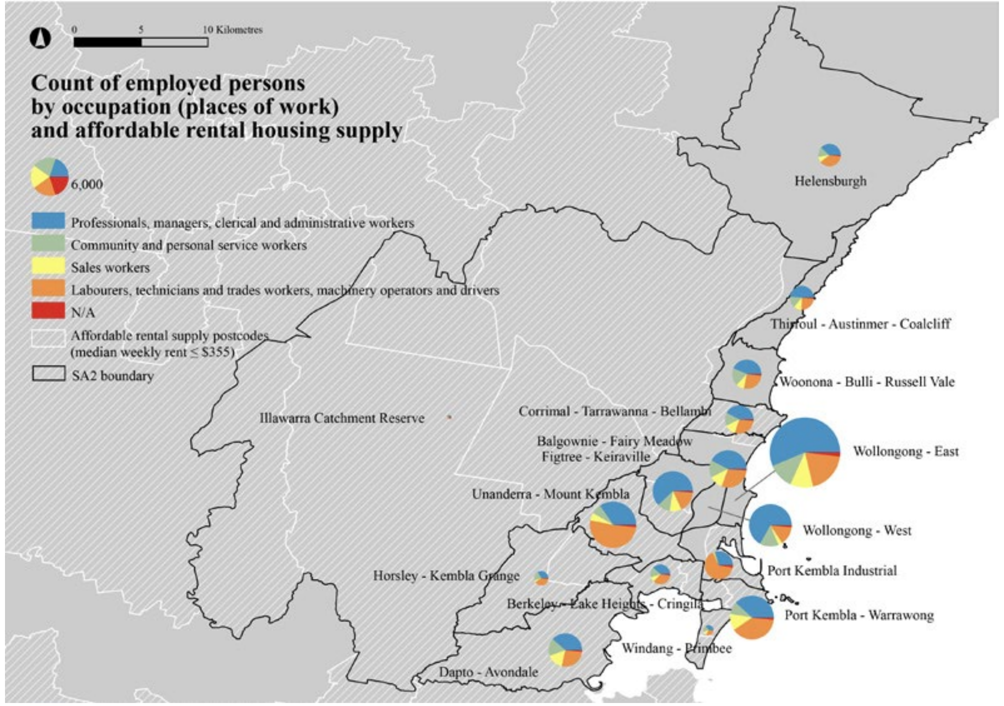



# Geography of jobs & affordable supply slightly more dispersed in Melbourne

Source: ABS Census 2016 TableBuilder – Counting Employed Persons, at Place of Work, by OCCP Occupation.

# Diverse & self-contained job markets in satellite cities; more affordable rental housing – but longer term impacts of de-industrialization?

