

The drivers of supply and demand in Australia's rural and regional centres

authored by

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ACRONYMS

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AHURI	Australian Housing and Urban Research Institute
AIHW	Australian Institute of Health and Welfare
ARIA	Australian Remote Indigenous Accommodation (Programme)
ARIA	Accessibility Remoteness Index of Australia
COAG	Council of Australian Governments
CSHA	Commonwealth State Housing Agreement
DHA	Defence Housing Australia
DPLG	Department of Planning and Local Government (SA)
eDA	electronic development assessment
FaHCSIA	Department of Families, Housing, Community Services and Indigenous Affairs (Australian Government)
FHOG	First Home Owners Grant
FHOB	First Home Owners Boost
FIFO	fly in fly out
HAF	Housing Affordability Fund
HIA	Housing Industry Association
IGA	Intergovernmental Agreement
GDP	Gross Domestic Product
LGA	Local Government Area
NAHA	National Affordable Housing Agreement
NHSC	National Housing Supply Council
NRAS	National Rental Affordability Scheme
NBJP	Nation Building and Jobs Plan
NIRA	National Indigenous Reform Agreement
NSW	New South Wales
NT	Northern Territory
Qld	Queensland
SPP	Specific Purpose Payment
SA	South Australia
SAAP	Supported Accommodation Assistance Program
SLA	Statistical Local Area
Tas.	Tasmania
TOD	Transit Oriented Development

UDIA	Urban Development Institute of Australia
Vic.	Victoria
WA	Western Australia
WESNET	Women's Services Network

EXECUTIVE SUMMARY

Background

This study addresses the question posed in the 2009 AHURI Research Agenda: *How do the drivers of supply and demand for housing in regional and rural centres affect the supply of affordable housing?*

This is a particularly important area of investigation at the current time, as there is a dearth of literature and data analysis tracing changes in, and the challenges facing, Australia's regional housing markets. Throughout this report the focus of analysis is directed to centres that are not part of the functional labour markets of the capital cities (Baum & Mitchell 2010) and this is consistent with earlier research on rural and regional housing markets (e.g. Beer, Bolam & Maude 1994). In practical terms, this rules out a limited number of substantial communities—including Geelong, Newcastle, Wollongong and the Gold Coast.

It is also important to acknowledge that regional housing markets have been affected by the same house price boom and subsequent affordability pressures that have influenced urban housing markets. The fact is that to date, analysis of Australia's housing markets has largely focused on metropolitan (capital city) markets, to the detriment of understanding the impact of affordability and housing supply and demand in regional markets, as well as consideration of the impact of new housing policy programs and mechanisms on conditions in these markets.

Specifically, this research project will answer four key research questions:

- What are the significant housing market drivers in rural and regional centres throughout Australia and how do they vary by state, region and local economy?
- What is the nature and extent of housing affordability problems in rural and regional centres and how do they vary by geographic setting (remote, coastal etc), local economy and population size?
- How have these housing market drivers affected the supply of affordable housing in both the rental and home purchase sectors?
- What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of affordable housing in these centres, and how can these initiatives be strengthened?

The project builds upon previous AHURI research investigating trends and patterns in non-metropolitan housing markets in Australia (Wulff et al. 2007; 2005); issues in private rental housing in non-metropolitan areas (Beer 2004; 1998, Hassell 2002); and, more recently, on affordable housing solutions, spurred on by the housing affordability crisis across the country generally (see Milligan et al. 2004; and updated in 2009). It fills a significant gap in terms of examining and understanding the changes in regional housing markets since the 1991-2001 Census data analysis conducted by Wulff et al. (2007; 2005); covering a decade that saw a rapid house price boom, continued economic restructuring and diversification in regional Australia, and major changes in both government policies and global and regional economic markets, with implications for local housing markets.

The research will address the four specific research questions outlined above, by:

- Documenting the drivers of housing markets in centres throughout rural and regional Australia focusing on both the home purchase and rental sectors.

- Establishing a national evidence base on how and why these housing market drivers vary by location.
- Assessing the level and severity of housing affordability challenges in centres throughout rural and regional Australia.
- Examining the implications of these processes for the supply of affordable housing for the population overall, as well as groups of policy interest—Indigenous Australians, older persons, those on very low incomes and persons with a disability—in rural and regional centres.
- Highlighting successful policy innovation in meeting housing needs in rural and regional centres across Australia.
- Establishing an evidence base that will assist governments and communities to implement effective policies and programs that address housing disadvantage, ensure the adequate supply of affordable housing, and assist rural and regional centres to develop the capacity to take full advantage of both local and national affordability initiatives.

The policy context

The election of the Rudd Labor Government in November 2007 has heralded the introduction of a suite of changes in the structure and direction of housing policy in Australia. Set against the backdrop of a serious nation-wide housing affordability crisis (Senate Select Committee on Housing Affordability in Australia 2008), a number of policy levers and initiatives have been introduced by the Australian Government, largely in partnership with state and territory governments, to reduce the number of Australian households in housing stress, and to support those who are vulnerable in the housing market and having difficulty accessing appropriate and affordable housing. For example, the most vulnerable are those who are homeless or at risk of homelessness, low to moderate income earners generally, first home buyers and Indigenous Australians.

Chapter Two of this paper provides a review of current housing policy measures and initiatives in Australia. The discussion in this chapter examines:

- the National Affordable Housing Agreement (NAHA) and associated specific supporting National Partnership Agreements
- the National Rental Affordability Scheme (NRAS)
- the Housing Affordability Fund (HAF)
- the housing initiatives within the National Building Economic Stimulus Plan.

as well as other important policy levers affecting the housing market, including the First Home Owners Scheme and Boost and state and territory government initiatives to improve housing outcomes within their jurisdictions.

The structure and aims of these policy measures is discussed in the remainder of this chapter. Understanding the features and funding structures of each of these initiatives is essential for this research as these programs are the key strategies in addressing affordability and housing problems across the country. It is also the case that we know little about the impacts of these initiatives and reforms on the housing market, and particularly in rural and regional areas. As such, investigating the impacts of, and barriers to, all of the initiatives discussed in this chapter for regional housing markets is the focus of the second stage of this research.

Regional housing markets

Chapter Three provides a review of the small but important literature on regional housing markets in Australia, as well as outlining why studying such markets is important, what drives such markets and what has changed in rural and regional housing markets since the last significant AHURI research covering this area of inquiry—by Wulff et al. (2007; 2005). As the housing affordability crisis has intensified over the period after the analysis presented in Wulff et al. (2007), significant attention is paid in this chapter to the issue of declining housing affordability in rural and regional housing markets.

Fundamentally, the literature on regional housing markets identifies seven key themes:

- **Housing affordability** and especially the fact that rates of housing stress in regional cities were found to be broadly comparable with those evident in the metropolitan centres.
- **The capacity for individuals and households to become *entrapped*** in low value housing.
- **A lack of services** for the most vulnerable in the community and high demand for such services. The impact of the affordability crisis, and whether the measures being introduced by governments to ameliorate the effects of this crisis for these groups and others known to be vulnerable in the housing market generally (such as older people, Indigenous people), is a specific area of investigation in the second stage of this research.
- **Questions about the adequacy of housing supply processes**, especially due to an inadequate flow of investment capital. This challenge has been exacerbated in some markets by relatively high rates of household growth.
- **The housing market processes associated with the seachange phenomenon.**
- **The impact of the resources boom** on some regional centres.
- **Indigenous housing** is a key concern in any examination of regional housing markets. Australia's Indigenous housing population is over-represented in regional housing markets and many of the problems associated with Indigenous housing—overcrowding, poor standards, inadequate infrastructure, low incomes, and the impact of cultural practices—are most evident in regional, not metropolitan, housing markets.

The discussion in Chapter Three also notes that more information is needed in order to better understand the contribution these markets make to Australia and the policies of Australian governments. There is also a need to develop a much stronger evidence base if we are to understand how national level programs and policies interact with these markets. This need for a stronger evidence base is driven both by the need for finer-grained housing policies and also by the recognition that inadequate housing can serve as a check on regional—and indeed national—economic growth.

In terms of housing market drivers, the discussion notes that four broad (and often overlapping) categories of housing market drivers are identifiable. These include both supply-side and demand-side drivers:

- Economic factors—interest rates, employment etc.
- Finance and tax—availability of finance, taxes and subsidies etc.
- Demographic factors—population growth, in and out migration etc.
- Supply-side factors—land supply issues, labour markets etc.

Housing affordability is the key concern and itself a key driver of demand. Along with rising average incomes, a decrease in household size, population growth stimulated by high rates of immigration and cheap, available credit, affordability has contributed to the demand for housing across the country. Simultaneously, a strong undersupply of housing—driven by shortfalls in land supply, increasing development and planning costs with extended delays in reform processes and the provision of infrastructure, has added to constraints in Australia's housing markets. The tightening of the construction labour market has also contributed to supply-side problems—causing capacity constraints in the building industry and ultimately working against meeting housing demand and infrastructure project timelines.

Examination of the issue of affordability in this chapter notes that declining affordability has been an issue in all states. And, importantly, this outcome suggests that regional housing markets are not inured from the broader national processes and that there remains a strong link between metropolitan and non-metropolitan housing markets.

Next stage of the research

Chapter Four outlines the methodology for the second stage of this research. This stage of the research centres on field work in 15 selected case study locations to answer the research questions provided above. The selection of the case studies has been informed by past work by Wulff et al. classifying housing markets across Australia. We have adopted the regional/rural focused classifications from their broader settlement/housing market classification (discussed in Section 3.3) for this research. For example:

- Non-metropolitan population centres with expanding housing markets: (20% of spatial units); above average population growth; above average level of rental financial stress; above average purchasers and above average new home completions relative to population.
- Non-metropolitan population centres with low growth housing markets: (26% of spatial units); above average rental financial stress; above average purchasers; below average ARIA index.
- Rural-remote regions with expanding housing markets: (7% of spatial units); below average percentage of purchasers; above average percentage of *other* dwellings.
- Small non-metropolitan settlements with low growth housing markets (36% of spatial units); above average in outright owners; below average in purchasers and private renters; below average Accessibility/Remoteness Index of Australia; below average *other* dwellings.
- Remote regions with low growth housing markets: (9% of spatial units); below average level of purchasers; above average share of *other* dwellings.

It is important to acknowledge that Wulff et al. (2007) made important advances in the understanding of regional housing markets by progressing from the classification of settlement type, to the classification of housing market types.

The field work component of the next stage of the research involves both primary and secondary data analysis to capture both the broad-scale, system-wide trends evident across regional Australia and the particular circumstances evident in a selected group of centres (case study locations). Overall, the objective of this stage of the research is to document the impact of national and locally generated influences on the supply of, and demand for, housing in regional markets.

The methods to be employed for the second stage of the research are:

- A short review of the published and grey literature on the drivers of housing markets in rural and regional centres in Australia, as presented in this Positioning Paper.
- An analysis of Census data on the incidence of housing stress at the SLA level for non metropolitan Australia.
- The use of recent rental bond data for SA, NSW and Queensland to analyse the supply of affordable rental properties within regional centres. These are the states for which these data are available to researchers and were used previously by Beer and others working on the supply of rental housing.
- An analysis of Real Estate Institute data for 2009 (or an equivalent recent data source) on house prices for each SLA in each jurisdiction.
- The completion of face-to-face interviews with key stakeholders in approximately 15 case studies spread across all states and territories. These case studies are spread across the five housing market types identified by Wulff et al. (2007) and include interviews with social housing providers, local government officials, real estate agents, the non-government sector, builders and Indigenous groups. The selection has been informed by an analysis of housing stress and the User Group has been consulted.

The housing of Indigenous Australians in rural and regional centres is a specific focus of this project. The focus on outcomes for Indigenous Australians is important given the over-representation of Indigenous people in regional Australia and the concentration of housing need in the Indigenous population. Investigating the capacity of mainstream housing to accommodate Indigenous Australians is also a key part of the AHURI research agenda and ensuring that the mainstream housing options have the capacity to meet need and demand from the Indigenous population is a priority of governments.

The selection of the case studies that are central to the second stage of this research has taken into account the regional footprint of the specific housing policy measures discussed in Chapter Two. Locations that have already benefited from such initiatives or secured funding for such initiatives will be examined in the fieldwork phase of the research, as well as those that have missed out on funding for affordable housing under the current policy environment. These investigations will allow us to understand the impacts of, and barriers to, the effective implementation of these types of policy levers.