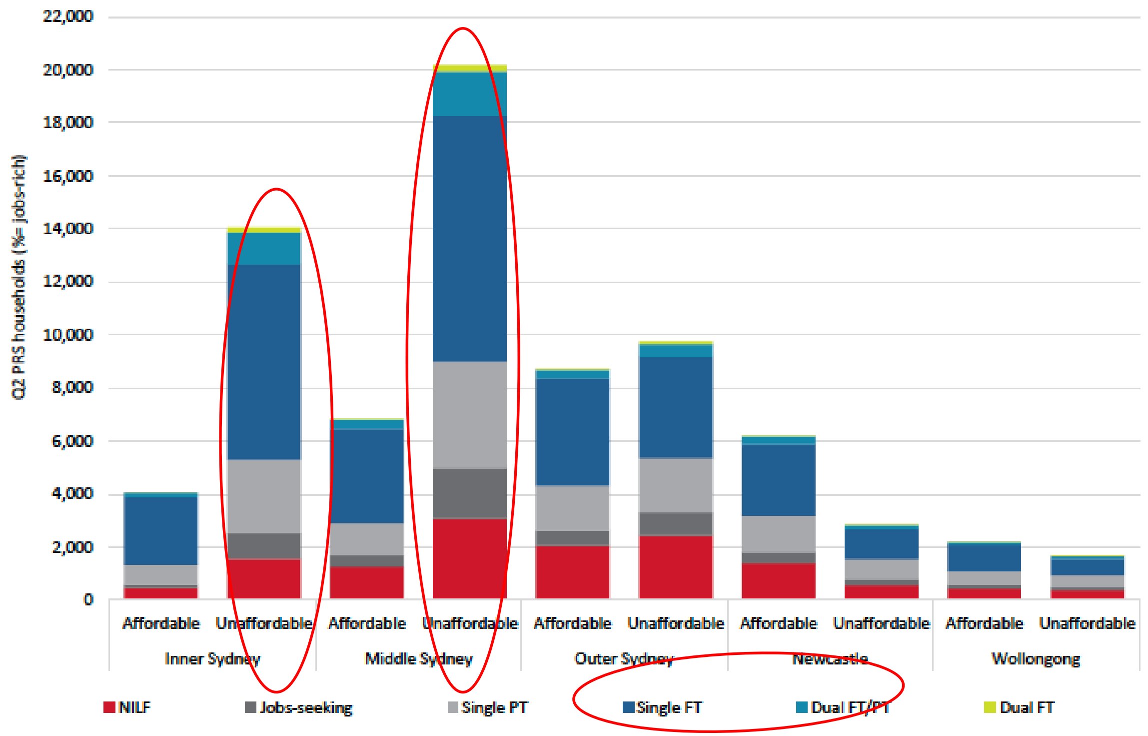


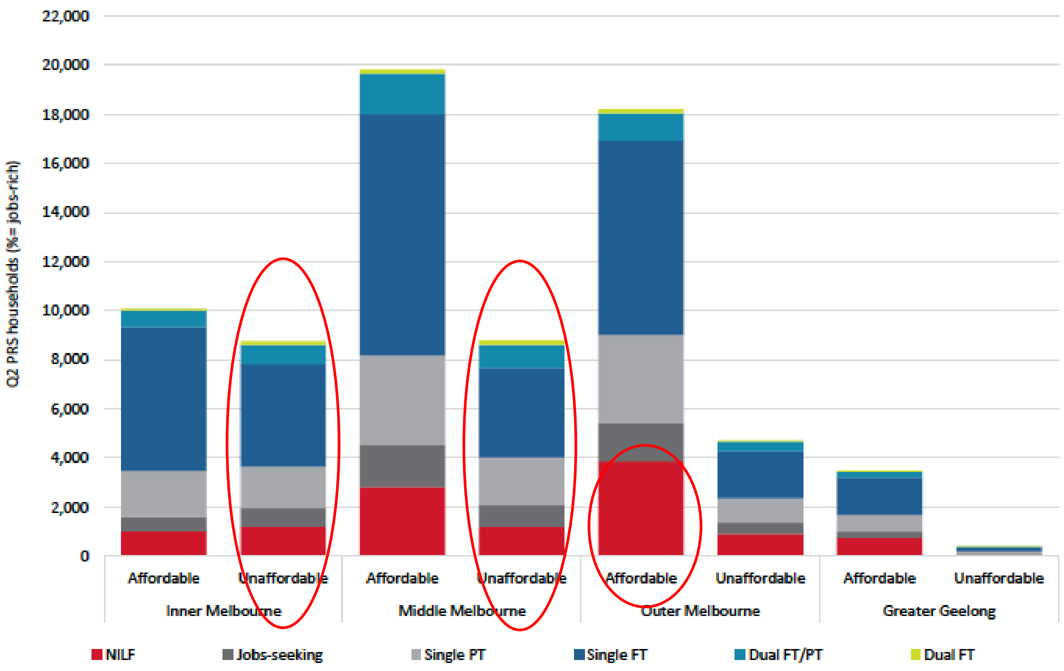
# Low income renters endure housing stress; commute stress; or barriers to employment

Lower income households in Sydney and (to a lesser degree) Melbourne appear to trade off affordable rental housing for access to jobs

Travel costs significant - low-income workers in Sydney and Melbourne pay an average of 8.6 per cent and 9.4 per cent of their gross income on commuting