The case studies for the second stage of the research cover a number of Australian states in order to be nationally relevant. We will examine the following housing markets:

- *Non-metropolitan population centres with expanding housing markets*
 - Townsville (Qld) with 9.7 per cent of households in housing stress
 - Barossa–Tanunda (SA) with 14.9 per cent of households in housing stress
 - Denmark (WA) with 24.5 per cent of households in housing stress
- *Non-metropolitan population centres with low growth housing markets*
 - Lismore (NSW) with 23.4 per cent of households in housing stress
 - Port Lincoln (SA) with 18 per cent of households in housing stress
 - Colac-Otway–Colac (Vic.) with 17.5 per cent of households in housing stress
- *Rural/remote regions with expanding housing markets*

- Snowy River (NSW) with 12.3 per cent of households in housing stress
- Roxby Downs (SA) with 2.2 per cent of households in housing stress
- Alice Springs (NT) with 12 per cent of households in housing stress
- *Small non-metropolitan settlements with low growth housing markets*
 - Glenelg-Heywood (Vic.) with 10.1 per cent of households in housing stress
 - Boddington (WA) with 10.6 per cent of households in housing stress
 - Chinchilla (Qld) with 12.9 per cent of households in housing stress
- *Remote regions with low growth housing markets*
 - Nhulunbuy (NT) with 1.0 per cent of households in housing stress
 - Meekathara (WA) with 5.7 per cent of households in housing stress
 - West Coast (Tasmania) with 12.6 per cent of households in housing stress.

The housing markets indicated above will provide a robust analysis of the major trends in regional housing markets across Australia and they clearly capture a range of housing processes and levels of housing stress. The population centres included in the analysis will capture the diversity across locations and housing market types and contribute greatly to the findings of this research project.

Conclusion

This Paper has reviewed both the literature on regional housing markets and the current and emerging policy environment. It has shown that there have been significant developments in housing policy over the previous two years, with a number of major policy initiatives and substantial public sector investment in housing. The Positioning Paper has suggested that not all new programs and policies are equally accessible to metropolitan and non-metropolitan Australia alike. Experience has shown that there are a number of impediments—such as program size—to successful integration with programs for non metropolitan regions.

We have reviewed the literature on regional housing markets and demonstrated that regional housing markets are different to those of metropolitan Australia. In large measure, the smaller regional housing markets appear to function less efficiently than metropolitan markets, resulting in reduced investment by the private sector, a greater level of risk and fewer market choices. Regional housing markets, however, have followed the national trend towards declining affordability, and recent changes in the housing market may worsen this trend over the next decade.

1 INTRODUCTION AND BACKGROUND

1.1 Introduction

This study addresses the question posed in the 2009 AHURI Research Agenda: *How do the drivers of supply and demand for housing in regional and rural centres affect the supply of affordable housing?*

There is a very real need for research into rural and regional housing markets at the start of the second decade of the 21st century because of the direction and pace of change in rural and regional housing markets, change in financial markets and the introduction of a suite of new policy measures, including the National Affordable Housing Agreement (NAHA) and the National Rental Affordability Scheme (NRAS). There is a dearth of literature and data analysis tracing changes in, and the challenges facing, Australia's regional housing markets. This is especially evident for markets that are not considered either mining or sea change communities. Moreover, it is important to acknowledge that regional housing markets have been affected by the same house price boom and subsequent affordability pressures that have influenced urban housing markets. The fact is that, to date, analysis of Australia's housing markets has largely focused on metropolitan (capital city) markets, to the detriment of understanding the impact of affordability and housing supply and demand in regional markets, as well as consideration of the impact of new housing policy programs and mechanisms on conditions in these markets.

Throughout this report the focus of analysis is directed to centres that are not part of the functional labour markets of the capital cities (Baum & Mitchell 2010) and this is consistent with earlier research on rural and regional housing markets (e.g. Beer, Bolam & Maude 1994). In practical terms, this rules out a limited number of substantial communities—including Geelong, Newcastle, Wollongong and the Gold Coast.

This Positioning Paper is the first output of this research project. It provides much of the context for investigating the drivers of supply and demand in regional Australia. The discussion notes the importance of geography, demographics and economic conditions in determining housing supply and demand in regional Australia.

There is also an important geography to the dynamics and drivers of housing supply and demand. The behaviour and performance of housing markets in rural and remote areas is likely to be quite different from those in cities and regional centres ... Therefore housing policy issues facing non-metropolitan Australia have their own particular dynamic as population size and geographic distance combine to create quite particular housing policy and service delivery issues (AHURI 2008, p.31-32).

This project builds upon previous AHURI research investigating trends and patterns in non-metropolitan housing markets in Australia (Wulff et al. 2007; 2005); issues in private rental housing in non-metropolitan areas (Beer 2004; 1998; Hassell 2002); and, more recently, on affordable housing solutions, spurred on by the housing affordability crisis across the country generally (see Milligan et al. 2004; and updated in 2009). It fills a significant gap in terms of examining and understanding the changes in regional housing markets since the 1991-2001 Census data analysis conducted by Wulff et al. (2007; 2005) covering a decade that saw a rapid house price boom, continued economic restructuring and diversification in regional Australia, and major changes in both government policies and global and regional economic markets, with implications for local housing markets.

1.2 Background

Currently there is significant policy innovation with respect to the affordability of housing in Australia (see Chapter Two of this report). This has included the negotiation of a National Affordable Housing Agreement (NAHA) between state, and territory governments and the Federal Government; the roll out of the National Rental Affordability Scheme (NRAS); and the prominence awarded to housing issues by the Council of Australian Governments (COAG). It has also included the setting up of the Housing Affordability Fund (HAF) which will invest up to \$512 million over five years to reduce the cost of building new homes and facilitating reform of planning processes to produce significant affordability gains for home purchasers (Australian Government 2008). How such national housing affordability policy initiatives will impact on regional housing markets across Australia, however, remains to be seen. This research aims to investigate the implications and benefits of such initiatives across regional markets. It will assess whether the initiatives have an uneven impact across Australia, and, whether rural and regional centres in particular may miss out in terms of affordability measures and outcomes because of:

- the absence of key institutions or investors
- the role of specific hurdles within these markets—such as the absence of effective planning and land supply processes or the unwillingness of investors to commit to small urban centres
- the consequence of historical circumstances.

Recent research (Wulff et al. 2007) has highlighted the diversity within the housing markets of rural and regional centres: some centres have low growth housing markets, while others are expanding. The degree of remoteness of each settlement and nature of their economy adds to this complexity and brings into policy focus the potential impact of nation-wide—as well as community-focused—policy measures on these local housing markets. These are significant issues as 30 per cent of the Australian population lives outside the capitals and both small and large centres have been challenged by housing affordability for a sustained period (Beer et al. 1994). Moreover, the situation has worsened in many areas because of the resources boom (Haslam McKenzie et al. 2008) or the *seachange* phenomenon (Haslam McKenzie 2009). The immediacy of this policy challenge was emphasised by the Housing Affordability Summit in Townsville (August 2008), as well as similar events across the country. Importantly, lower household incomes in many parts of rural and regional Australia frequently result in housing affordability challenges that are as acute as those evident in the capitals.

Previous research has shown that there are significant impediments in housing supply for both the home ownership and private rental markets in regional centres (Beer et al. 1994; Beer 2004; Hassell 2002) with investment often dependent on local sources. In addition, building construction and land supply is often organised on too small a scale to meet the needs of a growing population. Housing markets in rural and regional centres often appear disconnected from the local economy or historical growth patterns because of the growth of amenity based migration, the ageing of the population, the resources boom and fly-in/fly-out mining, and greater integration with the global economy.

The affordability of housing in large and small non-metropolitan centres across Australia is a pressing policy concern because the shortage of affordable housing:

- Acts as an impediment to growth in many regions, postponing or cancelling major investment in resources, agricultural and tourism projects.

- Results in an expectation of public investment in housing in these regions—however, the level of need is often less than that evident in the capitals and there is insufficient volume of demand to justify the investment of scarce public capital.
- Contributes to labour market shortages, especially with respect to key workers in the health, education and related industries.
- May be exacerbated by the shortage or absence of well established, competent, social landlords and investors operating in these centres and willing to engage with NRAS and other initiatives.
- Has an adverse impact on Indigenous Australians who are often concentrated in rural and regional centres. The shortage of affordable housing for Indigenous Australians is often a consequence of tight market conditions for all segments of the population.
- Is affected by population ageing which is more pronounced in many non-metropolitan regions than the capitals, generating a greater demand for low cost housing.

In some centres, the in-migration of welfare recipients (Marshall et al. 2003) adds to the demand for low cost housing, reducing the ability of the market to meet needs while absorbing capacity within the public housing sector.

The idea that regional Australia can soak up much of the predicted growth in Australia's population also makes understanding regional housing markets, and the impediments to their growth and efficient functioning, all the more important and an area of significant policy relevance at the current time.

1.3 Research questions

This research project will answer four key research questions:

- What are the significant housing market drivers in rural and regional centres throughout Australia and how do they vary by state, region and local economy?
- What is the nature and extent of housing affordability problems in rural and regional centres and how do they vary by geographic setting (remote, coastal, etc), local economy and population size?
- How have these housing market drivers affected the supply of affordable housing in both the rental and home purchase sectors?
- What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of affordable housing in these centres, and how can these initiatives be strengthened?

1.4 Project aims

The research will address the four specific research questions outlined above, by:

- Documenting the drivers of housing markets in centres throughout rural and regional Australia focusing on both the home purchase and rental sectors.
- Establishing a national evidence base on how and why these housing market drivers vary by location.
- Assessing the level and severity of housing affordability challenges in centres throughout rural and regional Australia.
- Examining the implications of these processes for the supply of affordable housing for the population overall, as well as groups of policy interest—Indigenous

Australians, older persons, those on very low incomes and persons with a disability—in rural and regional centres.

- Highlighting successful policy innovation in meeting housing needs in rural and regional centres across Australia.
- Establishing an evidence base that will assist governments and communities to implement effective policies and programs that address housing disadvantage, ensure the adequate supply of affordable housing and assist rural and regional centres develop the capacity to take full advantage of both local and national affordability initiatives. The project will pay attention to the effect of the NRAS on regional housing markets, as well as understanding barriers to the take-up rate of NRAS, particularly given that, to date, only a small proportion of these properties have been in regional housing markets.

1.5 Structure of the positioning paper

This positioning paper is structured as follows. Chapter One provides a brief overview of the paper and research project, including an outline of the research questions and project aims. Chapter Two provides the policy context for the research, commenting on the policy relevance of the project. The discussion in this chapter focuses heavily on the new and revised housing policy initiatives introduced by the Rudd Labor Government to address Australia's housing affordability crisis. The implications of these policy instruments/levers for regional housing markets, including barriers to their uptake if any, will be investigated in the more detailed examination of particular regional housing market case studies being undertaken in the second stage of this research.

Chapter Three is a focused discussion on regional housing markets in Australia. This section has three main components. First, a general discussion of what they are, some key definitions, and what we already know about them. Second, it contains an examination of the existing literature and some data on the drivers of regional housing markets. Third, it discusses what has changed in such markets since the last significant investigation of non-metropolitan housing markets commissioned by AHURI (Wulff et al. 2005; 2007). This later section also includes a discussion of housing for Indigenous people in regional Australia.

Chapter Four outlines the research strategy for the second stage of the research. This section also outlines the case studies for the more detailed research to be undertaken in stage two. Finally, Chapter Five concludes the report.

2 POLICY CONTEXT

2.1 Introduction

The election of the Rudd Labor Government in November 2007 has heralded the introduction of a suite of changes in the structure and direction of housing policy in Australia. Set against the backdrop of a serious nation-wide housing affordability crisis (Senate Select Committee on Housing Affordability in Australia 2008), a number of policy levers and initiatives have been introduced by the Australian Government, largely in partnership with state and territory governments, to reduce the number of Australian households in housing stress, and to support those who are vulnerable in the housing market and having difficulty accessing appropriate and affordable housing. For example, the most vulnerable sectors of the population are those who are homeless or at risk of homelessness, low to moderate income earners generally, first home buyers and Indigenous Australians.

Actions have been introduced that aim to reduce barriers to increasing the supply of affordable housing and that provide direct government financial support and incentives to attract investment in social housing and affordable private rental. Ultimately, the hope is that these policy levers will deliver better housing outcomes for all Australians, and improve the efficiency of the Australian housing system generally.

The current housing policy environment centres on:

- a National Affordable Housing Agreement (NAHA)
- the National Rental Affordability Scheme (NRAS)
- the Housing Affordability Fund (HAF)
- the housing initiatives within the National Building Economic Stimulus Plan.

The structure and aims of these policy measures is discussed in the remainder of this chapter. Understanding the features and funding structures of each of these initiatives is essential for this research as these programs are the key strategies in addressing affordability and housing problems across the country.

Sections are also included later in the chapter on other important policy levers affecting the housing market (the First Home Owners Scheme and Boost), as well as the specific programs that have been introduced by state and territory governments to affect housing outcomes within their jurisdiction. Commentary on the implications of these policy levers and initiatives for this research is provided throughout the chapter.