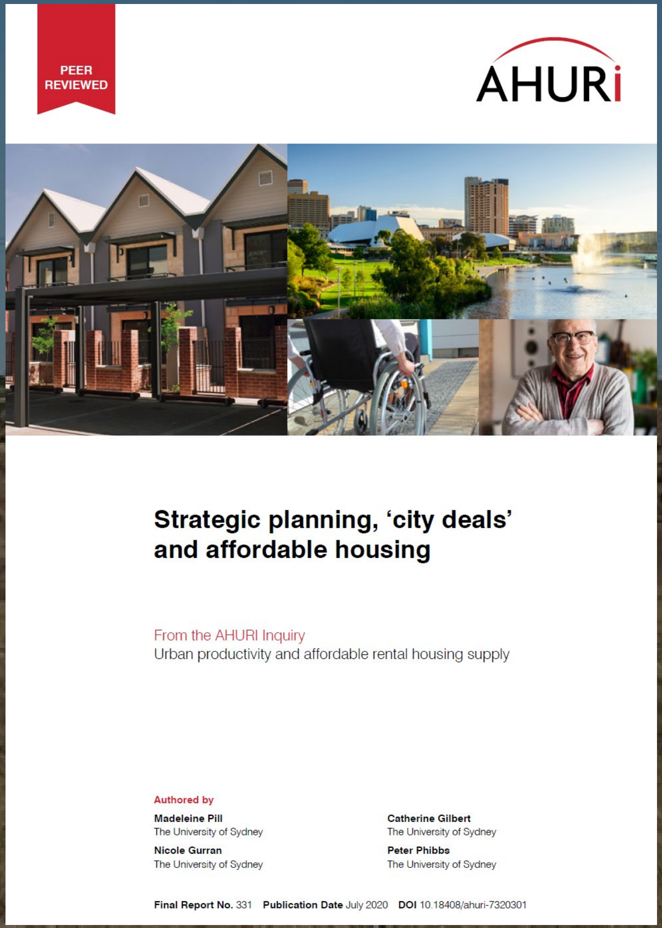
# Full time workers, single part time workers, still paying unaffordable rents in inner / middle Melbourne; and non labour force participants more likely to be in outer areas




Source: Hulse, Reynolds et al. 2019: 78, Figure 22A.

Source: Hulse, Reynolds et al. 2019: 77, Figure 21A.

# Findings 3: City Deals / the role of planning / digital innovation

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**Strategic planning, 'city deals' and affordable housing**

From the AHURI Inquiry
Urban productivity and affordable rental housing supply

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**Final Report No.** 331 **Publication Date** July 2020 **DOI** 10.18408/ahuri-7320301

# National review of capital city strategic planning frameworks

| Strategy | Population growth | Jobs/productivity | Housing target | Affordable housing target |
|---|---|---|---|---|
| A Metropolis of Three Cities: Greater Sydney Region Plan (2018) | 82,000 pa - from 4.7m (2016) to 8m (2058) | 817,000 jobs, spatially organised across 3 'cities' & subdistrict centres | 725,000 new dwellings over 20 years; allocated to three districts (29% West; 44% East; 27% Central) | 5-10% of new residential floorspace (defined prior to rezoning) |
| Plan Melbourne 2017–2050: Metropolitan Planning Strategy (2017) | 97,000 pa - from 4.5 million (2015) to 7.9 million (2051) | 1.5 million new jobs; funding for industry/ infrastructure support | 1.6 million new dwellings; includes policy direction to deliver more homes closer to jobs & public transport | Not specified<br>Plan aims to increase the supply of social & affordable housing |

# Spatial strategies for transport, jobs, housing production but not affordability

Improving transport connectivity to growth areas

Providing & protecting employment lands

Increasing housing densities near existing employment centres & transport nodes

Encouraging jobs growth in subregional/ local centres

Planned capacity for new production

Negligible requirements for affordable rental housing

*“Increased development of residential areas in Melbourne up to the 75th percentile level of total permitted density (17.3 dwellings per hectare), would accommodate an extra 245,983 dwellings without changing land-use zoning. This figure rises to 660,469 if residential zones were developed to the current 90th percentile density of 29.9 dwellings per hectare”*

# Strategic place based funding interventions can catalyse employment, transport, housing, governance …

Table 5: Strategic place-based funding interventions, international models

| Country | Name | Description |
|---|---|---|
| UK | City Deals | Multi-layered place-based funding agreements for strategically integrated infrastructure (including housing), supporting economic development. |
| France | Territorial Development Contracts | Set targets for housing construction and economic development proximate to new public transit. |
| Canada | Urban Development Agreements | Made across three levels of government to address issues including affordable housing and economic development. |
| US | Community Development Block Grants | Address housing and place-based disadvantage through local economic development. |

Source: Pill, Gurran et al. 2020.