2.2 Commonwealth housing initiatives

2.2.1 *The National Affordable Housing Agreement*

The National Affordable Housing Agreement (NAHA) came into effect on 1 January 2009. It is an Agreement of the Council of Australian Governments, ‘the “aspirational objective” of which “is that all Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation”’ (COAG 2009a: 3). The NAHA is one of the six National Agreements¹ funded by a Specific

¹ These are: the National Healthcare Agreement (supported by the \$60.5b National Healthcare SPP); the National Education Agreement (\$18b National Schools SPP); National Agreement for Skills and Workforce Development (\$6.7b National Skills and Workforce Development SPP); National Disability Agreement (\$5.3b National Disability Services SPP); and the National Affordable Housing Agreement (\$6.2b National Affordable Housing SPP). The sixth National Partnership Agreement is the National Indigenous Reform Agreement (COAG 2008a: 2-3). The actions and funds to support this Agreement are incorporated in the other Agreements/SPPs, and the National Indigenous Reform Agreement has been

Purpose Payment that came from the Australian Government's reforms of federal financial relations—outlined in COAG's new Intergovernmental Agreement (IGA) on Federal Financial Relations. National Affordable Housing SPP funding, like most SPP funding, is allocated to states/territories on a per capita basis (COAG 2008a: 3).

In short, the NAHA is a framework detailing outcomes, outputs, reforms and progress measures that have been agreed to by all levels of government to improve housing affordability for low to moderate income households. The Agreement is budgeted to deliver \$6.2 billion worth of housing and homelessness assistance over a five year period. As noted in the Preliminaries to the NAHA documentation, these measures include: social housing, assistance for private renters, accommodation and necessary support for people who are homeless or at risk of homelessness and assistance for home purchasers. Fundamentally, the NAHA has replaced two former Agreements that have been the cornerstones of national and state/territory housing and homelessness assistance nationally: the Commonwealth State Housing Agreement (CSHA)² and Supported Accommodation Assistance Program (SAAP). Both of these programs have assisted vulnerable Australians and Australians with specific housing needs for many years.

Other research has investigated particular aspects of these housing assistance measures and their effectiveness (on the CSHA see, for example, Burke & Hulse 2003; Hulse & Burke 2005; Jones et al. 2007; McIntosh & Phillips 2001; Phillips et al. 2009; Yates 2003a; and the publications from AHURI's National Research Venture 1,³ and for SAAP see Erebus Consulting Partners 2004a, 2004b). However, as noted by the Australian Government, the NAHA, unlike the CSHA and SAAP, is not a time limited Agreement, and includes all levels of government⁴ in the actions and reforms outlined in the document to improve the efficiency of the Australian housing market. Further, the NAHA allows Parties to the Agreement greater flexibility in dealing with specific housing and homelessness issues within their jurisdiction (COAG 2008b).

The Preliminaries of the NAHA also note that the Parties to the Agreement have a commitment to 'working towards improving coordination across housing and related programs to make better use of existing stock and under-utilised Government assets and achieve better integration between housing and human services, including health and disability services' (COAG 2009a: 3). This also applies to integration of housing and homelessness services (COAG 2008b: 2). Additionally, in line with the specific commitment of Australian governments to addressing homeless, 'reducing the rate of homelessness' is a key objective of the NAHA. As is ensuring people who are homeless or at risk of homelessness to 'achieve sustainable housing outcomes and social inclusion' (p.4).

The NAHA framework also includes commitments from Australian governments to improving the housing outcomes of Indigenous Australians, particularly for Indigenous people living in remote and discrete communities. The focus for this group includes commitments to improve overcrowding and amenity outcomes, as well as ensuring that Indigenous people have the same housing opportunities as non-Indigenous

established as a framework supporting Australian governments in their actions around *Closing the Gap* in Indigenous disadvantage.

² Which has traditionally funded a range of housing assistance measures, including public and community housing, Indigenous housing, the crisis accommodation program, home purchase assistance (but not the First Home Owners Grant) and private rental assistance (not Commonwealth Rent Assistance).

³ See http://www.ahuri.edu.au/nrv/nrv1/nrv1_docs.html.

⁴ With local government represented by the Australian Local Government Association as a Party to the Agreement (COAG 2009a).

Australians. This includes across housing tenures, and in mainstream services, including homelessness services.

Box 1 presents the reform and policy directions for the housing sector and housing assistance identified in the NAHA. These are worthy of mention here as they further demonstrate what Australian governments have committed to achieve through the NAHA—and the direction of housing assistance *over the near term*. This is and will have affects across the country. It should also be noted here that parties to the NAHA acknowledge that rate of progress for these reforms and policy directions in many areas will be contingent on available resources (COAG 2008a).

Box 1: NAHA reform and policy directions

The Parties commit to ongoing reforms in the housing sector. The agreed policy actions to achieve this are:

- Improving integration between the homelessness service system and mainstream services.
- Taking joint action and a nationally coordinated approach on homelessness.
- Creating mixed communities that promote social and economic opportunities by reducing concentrations of disadvantage that exist in some social housing estates.
- Improving access by Indigenous people to mainstream housing, including home ownership.
- Contributing to the achievement of *Closing the Gap* housing targets.
- Establishing a nationally consistent approach to social housing to create a more transparent, accountable and efficient sector, including common costing and financial management reporting, practices and methodologies.
- Providing compulsory rent deductions and improved information exchange between the Commonwealth and the States and Territories to improve the operational efficiency of public housing and to reduce evictions from public housing.
- Creating incentives for public housing tenants to take up employment opportunities within the broader employment framework.
- Enhancing the capacity and growth of the not-for-profit housing sector, supported by a nationally consistent provider and regulatory framework.
- Planning reform for greater efficiency in the supply of housing.
- Improving supply of land for new dwellings identified through audits of Commonwealth, state and territory surplus land.
- Increasing capacity to match new housing supply with underlying demand, including as a result of work undertaken by the National Housing Supply Council.

Source: from COAG 2009a, p.6-7

While the NAHA follows on from the 2003 CSHA and SAAP V Multilateral Agreement in large measure, importantly, the NAHA also incorporates some new money and initiatives. This new money is for three new National Partnership Agreements that support the NAHA framework:

- the National Partnership Agreement of Social Housing
- the National Partnership Agreement on Homelessness
- the National Partnership Agreement on Remote Indigenous Housing.

These National Partnership Agreements are between the states/territories and Australian Government. They are an alternative type of payment with the express purpose of funding certain projects. They seek to facilitate and/or reward states/territories that deliver on agreed *nationally-significant reforms*—for example, those outlined in Box 1 above, as well as broader social and economic reforms being worked on by COAG to ‘underpin growth, prosperity and social cohesion into the future’ (COAG 2008a: 3). The funding available through these partnerships will later include incentive payments to reward performance. The three National Partnership Agreements respectively also commit Australian governments to reform in social housing, homelessness and Indigenous housing. Details of each of these National Partnership Agreements are provided below.

National Partnership Agreement on Social Housing

This National Partnership Agreement has seen the implementation of a ‘Social Housing Growth Fund’. The purpose of this fund is ‘to increase the supply of social housing through new construction, and contribute to reduced homelessness and improved outcomes for homeless and Indigenous Australians’ (COAG 2009d: 3). This National Partnership Agreement is a short term initiative to boost social housing supply, and will expire on 30 June 2010.

The Social Housing Growth Fund offers states/territories a maximum of \$200 million per year for the 2008/09 and 2009/10 financial years, distributed on a per capita basis. Proposals submitted for Social Housing Growth Fund monies must demonstrate that they will add new social housing dwellings in a jurisdiction, primarily by providing opportunities for growth in the not-for-profit sector. Proposals should also meet two further program objectives:

- Address supply shortfalls through identifying areas of housing need based on work of the National Housing Supply Council, through City Wide Planning Authorities and/or state planning mechanisms.
- Propose possible payments of Commonwealth funding assistance for social housing through means such as Commonwealth Rent Assistance. (COAG 2009d: 5).

Australian Government estimates suggest that between 1600 and 2100 new social housing dwellings will be added to the sector through this initiative (FaHCSIA 2009g: 1). These dwellings must be ready for occupation within two years of receipt of funding—showing the need for properties to be delivered to market quickly. They must also ‘provide an appropriate response to an area of unmet need for social housing within the jurisdiction’ (COAG 2009d: 6). In this respect, this program could be particularly important in regional and rural areas for particular individuals and groups vulnerable in the housing market—for example, older people, people with a disability, women escaping violence, and the homeless.

Implementation Plans have been developed and must be implemented by all jurisdictions accessing this funding. In line with these Implementation Plans, proposals for this funding must meet one or more of these criteria:

- facilitate/support the transition of persons who are homeless or at risk of homelessness to secure, long term accommodation
- adhere to universal design principles promoting better accessibility outcomes for persons with disability and older persons
- improve housing opportunities for Indigenous Australians
- support the growth of the not-for-profit sector

- involve innovative approaches for the more effective and efficient provision of social housing (COAG 2009d: 6).

The Implementation Plans for the Social Housing Growth Fund are joint Implementation Plans with the Social Housing Initiative under the National Building Economic Stimulus Plan—discussed later in this chapter.

National Partnership Agreement on Homelessness

The National Partnership Agreement on Homelessness is an additional source of funding to address one of the primary aims of the NAHA: 'People who are homeless or at risk of homelessness achieve sustainable housing and social inclusion' (COAG 2009a: 4).

Unlike the other housing related National Partnership Agreements, the funds available under this initiative are not allocated to states/territories on a per capita basis, but rather on each jurisdiction's proportional share of the homeless population—as determined in analysis of the 2006 Census data. The commitments in this Agreement are also underpinned by the understanding that actions to reduce homelessness must target certain groups within the homeless population to be successful. The following three key strategies are central to addressing homelessness and therefore underline this Agreement and the national homelessness White Paper (Commonwealth of Australia 2008: 18; COAG 2009b: 6):

1. prevention and early intervention strategies
2. breaking the cycle of homelessness—including investment in services to help people find and secure accommodation and re-engage with the labour market where possible
3. better coordination and connections across services needed by homeless people—this includes mainstream and homeless specific services.

The following actions are core outputs of this Agreement (COAG 2009b: 3 & 5):

- Implementation of *A Place to Call Home*—a key initiative in the Homelessness White Paper and an initiative being delivered by Australian Government and state and territory governments to build a pool of 600 more houses for homeless people and families across the country. This initiative will also provide appropriate support services to assist these people to avoid/break the cycle of homelessness (Commonwealth of Australia 2008).
- Implementation of *street to home initiatives* for people who are chronically homeless (including people sleeping rough and people with recurrent episodes of homelessness).
- Support for tenants to sustain their accommodation, for example, in the form of tenancy support, case management, and personal support such as advocacy, counselling, financial counselling, referral to necessary support and service.
- Support for people leaving institutional care (including correctional, child protection, health and mental health services).

And, it is expected that the actions under this Agreement will have the following outcomes:

- fewer people will become homeless and fewer of these will sleep rough
- fewer people will become homeless more than once

- people at risk of or experiencing homelessness will maintain or improve connections with their families and communities, and maintain or improve their education, training or employment participation
- people at risk of or experiencing homelessness will be supported by quality services, with improved access to sustainable housing (COAG 2009b, p.5).

Implementation Plans for each jurisdiction have been developed under this Agreement and these plans emphasise certain actions as important in particular jurisdictions. For example, improved services for people with mental health issues or for older homeless people, options for women affected by domestic or family violence to stay at home (and have the perpetrator removed) if this is a safe option; improvements in service delivery and coordination; and supports for children and youth who are homeless to maintain or rebuild links with their family, education institutions and/or the labour market.

The National Partnership Agreement on Homelessness is an \$800 million five year Agreement commencing in 2009-10.

Finally, it should be noted here that homelessness and strategies and programs to reduce homelessness are important for this research given that homelessness and living in precarious housing circumstances is a particular problem for Indigenous Australians—particularly in rural and regional areas. And, we know that the services available in regional and rural areas for the homeless continue to be overstretched and in high demand (Beer 2005 in the special issue of *Parity on Rural and Regional Youth Homelessness* (Council to Homeless Persons 2005); WESNET 2000).

National Partnership Agreement on Remote Indigenous Housing

The National Partnership Agreement on Remote Indigenous Housing is a significant commitment of additional Commonwealth money to improve the housing circumstances and conditions of Indigenous Australians. The Agreement is worth \$836 million over the five years from 2008-09 and a total of \$1.94 billion over the ten-year term of the Agreement. The Agreement adds to funding already committed by state and territory governments to Indigenous housing in remote areas under the (\$3.55b) Australian Remote Indigenous Accommodation (ARIA) Program ⁵ now replaced by the National Partnership Agreement on Remote Indigenous Housing (COAG 2009c; FaHCSIA 2009f).