# International evidence: place-based deals as strategic funding interventions

**GMCA**
GREATER MANCHESTER
COMBINED AUTHORITY

**Greater Manchester City Deal**

Objectives & performance frameworks need to be explicit & governance arrangements robust & transparent

Additional capacity funding for local governments needed

Focus on (transport) infrastructure - benefits to disadvantaged groups often unclear

If housing considered, emphasis on overall supply, not need/ market impacts of investments & potential displacement

# Western Sydney City Deal


20-year framework for existing and new investment, planning, and infrastructure provision; emphasises connectivity (North-South rail link)

38 commitments for 'a liveable 30-minute city, with infrastructure and facilities that bring residents closer to jobs, services, education and the world' (Department of Infrastructure, Regional Development and Cities 2019: 1)

It anticipates 200,000 new jobs, largely stimulated by the Western Sydney Aerotropolis,

+industry investment, agri-business, science and technology, higher education

20-year housing supply targets for Western Sydney District (184,500), references affordability

No specific affordable housing provisions

# Affordable rental housing supports innovation districts

Table 7: Selected international and Australian models of innovation districts

| Project | Description | Key features / strategies |
|---|---|---|
| Boston Waterfront Innovation District, Boston, US | Major technology tenants and new startups. | 'Innovation housing' and 'co-housing', models developed for low/moderate income workers. |
| Brooklyn Tech Triangle, US | Rising and established startups such as Etsy and MakerBot; supported by 'innovation' zones. | Housing and co-living startups such as Common and PureHouse disrupting traditional models of housing provision. |
| Chattanooga Innovation District, US | First mid-sized US city to implement an innovation district. Includes diverse technology startups and corporations. | Affordable housing supported through local tax breaks for incorporating affordable housing. |
| 22@ project, Barcelona, Spain | Large urban renewal schemes, commencing in 2000 on former industrial land. New tech/ innovation district to incorporate subsidized housing, amenities and green areas. | Land owners required to cede up to 30% of their land to deliver subsidised housing, amenities, and green space. |
| Kings Cross Innovation District, UK | Major mixed use regeneration project in close proximity to anchor institutions including universities, British Library and St Pancras Hospital. | 2,000 new homes for mixed income groups, 22% of which were affordable and social housing units, including specific projects for key workers and students, and share/ affordable home ownership options. |
| Tonsley Innovation District, Adelaide, AUS | Australia's first innovation district, provides both commercial and residential spaces. | An affordable and 'connected' residential community; subject to South Australia's 15% inclusionary housing requirement. |


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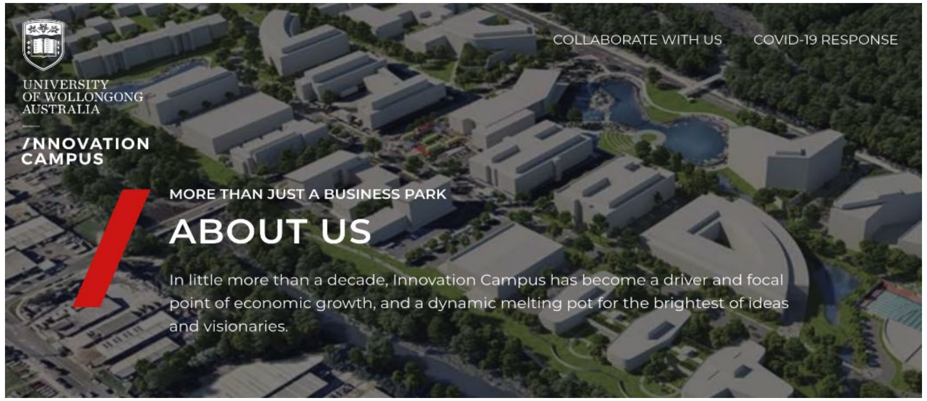
# Potential role of satellite cities

‘Anchor’ institutions a strong basis for new knowledge industry ‘clusters’.

- Geelong City Deal catalysing local jobs and investment; Innovation Precinct (Deacon, CSIRO ++) -
- Wollongong also seeking to diversify local & regional economy – University Innovation Campus

Lifestyle, amenity, lower cost housing benefits offer competitive advantages


100+ YEARS OF INNOVATION AT FEDERAL MILLS



# Implications & Conclusions

# Potential policy options

"Concentrated decentralization" – jobs in strategic / accessible locations

Improve accessibility of existing affordable rental housing markets

Increase affordable rental supply in key employment areas

Place based deals – infrastructure, transport

Preserve / create affordable areas in places gaining uplift (value capture)

Inclusionary planning – targeted rental supply for Q2 (small scale)

Build to rent (with affordable rental)