It recognises that improving the housing circumstances of Indigenous Australians is key to *Closing the Gap on Indigenous disadvantage*—this being the key agreed policy direction of Australian governments aimed at achieving improvements in a range of social, economic, health and participation outcomes for Indigenous Australians over the next decade (Australian Government 2009a; COAG 2009c). As noted in *Closing the Gap on Indigenous Disadvantage: the Challenge for Australia* (Australian Government 2009a: 21), the National Partnership Agreement on Remote Indigenous Housing is a commitment by the Australian Government, state governments and the Northern Territory Government to: 'address significant overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous communities'.

The National Partnership Agreement on Remote Indigenous Housing Agreement contributes directly to one of the outcomes of the NAHA: 'Indigenous people have

⁵ The ARIA Program replaced the Community Housing and Infrastructure Program from the 2008/09 financial year (FaHCSIA 2009d).

improved amenity and reduced overcrowding, particularly in remote and discrete communities' (COAG 2009c: 5).

Over the ten-year life of the National Partnership Agreement on Remote Indigenous Housing, it is expected that states and the Northern Territory Government, in conjunction with the Australian Government, will achieve the following:

- 4200 new houses will be built for Indigenous people in remote communities
- 4800 existing houses in remote communities will receive necessary upgrades and major repairs.

Aside from construction and repairs, funds are also provided for: tenancy management, an ongoing program of minor housing repairs and maintenance—to improve the currently much shorter lifespan of remote Indigenous housing compared with other social housing; and improvements to, and audits of, housing, infrastructure, essential and municipal services in remote areas, including town camps.

The Agreement is also underpinned by requirements for state governments and the Northern Territory Government to reform tenancy and asset management practices, and governance measures for remote Indigenous housing; bringing them into line with public housing management and accountability practices. It also requires that funds be used for maintenance and provision of housing support, economic development and employment opportunities for Indigenous people (COAG 2009c: 13; 2008a: 29).

Upgrades and repairs to properties under the Agreement have already commenced in some remote communities. However, it should be noted here that the Minister for Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and Australian Housing Ministers have noted the varied outcomes from this initiative to date in a joint media release on 35 September 2009:

Overall, progress has been mixed with substantial challenges facing a number of jurisdictions. Appropriate legislative arrangements to facilitate secure tenure remain an issue in some jurisdictions.

The Australian Government expressed serious concern at progress in some jurisdictions, especially given the centrality of housing to the *Closing The Gap* agenda, and outlined a number of actions it was taking to address the issues which had emerged.

Minister Macklin advised jurisdictions of the new organisational arrangements being established to provide closer oversight of the implementation of the National Partnership on Remote Indigenous Housing by the Australian Government including the deployment of senior Commonwealth officials with specific responsibilities for remote Indigenous Housing in each of the jurisdictions with significant allocation of funds.

Progress payments which will be linked to milestones under the National Partnership Agreement will be strictly administered...Ministers are committed to taking all steps necessary to ensure the timely and cost effective implementation of the National Partnership (Macklin & Australian Housing Ministers 2009).

Implementation Plans under this Agreement were scheduled to be developed by April 2009, but unlike the Implementation Plans for the other two National Partnership Agreements supporting the NAHA, were not available at the time of writing this report. The National Partnership Agreement on Remote Indigenous Housing is important for this research as it provides funding for many of the actions being undertaken in remote Indigenous communities across the country, where housing conditions are

poor and supply constraints significant. The second stage of this research will investigate rural and regional housing markets where a significant proportion of the population is Indigenous, and this Agreement is one of the driving forces behind strategies to improve housing conditions for Indigenous people in such communities.

2.2.2 The National Rental Affordability Scheme

The National Rental Affordability Scheme (NRAS) is a Federal Government initiative aimed at increasing the supply of affordable rental housing across Australia. As noted in Section 3 of the *National Rental Affordability Scheme Act 2008* (Cwlth), the objective of the NRAS is to encourage large-scale investment in housing by offering an incentive to participants in the National Rental Affordability Scheme so as to:

- increase the supply of affordable rental dwellings
- reduce rental costs for low and moderate income households.

The scheme was launched as a response to the severe housing affordability crisis across the country, and evidence that most Australians in housing stress and with the poorest affordability outcomes are in the private rental market.

The ultimate aim of the NRAS is to provide financial incentives to developers and organisations to deliver up to 50 000 affordable rental dwellings into the national housing market over the five years from 2008 to 2012.

One of the key features of the program is that the government incentives are offered for a period of up to 10 years, providing that the dwelling receiving the incentive is rented at 20 per cent below market rent to an *eligible tenant* (discussed further below). The NRAS incentive is comprised of both a Federal (majority) and state/territory government component. The Federal incentive takes the form of a per dwelling refundable tax offset (originally set at \$6000) and the state/territory incentive (originally \$2000)⁶ is offered as either a cash payment or in-kind support to the NRAS participant (developer, organisation, etc). Table 1 provides details relating to the amount of the NRAS incentive per dwelling.

Table 1: NRAS incentive amounts and contributions from program inception

<i>Year1</i>	<i>Contributor</i>	<i>Amount (\$)</i>
2008-09	Federal Government	6000.00
	state/territory government	2000.00
		8000.00
2009-10	Federal Government	6504.00
	State/Territory Government	2168.00
		8672.00

Source: National Rental Affordability Scheme Regulations 2008; FaHCSIA 2009h

Note: 1 The annual period for an incentive is May 1–April 30.

The NRAS incentive is indexed annually (May 1) in accordance with the *NRAS incentive index*; reflecting movements in the rents component of the Housing Group Consumer Price Index for the year (December quarter to December quarter) as at March 1. This indexation uses the weighted average rate of the eight capital cities, and for 2009-10 is 8.4 per cent (FaHCSIA 2009h).

⁶ The NSW Government is offering their NRAS contributions in two forms: NRAS A and NRAS B. The NRAS A contribution provides capital funding for registered community housing organisations as well as the Federal NRAS contribution. NRAS B offers the standard state/territory contribution as per above for all eligible organisations (see <http://www.housing.nsw.gov.au/Centre+For+Affordable+Housing/NRAS/>).

In terms of tenant eligibility, initial and ongoing maximum household income limits apply (see Appendix A, Table A1 and A2). These limits vary depending on household type. For a lone person household, for example, their income must be equal to or below \$41 514 when they commence renting their NRAS dwelling and not exceed \$51 893. And, a single parent with two children has an initial annual lower income limit for NRAS purposes (2009-10) of \$71 200 and an upper level limit of \$89 000.⁷ Tenants who exceed the maximum income limit for their household type (which is set at 25 per cent above the initial income limit for each household type) in two consecutive eligibility years will no longer be eligible for NRAS assistance (discounted rent).

Participants in the NRAS program (developers, organisations, etc.) must also meet the following mandatory requirements:

- Dwellings comply with relevant state/territory and local government planning and building codes and regulations.
- Dwellings
 - have not been lived in as a residence; or
 - have not been lived in as a residence since having been made fit for occupancy where otherwise the dwelling was recognised as being uninhabitable; or
 - if the dwelling has been converted to create additional residences, then a part of the dwelling or building that is capable of being lived in as a separate residence must not have been lived in as a separate residence.

The NRAS is comprised of two separate phases—an Establishment Phase and an Expansion Phase. The Establishment Phase covers the period from 1 July 2008 to 30 June 2010. Round one and two applications for incentives were offered as part of this phase of the Scheme.⁸ The Expansion Phase of the program (1 July 2010 to 30 June 2012) includes NRAS round three.

Usefully, some details of offers of incentives funded under round two of the NRAS have been publicly released. We know from these data that most incentives for this round were issued for dwellings in metropolitan areas (73.15% for Australia overall) (Table 2). We also know from data revealed by the Federal Housing Minister that applications were received for some 27 009 dwellings under NRAS round 2 (with 6741 approved), indicating the attractiveness of the scheme for participants (Plibersek 2009f). Offers of incentives were made to a broad range of for-profit and not-for-profit organisations including: aged care providers, community housing organisations, charities and local governments (listed in Appendix Table A3). Unfortunately, limited detail is available about first round offers (see Appendix Table A4 for round two offers).

⁷ Initial income eligibility is assessed against a household's gross income for the year ending the day before they become an NRAS tenant and ongoing income eligibility is assessed against gross income for the year ending on the anniversary of the start date of the NRAS tenancy. Assessment of initial and ongoing NRAS eligibility includes the income of all household members that normally reside within a dwelling.

⁸ For the Establishment Phase, the Federal Government has implemented a 'transitional safety net' for charities participating in the NRAS Scheme. This arrangement aims to encourage the participation of charities in taking up NRAS incentives to expand affordable rental options by assuring these organisations that their charitable status will not be affected by their participation in the scheme.

Table 2: Number and distribution of NRAS round two offers of incentives by jurisdiction

<i>Jurisdiction</i>	<i>No of NRAS incentives</i>				
	<i>Inner Metropolitan</i>	<i>Outer Metropolitan</i>	<i>Provincial</i>	<i>Rural</i>	<i>Total</i>
Round Two					
ACT	101	-	-	-	101
NSW	711	226	200	226	1363
NT	-	-	-	-	-
Qld	329	460	359	501	1649
SA	311	123	0	108	542
Tas	70	114	40	113	337
Vic	1251	891	129	134	2405
WA	239	105	-	-	344
Total	3012	1919	728	1082	6741

Source: Plibersek 2009e

Note: The NT had no incentives offered under either NRAS round.

Round three of the NRAS opened on 1 September 2009 and closes on 31 August 2010. The Federal Government note that they have made the decision to go with a much longer application period than in the past as feedback from housing providers and developers found that there is a significant lead in time for project planning and securing finance for developments. Applications under this round are being assessed as they are received and government documents note that announcements of successful round three NRAS proposals will be announced as decisions are made. This round of the program corresponds with the Expansion Phase of the program and as such proposals are being sought where dwellings can be delivered to the market by the end of the Expansion Phase.

Three further strategic preferences (termed components) for funding under this round of NRAS have been determined (see Box 2). These are highlighted here as they may have significant implications for rural and regional housing markets, because:

- fewer opportunities may exist linking the Social Housing Initiative and NRAS—as proportionately fewer Social Housing Initiative properties are in regional areas; and/or
- procurement and development processes and plans regarding state/territory land in rural and regional areas may be less well developed at the current time, or fewer parcels of such government owned land exist; and/or
- developers operating in rural and regional markets may or may not be able to put together applications of more than 1000 dwellings due to a range of market barriers including the upfront and ongoing costs of such developments, lack of demand for such a large number of properties in smaller local markets, skilled labour shortages and the scarcity of suitable land.

These potential concerns/scenarios and the actual and potential impact of NRAS dwellings on regional housing markets will be investigated in the discussions with key stakeholders in local housing markets in the second stage of this research.

Box 2: Strategic preferences (components) for round three NRAS funding

1. Applications which link to proposals under the Social Housing Initiative, a component of the Nation Building and Economic Stimulus Plan.

The Australian Government is encouraging affordable housing proposals which seek to use funding from the Social Housing Initiative in the Nation Building Economic Stimulus Plan *and* NRAS to maximise housing outcomes for low and moderate income households through the construction of *socially balanced residential developments*. The Government is encouraging mixed developments and developments that create additional building capacity – with some dwellings funded through the Social Housing Initiative and others attracting NRAS incentives.

Funding from the Social Housing Initiative cannot be used as a capital contribution for dwellings that already attract or will seek a National Rental Incentive under the NRAS.

2. Applications which seek to have the private sector develop state-owned land that has been released for residential development.

This component of the NRAS allows for developments on public land which has been released for affordable housing by State and Territory Governments and is agreed as suitable for the provision of such housing, including for mixed developments with a proportion of affordable housing supported by NRAS.

The NRAS component can be *all or part* of the development – i.e. State owned land released for residential development that may include a proportion attracting NRAS Incentives.

Successful proponents for these developments may be invited to apply under NRAS, where they have proposed a component of affordable rental homes. The NRAS application will be facilitated by the relevant State or Territory Government and take account of the procurement process already conducted for the development of the land.

3. Applications which propose to construct a minimum of 1000 dwellings as a large scale portfolio of affordable housing.

This component of Round Three relates to large scale investment in affordable housing of more than 1000 dwellings. It is targeted at institutional investors and large residential development companies.

Source: FaHCSIA 2009h

2.2.3 The Housing Affordability Fund

The HAF ultimately aims to lower the cost of new homes for new homebuyers and to address barriers to the supply of such dwellings for first time buyers. The fund is a federally funded initiative, investing \$512 million over the five years from mid 2008 to mid 2013 to support reform and streamlining of state/territory and local government planning and development assessment processes, cut *red-tape*, and to fund proposals directed at improving the supply of new housing, including by expediting the release of land for such housing.

As described by FaHCSIA (2009b), it will address two significant supply-side barriers in the housing market:

- holding costs incurred by developers as a result of long planning and approval waiting times
- infrastructure costs, such as water, sewerage, transport, and open space.

And, as noted in the HAF round one guidelines, 'Priority will be given to proposals that make the greatest impact on the supply of entry-level or moderately priced housing' (Australian Government 2008: 6).

The Fund is targeted at supporting indicatives in greenfield and infill areas where demand for new dwellings is high or forecast to be so for the coming five years (FaHCSIA 2009a). Specifically, HAF funds may be used for three types of proposals:

- *Infrastructure only* where the Fund either provides a contribution towards larger scale housing linked infrastructure, or entirely funds smaller scale infrastructure proposals such as connecting infrastructure (water, sewerage and roads) and community infrastructure (parks, cycleways and other facilities)
- *Reform only* in which funding is sought to achieve specific reforms, including the adoption of a best practice or the development of leading practice models
- *Mixed reform and infrastructure proposals* which seek funding for infrastructure but also include an element of reform, in order to increase the level of savings that can be passed on to home buyers (Australian Government 2008: 8).

For *Infrastructure Only* proposals applicants are required to demonstrate that they already have *leading practice* in terms of planning and development assessment processes in their organisation.

The HAF only funds proposals from state/territory governments, local governments or local government associations. As such, while the fund encourages joint venture and the involvement of private companies and developers in proposals to reduce the cost of homes—especially at entry-level—these organisations must be partnered with state/territory or local government in a proposal.

The amount of Federal Government funding received for proposals is expected to be less than \$10 000 per dwelling, and it is expected that more than this amount is passed on to homebuyers as cost savings per dwelling (Australian Government 2008: 8).

The HAF also includes a commitment by the Federal Government to further streamlining of planning and development approval processes nationally, allocating some \$30 million nationally to the development of electronic development assessment (eDA) systems across the country. Developing such systems is considered a necessary complementary process to address market-based hurdles to the supply of entry-level and moderately-priced housing for new homebuyers as these systems have the capacity to streamline and reduce delays (hence produce cost savings) due to planning processes. Funding for eDA systems is being allocated independently of the HAF funding rounds, with funds allocated to each state/territory based on their proportion of new dwellings. Additionally, some \$3.6 million has also been allocated under the HAF to the development and implementation of national standards for eDA IT systems—to ensure that the systems in each jurisdiction can 'talk to each other'. And, as noted on the HAF website:

FaHCSIA has asked State Government Planning Departments and Local Government associations to work collaboratively to identify how the funds can best deliver end-to-end eDA processes targeting high growth areas (FaHCSIA 2009a).

Round one of the HAF funded 37 projects across Australia (Plibersek 2009a). The projects received around \$120 million in HAF funds, including some financial commitments to the development and implementation of electronic development assessment systems across Australia (discussed further below).

HAF Round Two opened recently (October 2009) (Plibersek 2009c) and were scheduled to close on 8 January 2010. Proposals under this round of the HAF continued to be targeted at infill and greenfield developments, with specific mention in the round two guidelines of preference for transit-oriented developments and redevelopments of public housing estates creating 'mixed communities through building or redeveloping affordable homes for private ownership' (FaHCSIA 2009b). It is also stipulated in this funding round that infrastructure proposals must deliver a minimum of 50 homes (FaHCSIA 2009c: 4). More specific examples of the types of proposals likely to be funded under the second round HAF are given in Box 3.

Box 3: Examples of reform and infrastructure proposals under the HAF

Examples given for Reform Proposals

- Master planning and structural plans facilitating specific large scale infill or redevelopments, including master planning to improve development approval processes for dwellings within a planned community.
- Updating local planning schemes to facilitate urban infill, particularly where it will deliver more affordable housing than is otherwise likely.
- Processes that support land aggregation, especially for Transit Oriented Developments (TODs).
- Planning reform to deliver greater efficiency in the supply of housing.
- Improve processing times for application development/building approvals.
- Reducing concentrations of disadvantage through appropriate redevelopment of public housing estates.

Examples given for Infrastructure Proposals

- Infrastructure essential in bringing forward development, or to increase the amount of affordable housing built in new developments.
- Providing connecting infrastructure such as water, sewerage and roads and community infrastructure (parks, cycle ways and other facilities).
- Site remediation.
- Increases to urban density in and around TODs. Plans for TODs should demonstrate that they sit with regional/local/state/territory plans where already in place.

Source: FaHCSIA 2009c, p.7-8

As under the first round of the program, proposals are assessed based on value for money and compliance with any relevant and stipulated Federal, State/Territory and local government requirements (i.e. environment laws, dwelling accessibility requirements). Proposals are also assessed against affordability and supply outcomes, as well as accessibility and environmental sustainability outcomes. For example, incorporation of universal design standards to improve physical accessibility for older people, people with a disability; use of renewable energy and meeting six star energy rating standards (FaHCSIA 2009c, p.9-11).

2.2.4 Housing initiatives in the National Building Economic Stimulus Plan

Another cornerstone of the current housing policy environment in Australia are the measures to expand social housing and defence housing options announced by the Federal Government in February 2009 as part of the *National Building Economic Stimulus Plan*. This Plan, which was a direct government response to the global financial crisis, is a \$42 billion package primarily designed to fund community infrastructure and, in doing so, boost local jobs. It is a partnership between the

Federal and state/territory governments. The Plan is supported by a National Partnership Agreement on the Nation Building and Jobs Plan (NBJP), which sets out the objectives and outcomes of this Commonwealth investment for 'building prosperity for the future and supporting jobs now'—the sub line of the NBJP (COAG 2009e).

The Nation Building Plan offers additional Commonwealth monies for a range of programs and initiatives. These include new infrastructure and improvements for schools, roads, railway crossings and general community infrastructure, as well as cash payments for eligible families, single workers, students, carers and drought affected farmers and tax bonuses for some workers to increase spending. They also include tax deductions for business owners to invest in particular types of assets and incentives for home owners to improve the energy efficiency of their homes, e.g., through installation of ceiling insulation.

Importantly, in terms of the current housing policy environment, the Nation Building Plan includes two important tranches of funding for housing across metropolitan and regional Australia:

- the Social Housing Initiative—worth some \$5.238 billion over the period from early 2009 to the end of the 2011-12 financial year
- \$400 million for necessary upgrades and repairs to more than 60 000 social housing properties, including for some 10 000 properties that are currently unliveable or will soon become so without significant maintenance.

In terms of regional housing, the Plan also includes \$245.6 million for 802 Defence Homes in Adelaide, Brisbane, Canberra, Darwin, Hobart, Sydney, regional Victoria, Townsville, Cairns, Hunter Valley, Wagga Wagga, Ipswich, Wodonga, Nowra and Toowoomba (DHA 2009). Defence housing deserves consideration here as a number of regional towns and cities in Australia have significant concentrations of Defence housing, and any increase in the number of defence properties will play some role in alleviating strains on local housing markets. This is particularly so for the private rental market in areas near existing, new, or expanding defence bases.

The Social Housing Initiative

The Social Housing Initiative is the most significant investment in new social housing in Australia's history. The Initiative has three specific objectives. These are to:

- increase the supply of social housing through
 - a. New construction.
 - b. The refurbishment of existing stock that would otherwise be unavailable for occupancy.
- provide increase opportunities for people who are homeless or at risk of homelessness to gain secure long term accommodation
- stimulate the building and construction industry, both through funding additional dwellings and increasing expenditure on repairs and maintenance. This will help stimulate businesses which supply construction materials and help to retain jobs in the industry (COAG 2009e: 13-14).

Other key requirements for the Social Housing Initiative are summarised in the assessment process for proposals. That is, preference is extended to projects that:

- increase the supply of social housing dwellings in their jurisdiction
- increase the allocation of housing to people with highest needs on social housing waiting lists

- facilitate/support the transition of persons who are homeless or at risk of homelessness into secure long term accommodation
- incorporate universal design principles in dwellings in order to facilitate better access outcomes for persons with disabilities and older persons
- construct environmentally sustainable dwellings—with further preference for dwellings that are 6 star energy rated
- promote *short term* construction activity, and using a variety of procurement arrangements to achieve this, such as spot purchases of house and land packages and/or purchases *off the plan*.

The initiative complements the NAHA. Its specific focus on assisting people who are homeless, or at risk of homelessness, aligns with the commitment of the Federal and state/territory governments to addressing homelessness and to improve the housing, social and economic circumstances of the homeless (as outlined in the Homelessness White Paper (Commonwealth of Australia 2008)).

As is evident in the objectives of the program outlined above, the Social Housing Initiative comprises two distinct elements: a new construction element and a repair and maintenance element. The new construction element is an ambitious program aimed at funding the construction of up to 19 200 new social housing dwellings across the nation at an average cost of around \$300 000 each. This element of the Initiative may deliver more or less dwellings than this depending on dwelling 'size, type and location and the capacity of states and territories and the not-for-profit sector to leverage additional funds from other sources' (FaHCSIA 2009i). The second element centres on repairs, upgrades and maintenance to social housing dwellings that are unliveable or will soon become so. This element of the initiative (worth \$400m) was originally anticipated to improve the condition of some 2500 dwellings over 2008-09 and 2009-10, but thus far funds have been allocated for some 10 000 properties (Australian Government 2009c: 38).

In terms of structure, the Social Housing Initiative's new construction element is further broken down into two (funding) stages. Stage one of this element (delivered in 2008-09 and 2009-10 only) centres on allocating funds to projects that were already in train and could be fast tracked or brought forward to quickly deliver new social housing dwellings to the market. Some 2696 dwellings worth \$692 million dollars were approved for funding under this stage of the Initiative. These dwellings must all be completed by 30 June 2010. The second stage (2009-10 to 2011-12) involves a much larger tranche of money (approximately \$4.5b) and is anticipated to see the allocation of funds for the construction of some 16 500 dwellings (Australian Government 2009c; FaHCSIA 2009i).

Funding under both elements of the initiative is allocated to state and territory governments on a per capita basis, and provided jurisdictions submit proposals that meet the requirements of each element of the initiative. State and territory governments also have responsibility for identifying suitable projects for both elements of the program (by a competitive tendering process), as well as managing and reporting for the Social Housing Initiative generally. State and territory housing authorities in particular are responsible for the delivery of Social Housing Initiative funds (FaHCSIA 2009i).

It should also be noted here that the provision of funds by the Commonwealth to the states/territories under the Social Housing Initiative is conditional on the implementation of a number of agreed reforms in terms of the management of social housing. These are summarised in the National Partnership Agreement on the Nation

Building and Jobs Plan: 'Building Prosperity for the Future and Supporting Jobs Now' (COAG 2009e: 14-15) as:

- integration of public and community housing waiting lists
- better social and economic participation [outcomes] for social housing tenants by locating housing closer to transport, services and employment opportunities
- implementation of support arrangements to assist social housing tenants to transition from social housing arrangements to affordable private rental and home ownership as their circumstances change
- reducing concentrations of disadvantage through appropriate redevelopment to create mixed communities that improve social inclusion
- introduction of a national regulatory and registration system for not-for-profit housing providers to enhance the sector's capacity to operate across jurisdictions
- increased transparency through the establishment of consistent and comparable accounting and reporting standards across jurisdictions that allow clear and objective assessments of performance that meet public accountability requirements
- social housing providers to be subject to independent prudential supervision to protect public investment in the sector
- improved tenancy management and maintenance benchmarks for social housing
- improved efficiency of social housing including better matching of tenants with appropriate dwelling types and the introduction of rent-setting policies that reflect the type of dwellings occupied by tenants
- introducing contestability in the allocation of funds to encourage a range of new providers and create diversification in the not-for-profit sector to enhance the ability of providers to offer housing options to a broader range of client types
- leveraging of government capital investment to enhance the provision of social housing
- better use of government owned land to provide more affordable housing opportunities for low income earners
- improved procurement practices that promote competition between proponents and provide participation opportunities for small and medium enterprises.

The FaHCSIA website for the Initiative adds one further reform requirement; that states/territories introduce 'measures to enhance the capacity of the not-for-profit sector'.⁹ It is also a condition of NBJP funding that states/territories report progress on all social housing management reforms by December 2009 (COAG 2009f: 7).

The most recent progress report for the Nation Building Economic Stimulus Plan (Australian Government 2009c) notes the following outcomes in terms of housing as at the end of June 2009:

- Over 60 000 dwellings approved for repairs and maintenance, including 10 000 dwellings needing major repairs. Of these dwellings,
 - 31 368 dwellings having already had repairs and maintenance completed
 - 14 619 dwellings having benefited from repairs and maintenance to common areas.