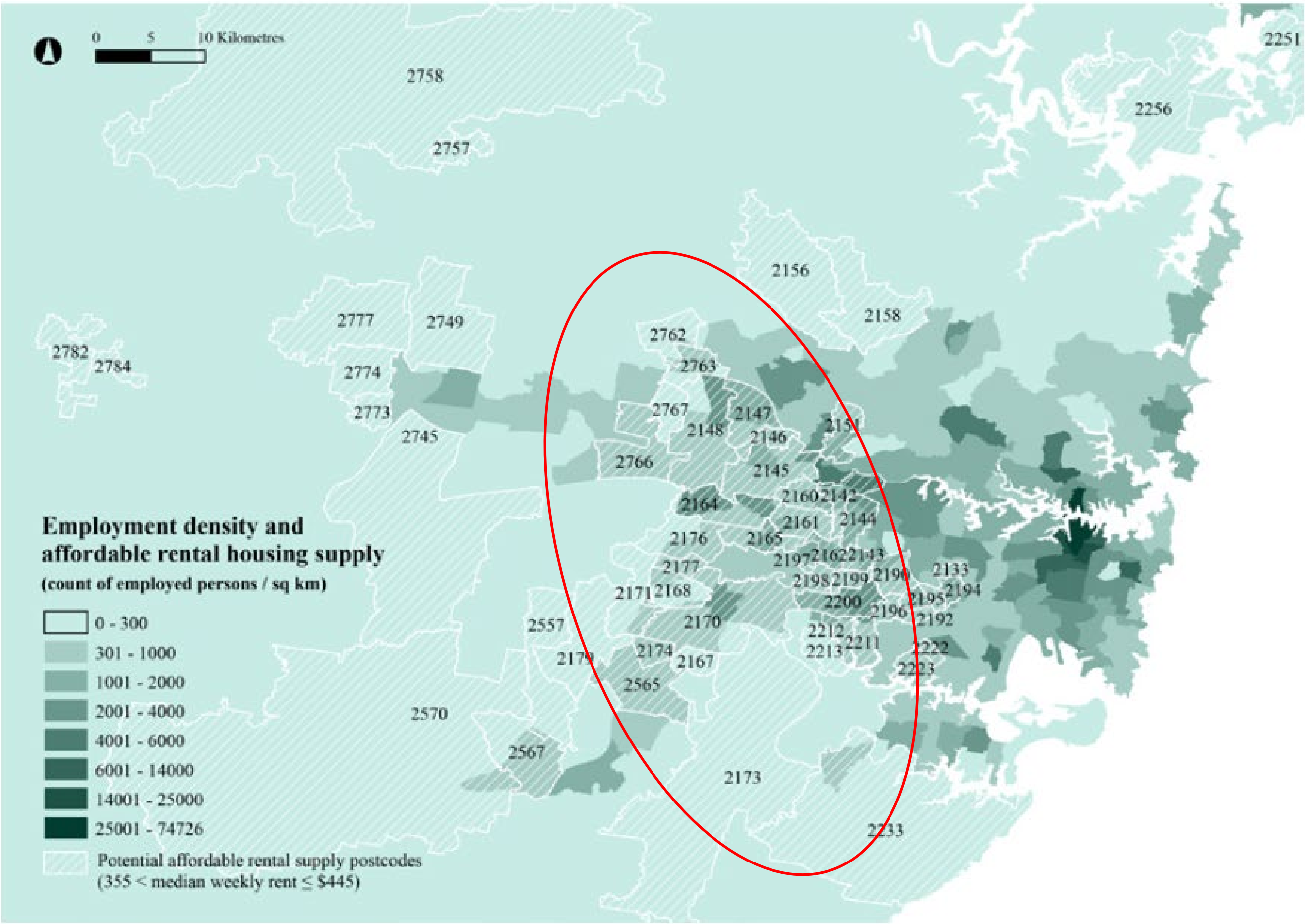
Use of government land for affordable rental

# Increase affordable rental supply – available to Q2 renters

Potential to increase supply of housing affordable & available to Q2 renter households

- Job rich locations – need $ & planning requirements to subsidise
- Accessible but lower cost ‘market’ rental housing affordable but availability limited *eg* Liverpool & Blacktown, Sydney – encourage & mandate AH
- Secure AH if investing in transport / infrastructure

Figure 17: Employment density and potential affordable rental housing supply, Sydney




Source: Adapted from Pill, Gurran et al. (2020) and drawing on Fair Trading, NSW Government, 2016; ABS Census 2016 TableBuilder – Counting Employed Persons, at Place of Work (employment); OpenStreetMap (train and light rail line).

# Post Covid implications?

Increased potential for 'concentrated decentralisation'

Regional rental housing crises – linked to labour market shortages

Place based strategies – address internal and networked connectivity + housing

# Urban productivity and affordable rental housing supply

Download the report: ahuri.edu.au/research/final-reports/353

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# Audience Q&A

Submit questions for presenters

# Thank you for attending!

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