⁹ See http://www.fahcsia.gov.au/SA/HOUSING/PROGSERV/SOCIAL_HOUSING/Pages/default.aspx

- Approval of 7390 dwellings, including
 - 2696 approvals for stage one dwellings (fast tracked projects)
 - 4694 approvals for new constructions under stage two.
- Construction commenced on 788 dwellings overall.
- Six dwellings completed overall.

However, these figures mask much of the current activity with regard to this Initiative. In line with the timelines set out in the National Partnerships Agreement on the NBJP (COAG 2009e) and since the release of the *Nation Building Economic Stimulus Plan Progress Report* in August 2009 (Australian Government 2009c), the Commonwealth have granted approvals for *all* dwellings under the new construction element. Table 3 below, presents this data. Three-quarters of these dwellings are to be completed by 30 December 2010.

Table 3: Allocations by jurisdiction under the Social Housing Initiative new construction element (stages one and two)

<i>Jurisdiction</i>	<i>Allocation for Construction (\$)</i>	<i>Number of Dwellings</i>
NSW	1 763 647 000	6110
Vic.	1 166 757 000	4539
Qld	1 085 472 000	4132
WA	549 727 000	1990
SA	404 263 000	1371
Tas.	125 480 000	510
ACT	87 080 000	340
NT	55 574 000	208
Total	5 238 000 000	19 200

Source: Plibersek 2009d: 1.

Usefully, reasonably detailed data has been released for both elements and both stages of the new construction element of the Initiative. These data show that thus far most new dwelling constructions and upgrades and repairs to social housing properties nationally are in metropolitan areas¹⁰ Importantly, these data, and that available on the other policy measures discussed in this chapter, has allowed the researchers to identify those areas, towns and cities in rural and regional Australia that have been successful in securing funds for projects to improve the supply of affordable housing within their jurisdiction. The same data has also allowed the researchers to see those regions where such initiatives will not have a significant effect. These factors have shaped the current decisions with regard to selecting case study locations for the second stage of the research.

¹⁰ See repairs and maintenance and new construction details and approvals for each jurisdiction through state and territory information link at http://www.fahcsia.gov.au/SA/HOUSING/PROGSERV/SOCIAL_HOUSING/Pages/default.aspx.

2.3 Other important initiatives

This section briefly outlines a range of other housing initiatives of importance for this research. These initiatives include: the First Home Owners Grant and Boost and a range of state/territory government initiatives aimed at improving access to home ownership for first homebuyers in particular.¹¹

The second stage of this research will involve questioning a range of stakeholders in rural and regional housing markets on whether these initiatives are assisting with increasing the supply and affordability of local housing, or indeed, having a negative or other level of impact.

First Home Owners Grant

Given the significant body of literature discussing the effectiveness and impact of, and need for, the First Home Owners Grant (FHOG), we will not be discussing this initiative in detail here. Suffice to say that the FHOG was introduced under the Howard Government as a tool for offsetting the impact of the introduction of the Goods and Service Tax on home ownership, and it has been widely used since. The FHOG scheme offers a one off \$7000 grant to eligible first home owners, with state and territory governments responsible for administering and managing the grant—in accordance with their own legislative requirements about the grant.

This said, the First Home Owners Grant has arguably been (with varying degrees of success and equity) an important initiative driving housing demand and for assisting first home owners into the housing market across the country.

Moreover, recent supplementation of the amount of the FHOG by the Commonwealth Government (known as the First Home Owners Boost (FHOB)) has significantly increased the amount of the FHOG (see Table 4, below for details), and seen an increase in the number of people accessing the grant, further driving housing demand. The impact of the FHOG and FHOB will be a specific line of questioning in the second stage of this research.

Table 4: First Home Owners Boost amounts, cut-off dates and eligibility criteria

	<i>\$7000 boost</i>	<i>\$3500 boost</i>
<i>Established homes</i>		
Contract to purchase to be entered into:	From 14 October 2008 to 30 September 2009 (inclusive)	From 1 October 2009 to 31 December 2009 (inclusive)
	<i>\$14 000 boost</i>	<i>\$7000 boost</i>
<i>New homes (Homes that have been built but not previously lived in)</i>		
Contract to purchase to be entered into:	From 14 October 2008 to 30 September 2009 (inclusive)	From 1 October 2009 to 31 December 2009 (inclusive)
<i>Building contracts for new homes</i>		
Sign contract for building	From 14 October 2008 to 30 September 2009 (inclusive)	From 1 October 2009 to 31 December 2009 (inclusive)
Commencement of building	Within 26 weeks of signing contract	Within 26 weeks of signing contract
Completion of building	Within 18 months of building commencement	Within 18 months of building commencement

¹¹ First Home Saver Accounts do not feature in this discussion as they were introduced from mid 2008 and must be in existence for four continuous years before they can be used to assist first homebuyers into home ownership.

<i>New homes built by owner builders</i>			
Commencement of building	Must lay foundations on or after 14 October 2008 and or before 30 September 2009		Must lay foundations on or after 1 October 2009 and on or before 31 December 2009
Completion of building	Within 18 months of building commencement		Within 18 months of building commencement
<i>Purchase of new home off-the plan</i>			
Sign contract for building	From 14 October 2008 to 30 June 2009 (inclusive)	From 1 July 2009 to 30 September 2009 (inclusive)	From 1 October 2009 to 31 December 2009 (inclusive)
Commencement of building	N/A	N/A	N/A
Completion of building	On or before 31 December 2010, as stipulated in contract. ¹	On or before 31 March 2011, as stipulated in contract. ²	On or before 30 June 2011, as stipulated in contract.

Source: <http://www.revenues.sa.gov.au/>

Notes:

¹ If the contract does not make this stipulation, then the actual completion date of the home must occur on or before 31 December 2010.

² If the contract does not make this stipulation, then the actual completion date of the home must occur on or before 31 March 2011.

³ If the contract does not make this stipulation, then the actual completion date of the home must occur on or before 30 June 2011.

State and territory initiatives

In line with the requirements of the COAG housing reform agenda, significant policy innovation has also been undertaken by state and territory governments in terms of addressing housing affordability within their jurisdictions. Most of these initiatives are aimed at improving the affordability of housing for low to moderate income first home purchasers in particular. All jurisdictions offer some additional financial assistance and/or concessions on the taxes and charges associated with home purchase for first home buyers. Some states also offer particular housing assistance measures aimed at improving access to, and the affordability of, housing for particular housing submarkets, such as Indigenous people, people with a disability and their carers, and university graduates. The South Australian, Western Australian and Northern Territory governments lead the field in these areas. Specific attention will be paid to the impact of, and access to, the housing assistance measures offered by HomeStart Finance (SA), KeyStart (WA)¹² and HOMESTART NT in rural and regional housing markets across these jurisdictions.

Additionally, attention will also be paid to other regionally-focused initiatives such as the Regional Bonus offered by the Victorian Government. This program provides a further \$4500 for households in regional Victoria eligible for the FHOG/FHOB. Table 5

¹² Keystart note that some 22 per cent of their customers are in regional WA (<http://www.keystart.com.au/key/about-keystart.htm>).

lists the key initiatives in each jurisdiction in this regard; that we anticipate will feature as important in driving housing demand and addressing affordability.

Other housing assistance measures for households in particular tenures and for particular submarkets will also be investigated as part of the second stage of this research. This will include examination of the role of local government in assisting individuals and families into the housing market, if such assistance exists in the case study locations chosen for the research (discussed in Chapter Four).

Table 5: Some key housing assistance initiatives by jurisdiction

<i>Jurisdiction</i>	<i>Initiatives</i>
ACT	→ Home Buyer Concession Scheme → Deferred Duty Scheme → Pensioner Duty Concession Scheme → OwnPlace (Affordable House and Land Packages) → Land Rent Scheme (See http://www.revenue.act.gov.au/home_buyer_assistance).
NSW	→ NSW New Home Buyers Supplement → First Home Plus Scheme (concession on transfer duty) → NSW Housing Construction Acceleration Plan (See http://www.osr.nsw.gov.au/benefits/first_home/; http://www.osr.nsw.gov.au/benefits/hcap/).
NT	→ Stamp Duty First Home Owner Concession → Stamp Duty Principal Place of Residence Rebate → Buildstart (short-term grant program for non first home owners) → Strategic Indigenous Housing and Infrastructure Program (SIHIP) (with the Australian Government) → New Affordable Housing Rental Company HOMESTART NT assistance → HOMESTART NT Standard Variable Loan (low deposit loan) → HOMESTART NT Shared Equity Loan → HOMESTART NT Fee Assistance Loan (a loan to help low to middle income earners in the Northern Territory cover the costs associated with buying a home including stamp duty, deposit and up to \$1500 for whitegoods). (See http://www.nt.gov.au/nt/revenue/home_incentives.shtml; http://www.buildstart.nt.gov.au/; http://www.housing.nt.gov.au/remotehousing/sihip; http://www.housingnt.nt.gov.au/new_places_rentalcompany.html; http://www.housing.nt.gov.au/home_ownership/how_homestart_nt_can_help_you).
Queensland	→ Home/First Home Concession → First Home Vacant Land Concession → Remote Indigenous Housing and Homelessness Programs (Department of Communities) Department of Housing Home Loans → Pathways Shared Equity Loan (to assist eligible public housing tenants to purchase a share in the property they are currently renting). → Queensland Housing Finance Loan (to assist people earning low to moderate incomes to buy or build a house). → Queensland State Housing Loan (to assist eligible public housing tenants and other people to buy a Department of Housing rental property). → Queensland Home Adapt Loan (to assist home owners with a disability, or

	those who have a household member with a disability, to modify their home). (See http://www.osr.qld.gov.au/client-group/first-home-buyer/index.shtml; http://www.housing.qld.gov.au/programs/atsih/index.htm http://www.housing.qld.gov.au/loans/index.htm).
SA	→ First Home Bonus Grant → Affordable Homes Program (Housing SA) including Property Locator (with HomeStart Finance) → Affordable Housing Innovations Unit/SA Housing Plan 15 per cent affordable housing target (including 5% high needs housing) on government land developments and major developments) HomeStart Finance assistance → HomeStart Home Loan → Graduate loan → Nunga Loan (for Indigenous South Australians) → EquityStart Loan (providing public housing tenants with a head start to owning their own home) → Seniors Equity Loan → Breakthrough and Advantage Loans (to boost borrowing power) → Investor Loan → Construction Loan or Select Loan (See http://www.revenuesa.sa.gov.au/; http://www.homestart.com.au/property-locator/about-affordable-homes.asp; http://www.homestart.com.au/home-loans/home-loans).
Tasmania	→ Duty Concession (first home buyer) → HomeShare (shared home ownership with Housing Tasmania—can purchase a share of an existing home owned by the Director of Housing, or a share of a newly constructed home together with the Director) (See http://www.sro.tas.gov.au/fhog; http://www.dhhs.tas.gov.au/services/channels/abouthousing/housing_options/home-share).
Victoria	→ First Home Bonus → Regional Bonus (an additional \$4500 regional bonus is also available to eligible households in particular regional areas of the state) → First Home Owner with Family Duty Concession → Principal Place Of Residence Duty Concession → Off The Plan Sales Duty Concession → Movable Units program (Office of Housing) (See http://www.sro.vic.gov.au/SRO/sronav.nsf/alltitle/First%20Home%20Owners?open; http://www.housing.vic.gov.au/home-owners-assistance/moveable-units).
WA	→ First Home Owner Rate of Stamp Duty → Home Buyers Assistance Account (up to \$2000—administered by Real Estate and Business Agents Supervisory Board) KeyStart assistance → Low deposit loan → GoodStart Loan (shared equity scheme) Aboriginal Home Ownership → Access Home Loan (allows people on disability support and their carers who receive a pension to purchase a minimum 70% of the property with the Department of Housing and Works owning the remaining share) → Restart Loan Scheme

The National Housing Supply Council

Before moving on to discuss regional housing markets more generally, it is pertinent to also discuss here the National Housing Supply Council (NHSC); the independent group comprising representatives of the housing and related industries that reports annually to the government on supply, demand and affordability issues in Australia's housing market. The NHSC was established in May 2008 as part of the COAG housing reform agenda. It operates at arm's length from government and reports directly to the Housing Minister. Importantly for this research, the NHSC's terms of reference include a focus on housing markets across Australia at the regional, state and national levels. And, as noted in the Council's Terms of Reference on the role of the NHSC (see Box 4), all of the actions of the Council make it important for this research.

Box 4: National Housing Supply Council Terms of Reference: Role of the NHSC

The Council will provide forecasts, analysis and policy advice to the Minister for Housing and publish an annual *State of Supply Report* on the adequacy of land supply and construction activity to meet demand and improve affordability over a 20-year forecast period. The Council will:

- Adopt consistent national standards in measuring and assessing the supply of land and housing and their relationship with housing demand and affordability.
- Provide a detailed assessment of trends in land availability, construction activity and housing affordability.
- Identify possible ways of ameliorating obstacles and otherwise improving the supply response.
- **Advise on research findings and desirable additional research on housing demand, supply and affordability at regional, state and national levels.**

Accordingly, the Council's *State of Supply Report* will provide consistent data on trends and forecasts of housing demand and supply at national, state and territory and local scales. The Report will incorporate assessments of, among other things:

- Demographic factors influencing demand such as growth and structure of households, immigration rates and patterns, and the movement of households between cities, regions, state and territories.
- Economic factors (cyclical and structural) influencing demand, supply and affordability such as the growth and distribution of household incomes, relative returns from investment in housing, the availability and cost of finance for developers and consumers, business and consumer confidence, and the cost, availability and productivity of land, labour and materials.
- Development control arrangements—planning and zoning, development assessment, building approval processes, building standards and related market practices—affecting the release of land, development activity and redevelopment potential, including with respect to the variety of different types, sizes, densities and prices of housing.
- Infrastructure provision and financing.
- **Factors influencing or inhibiting industry innovation in housing and community-building product.**
- Practices and output in the public and not-for-profit housing sectors and at the low cost end of the private rental and home purchase markets.

Source: NHSC 2009, Appendix 1, pp. 108-111, bold emphasis added.

The research team anticipates discussing this research with the NHSC and the *Data Sub Group* (of Commonwealth and state/territory government officials) set up to support the work of the NHSC. It is also hoped that the next NHSC *State of Supply Report* will also be released in time to assist with this research and that it will include more regional level data than was the case in the first Report. This is an issue that the Council has acknowledged for the first Report, i.e.

The inaugural *State of Supply Report* is likely to be *high level* and less detailed than subsequent reports due to the likely early unavailability of detailed information in all areas of interest and the relatively short time available for the report's production...Subsequent reports will benefit from richer and more rigorous data, the development of data analysis and modelling for the Council, and additional time for consideration and consultation with other experts (NHSC 2009: 111).

2.4 Conclusion

As the discussion in this chapter notes, there has been significant policy interest and innovation with respect to initiatives to address the current ongoing affordability crisis in Australia, and to address known housing supply constraints. The Australian and state and territory governments have committed to a broad reform agenda in terms of housing. However, we know little about the impacts of these initiatives and reforms on the housing market, and particularly in rural and regional areas. Investigating the impacts of, and barriers to, all of the initiatives discussed in this chapter for regional housing markets is the focus of the second stage of this research.

3 REGIONAL HOUSING MARKETS

3.1 The literature on regional housing markets in Australia

Approximately 40 per cent of the Australian population live in non-metropolitan or regional Australia. While debates around regional Australia are often associated with an analysis of rural industries and rural populations, only 4 per cent of the Australian workforce is engaged in agriculture. Australia's regional population lives in a diverse set of settlements, ranging from relatively large regional cities of more than 100 000 persons, through to small remote settlements, Indigenous homelands, agriculturally-based country towns, mining settlements and *seachange* localities. Wulff et al. (2005; 2007) acknowledged this diversity in urban settlement type and helpfully categorised regional settlements into a range of settlement types (discussed further below).

There is a small but important literature on regional housing markets in Australia that includes the *Rural Centres Housing Study* (Econsult 1989); *Beyond the Capitals* (Beer, Bolam & Maude 1994); research into the supply of rental accommodation (Hassell 2002); and more recently work by Haslam McKenzie et al. (2008) into the nature and dynamics of housing in resource towns. This literature has identified a number of important themes, each of which will be discussed briefly in this section.

Housing affordability remains an important concern across Australia and while most studies have focused on the challenges of housing stress in metropolitan housing markets—and especially the largest cities—some work has paid attention to the challenges of affordability in rural and regional centres. Beer, Bolam and Maude (1994) and Beer (1998) calculated levels of housing stress for regional cities—centres with a population of 10 000 or more—for the 1991 and 1996 Censuses and concluded that housing affordability was as significant a challenge in regional cities as it was in the capitals. That is, while regional cities tend to have lower cost housing markets, this effect is compensated for by lower average incomes. Importantly, for this research, the rates of housing stress in regional cities were found to be broadly comparable with those evident in the metropolitan centres.

The capacity for individuals and households to become 'entrapped' in low value housing was a theme emphasised within the *Rural Centres Housing Study* (Econsult 1989). This report noted that households in declining small country towns may find themselves tied to homes they own that have little or no value within the market. These individuals are essentially victims of economic restructuring and their circumstances may be worsened by falling levels of public and private service provision. James (2009) noted that many older farmers and residents of small county towns in South Australia's Mallee region feel that they are forced to leave their region in order to secure services in a larger regional centre—Victor Harbor or Murray Bridge—or move to the state's capital (Adelaide). James's (2009) work suggests that the housing market processes and dynamics identified two decades earlier continue to exert a strong impact on regional housing markets.

Regional housing markets are seen to offer limited services for the most vulnerable in the community. A range of studies have noted that regional housing markets are often marked by few support services (Beer, Bolam & Maude 1994). Various authors have noted that there tends to be a limited range of support services available to homeless people, and especially young homeless people (Beer et al. 2005; 2003; see also Council to Homeless Persons 2005; Johnson 2007), women fleeing violence in the home (Tually et al. 2008; also Chung et al. 2001; Weeks and Oberin 2004; WESNET 2000), immigrants (Missingham et al. 2006) and persons affected by a disability (Kroehn et al. 2007; Beer & Faulkner 2009). The impact of the

affordability crisis, and whether the measures being introduced by governments to ameliorate the effects of this crisis for these groups and others known to be vulnerable in the housing market generally (such as older people, Indigenous people), is a specific area of investigation in the second stage of this research.

The adequacy of housing supply processes have been examined in a number of studies and reports. The WA Government has commissioned a number of pieces of work into the adequacy of rental supply, while the SA Government's Office of Regional Affairs commissioned the Regional Workforce Accommodation Solutions Study (Hassell 2002) as one way of identifying policy solutions for the gap in housing supply. Critically, housing in regional areas is seen to be affected by a relatively small supply industry (Beer, Bolam & Maude 1994) and often inappropriate levels of planning regulation (Hassell 2002). Private rental housing is seen to be especially challenged with Beer (2001) suggesting that the shortfall in supply is largely due to an inadequate flow of investment capital. This challenge has been exacerbated in some markets by relatively high rates of household growth.

The housing market processes associated with the seachange phenomenon has been another important feature of the literature on regional housing markets (Salt 2004a; also; Gurran et al. 2006; 2005). Recent research (Wulff et al. 2007) has highlighted the ways in which seachange processes has generated new dynamics within housing markets, including growth in second home ownership and rising house prices that may result in reduced affordability and poorer access to housing for long term residents (see also Costello 2009; Squires & Gurran 2005; Haslam McKenzie 2009). This body of work mirrors research in other nations that have highlighted the impact of leisure related housing development in attractive locations—coastal and otherwise (Paris et al. 2009; Paris 2008; Hall & Muller 2004).

The impact of the resources boom on some regional centres has been highlighted in a number of studies (Haslam McKenzie et al. 2008; 2009; Haslam McKenzie forthcoming) and work in this area has focused on the nature, level and impact of the resources boom on these housing markets. Key themes have included the impact of fly-in, fly-out work arrangements, the high cost of housing, the quality of accommodation, the need for innovation in supply and the differentiation in wages received by mining personnel and those in support industries. The resources boom has been seen to result in substantial change in some housing markets as a result of both economic and population growth, with much of this change concentrated in regional Western Australia, Queensland and—to a certain extent—the Northern Territory. It is likely that South Australia will experience comparable growth pressures in the foreseeable future.

Indigenous housing is a key concern in any examination of regional housing markets (Beer, Bolam & Maude 1994; Haslam McKenzie et al. 2009; 2008). Australia's Indigenous housing population is over-represented in regional housing markets and many of the problems associated with Indigenous housing—overcrowding, poor standards, inadequate infrastructure, low incomes, and the impact of cultural practices—are most evident in regional, not metropolitan, housing markets. Current policies towards the abolition of *homelands* and the creation of new housing options based on the lease of Indigenous-owned lands relate to regional—rather than metropolitan—housing markets, and create new challenges both for policy and our understanding of such housing markets.

3.2 The importance of understanding regional housing markets

Regional housing markets remain an important part of Australia's system of housing supply and housing consumption. While there is a body of research that has addressed the nature and dynamics of these markets, it remains a relatively small literature. More information is needed in order to better understand the contribution these markets make to Australia and the policies of Australian governments. There is also a need to develop a much stronger evidence base if we are to understand how national level programs and policies interact with these markets. This need for a stronger evidence base is driven both by the need for finer-grained housing policies, but also by the recognition that inadequate housing can serve as a check on regional—and indeed national—economic growth. The National Housing Supply Council's *State of Supply Report 2008* (NHSC 2009) has documented the shortfall in housing supply nationally, but there is no detailed analysis of the regional distribution of this shortfall. This information is essential for the adequate planning of services and other responses. Ensuring supply and demand in regional markets is in balance is important in terms of regional development, as the availability of good quality, well serviced and affordable housing is what will attract workers to regional areas—where many jobs are currently located or will be in future years if government plans for the regions to soak up much of our population growth come to fruition. Moreover, ensuring adequate housing supply in regional markets is important in terms of *Closing the Gap* in social, economic and health outcomes between Indigenous and non-Indigenous Australians.

Finally, we need to acknowledge that planning measures to contain population growth and urban sprawl in major cities make assumptions about the nature and performance of regional housing markets that may, or may not, hold true. The 2008 report of the Senate Select Committee on Housing Affordability in Australia (2008), *A good house is hard to find: housing affordability in Australia*, emphasises the importance of regional areas in addressing population and related housing pressures on Australia's cities:

5.46 In the current circumstances related to housing affordability and development pressures, the committee believes there is merit in the curtailment of residential development to within specified areas. New growth would ideally be concentrated in areas where infrastructure can provide for and attract new residents. If large amounts of fringe urban land are released without adequate attention to environmental impact, infrastructure needs and social impacts there is significant potential for greater social problems, as evidence to the committee has indicated. However, in setting this boundary, state governments must work more closely with local councils and community groups to ensure that the broad objective and specific proposals for higher density urban infill are supported. They must be aware of the potential for changes in population forecasts to place pressure on these limits. As discussed further ... [later in the report], **they must recognise opportunities to expand regional areas to relieve pressure from the capital cities particularly given the enormous potential for regional growth in Australia.** (p.84, bold emphasis added.)

In a number of jurisdictions, such as South Australia, Victoria, and Western Australia, the further development of regional centres is seen as one way of addressing the problems of urban growth and sprawl. Containment policies (e.g. the Government of SA's recently released Planning Strategy for Metropolitan Adelaide—*Planning the Adelaide we all want* (DPLG 2009)) may incorrectly forecast the capacity for regional and rural centres to accommodate further population growth if the nature of their

housing markets is not known. Similarly, plans that forecast higher rates of growth in more remote centres may well overlook the particular circumstances that drive—or limit—their expansion.

3.3 Some definitions and classifications

Before moving on to discuss what we already know about the drivers of supply and demand in housing markets generally it is important to first discuss some definitions and classifications that are central to this research.

3.3.1 Regional and rural

Regions do not always have commonly accepted boundaries. Regions can be defined by formal boundaries (as in the case of state or local governments), by a sense of economic and social interdependence, by natural environments and landscapes, or by other connections that distinguish them from neighbouring areas (BITRE 2009: 2).

Beer, Maude and Pritchard (2003) noted that ‘regions’ commonly overlap and that different institutions commonly work to varying regional boundaries. Importantly, the precise definition of ‘rural or regional Australia’ is relatively unimportant for the purposes of this analysis except in one important area: the distinction between metropolitan and non-metropolitan areas. Wulff et al. (2007) adopted a relatively permissive definition of regional Australia that included the major metropolitan satellites of Geelong, Newcastle, and Wollongong. By contrast, Beer, Bolam and Maude (1994) considered regional centres to be those that lay outside the Statistical Divisions of the capitals and those settlements within the Statistical Districts of the major metropolitan satellites.

We argue that the second, more restrictive, definition of regional housing markets should be applied to this project because the major satellite centres are likely to include regions that are effectively dormitory suburbs of the capitals. Their housing market processes and outcomes are much more likely to reflect urban dynamics than regional drivers and they are therefore excluded.

3.3.2 Regional housing markets

Wulff et al. (2007) classified regional housing markets using an advanced form of cluster analysis called M-Clust (p.80) using Statistical Local Areas (SLAs). They defined a complex system of regional settlements that included:

- regional cities with a population greater than 100 000 persons
- larger regional centres with a population greater than 50 000
- regional towns with a population of 20 000 to 50 000; other towns with a population of 10 000 to 20 000
- large coastal centres with a population of 30 000 to 50 000
- medium coastal settlements with a population of 20 000 to 30 000
- small coastal towns with a population of less than 20 000
- small inland centres
- remote centres.

It is important to acknowledge that under the definition of rural and regional outlined above, the first group of settlements are excluded from the analysis undertaken as part of this project.

This typology of settlements was used to establish a five-fold classification of regional housing markets which is set out below (Wulff et al. 2007):

- Non-metropolitan population centres with expanding housing markets: (20% of spatial units); above average population growth; above average level of rental financial stress; above average purchasers and above average new home completions relative to population.
- Non-metropolitan population centres with low growth housing markets: (26% of spatial units); above average rental financial stress; above average purchasers; below average ARIA index.
- Rural-remote regions with expanding housing markets: (7% of spatial units); below average percentage of purchasers; above average percentage of *other* dwellings.
- Small non-metropolitan settlements with low growth housing markets (36% of spatial units); above average in outright owners; below average in purchasers and private renters; below average Accessibility/Remoteness Index of Australia,¹³ below average *other* dwellings.
- Remote regions with low growth housing markets: (9% of spatial units); below average level of purchasers; above average share of *other* dwellings.

It is important to acknowledge that Wulff et al. (2007) made important advances in the understanding of regional housing markets by progressing from the classification of settlement type, to the classification of housing market types.

3.4 What we know about the drivers of supply and demand in rural and regional housing markets

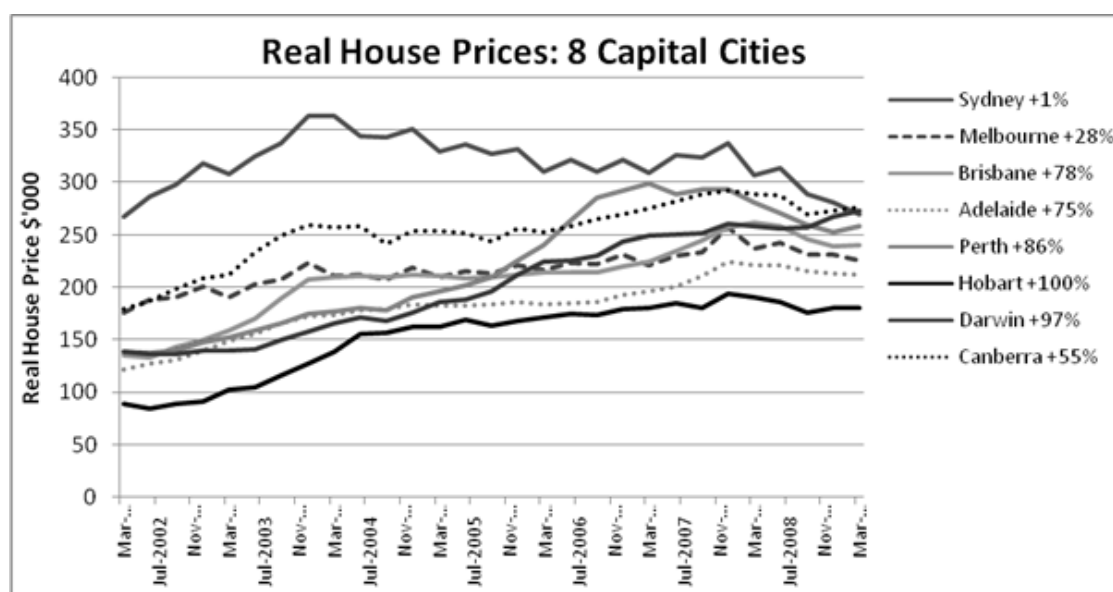
3.4.1 Introduction and context

For the best part of a decade, as the Australian economy has grown strongly and largely resisted the recessions dogging most other advanced global economies, housing affordability has declined noticeably. In the ten years to June 2008, GDP grew from \$41 000 to \$51 000 per person (up 2.2% p.a.). In those ten years, approximately \$603 billion (in real terms) was invested in dwellings (excluding land) with investment exceeding \$60 billion in each year since 2003 (Australian Bureau of Statistics 2009e). Rapid house price inflation has run ahead of average growth in wages and social security benefits. This has been well documented for the cities, but not so for the non-metropolitan housing markets.

Capital city house prices have converged over the last decade; largely due to the real decline in Sydney house prices. Figure 1 describes real house price growth in the eight capital cities. It is noticeable that those cities with the highest house prices in 2002, Sydney, Melbourne and, to a lesser extent, Canberra, grew at a much slower rate than the cheaper housing markets of the remaining five cities. This suggests that housing affordability is one of the key drivers of housing demand.

¹³ ARIA and its two successors (ARIA+ and ARIA++) are an 'unambiguous' approach to measuring remoteness in Australia (GISCA n.d.). They are the standard remoteness indicator endorsed by the ABS. Specifically, the ARIA measures 'are indexes of remoteness derived from the measures of road distance between populated localities and service centres. The road distances are then used to generate a remoteness score for any location in Australia' with localities with a score of 0 being considered highly accessible and with the lowest score (15) being high remoteness (see GISCA n.d.; Wulff et al 2007; 2005).

Figure 1: House price indexes: eight capital cities



Source: Australian Bureau of Statistics 2008b

Over the last decade, housing supply and affordability have become critical throughout the nation and, as noted by the Senate Select Committee on Affordable Housing in Australia (2008, p.1), the average house price in the capital cities is now equivalent to over seven years of average earnings; up from a multiple of three between the 1950s to the early 1980s. Only a third of transacted dwellings would have been accessible to the median households in 2006-07, compared to a long-run average of almost a half. Not surprisingly, the number of people suffering housing stress has also increased. Within the private housing markets, almost two-thirds of households in the lowest 40 per cent of the income distribution with a mortgage or renting were spending over 30 per cent of their income on housing (the established benchmark for housing stress).

It was evident from the Senate Select Committee hearings and other housing affordability commentators (AMP-NATSEM 2008b) that there are many locations in non-metropolitan Australia that have experienced significant price hikes over the last decade negatively affecting housing affordability. As reported by AMP-NATSEM (2008a) there is a clear urban/rural divide in terms of incomes in Australia, with median incomes in non-metropolitan areas significantly less than their urban counterparts. Until recently, the affordability of housing reflected these lower incomes. However, as this chapter will show, the gap between housing affordability in the urban setting and that in the non-metropolitan locations is narrowing, with the demand for housing in non-metropolitan locations driven by a number of key factors discussed below.

3.4.2 Drivers of housing markets

If housing affordability itself is a key driver of demand then within each state house prices will be converging. This suggests that previously affordable rural markets will have seen price rises in excess of Metropolitan areas. The median price in rural WA, for example, was 32 per cent lower than for the metropolitan area in 2004, but only 21 per cent lower in 2009 (Table 6). This suggests that housing affordability is a key driver of house prices with demand flowing into relatively affordable areas. Moreover, between June 2004 and 2009, prices in the Perth Metropolitan area rose by, on average, 77 per cent, but in Regional Western Australia the figure was 109 per cent.

The median price in rural WA was 32 per cent lower than the Metro area in 2004, but only 21 per cent lower in 2009. This suggests that housing affordability is a key driver of house prices with demand flowing into relatively affordable areas.

Table 6: Rural house price growth, Western Australia, June 2004 and June 2009

	<i>Median House Price June 2004</i>	<i>Median House Price June 2009</i>	<i>Price Growth (%)</i>
Perth Metro Area Total	\$260 000	\$460 000	77
Regional WA Total	\$175 000	\$365 000	109

Source: REIWA 2009.

It is important to remember that there are two distinct groups driving housing demand. Owner occupiers purchase and consume housing deriving both financial and functional benefits from the asset. In the last 25 years there has been a shift in the balance between the functional and financial role of housing. The 1990s saw a change in emphasis with the financial role of housing becoming more and more important. Many households see the family home as the major store of wealth and the asset that will partly fund retirement.

Investors derive a solely financial benefit from property in the form of income and capital returns. The income stream from tenants helps to service the mortgage, but the majority of returns stem from the increasing capital value of the asset. During this decade, house prices have rising steadily in some states, and dramatically in others making housing a very successful investment asset. These investment returns are a key driver of housing markets.

The drivers of housing demand differ slightly for investors and owner occupiers due to the functional role of housing for owner occupiers. However, drivers of market demand can be broadly grouped into four categories, although there are significant overlaps:

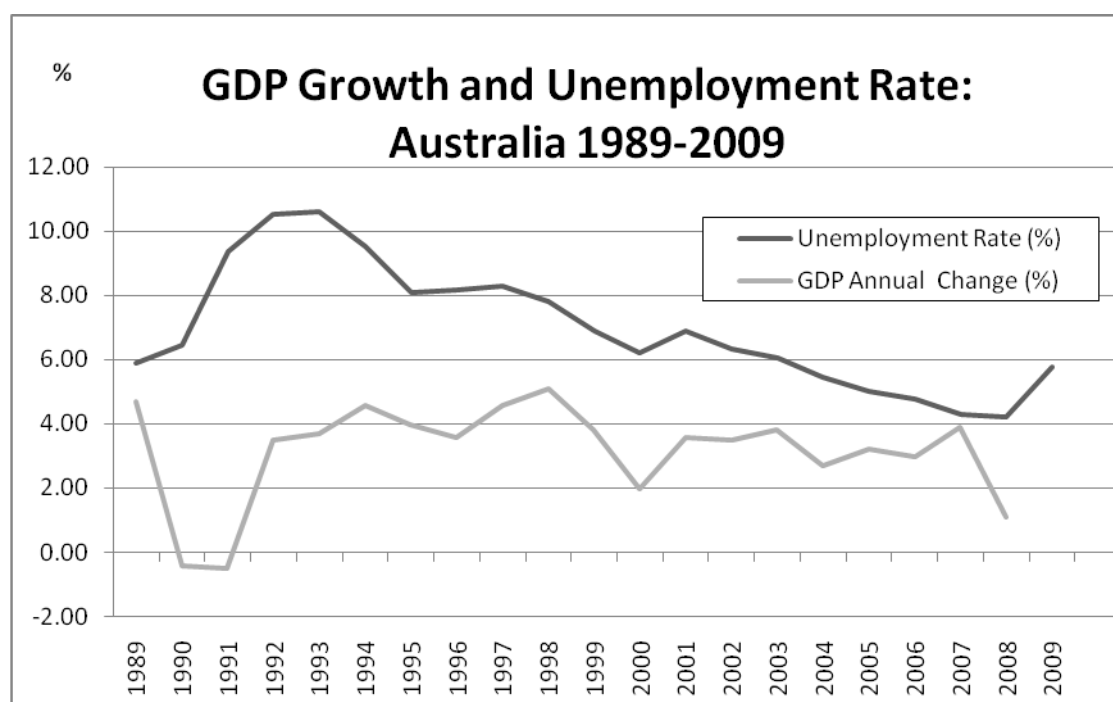
- Economic factors—interest rates, employment etc.
- Finance and tax—availability of finance, taxes and subsidies etc.
- Demographic factors—population growth, in and out migration etc.
- Supply side factors—land supply issues, labour markets etc.

The problem of affordability has been a function of both strong demand and limited supply. Rising average incomes, a decrease in household size, population growth stimulated by high rates of immigration and cheap, available credit all contributed to the demand for housing. Simultaneously, the supply side faltered with shortfalls in land supply, increasing development and planning costs with extended delays in reform processes and the provision of infrastructure. The tightening of the construction labour market has caused capacity constraints in the building industry and worked against meeting housing demand and infrastructure project timelines.

3.4.3 Economic factors

Economic factors are crucial to the demand from both investors and owner occupiers. The state of the global, national and local economy define the conditions under which the decision to purchase property is made. The Australian economy grew steadily from the recession of 1990-1991 to the narrowly avoided recession of 2008-2009 (see Figure 2). With a strong economy comes strong employment. The rate of unemployment has fallen consistently from the high of just under 11 per cent in 1993 to a low of 4.1 per cent in February 2008, just before the onset of the global financial crisis (Figure 2).

Figure 2: Gross Domestic Product and unemployment, Australia, 1989-2009



Source: Australian Bureau of Statistics, 2009b; Australian Bureau of Statistics 2009g.

Employment growth allows more households to enter home ownership or 'trade up' and purchase larger, more expensive housing units. Employment growth has had significant effects on the housing markets of a number of rural towns. For example, the resources 'boom' of the middle part of this decade in Western Australia and Queensland increased the demand for housing in relatively remote mining towns with dramatic price effects, particularly in the Pilbara region of Western Australia (see Haslam McKenzie et al. 2009). Increasing wealth from strong employment has knock on effects for most housing markets where these employment opportunities exist.

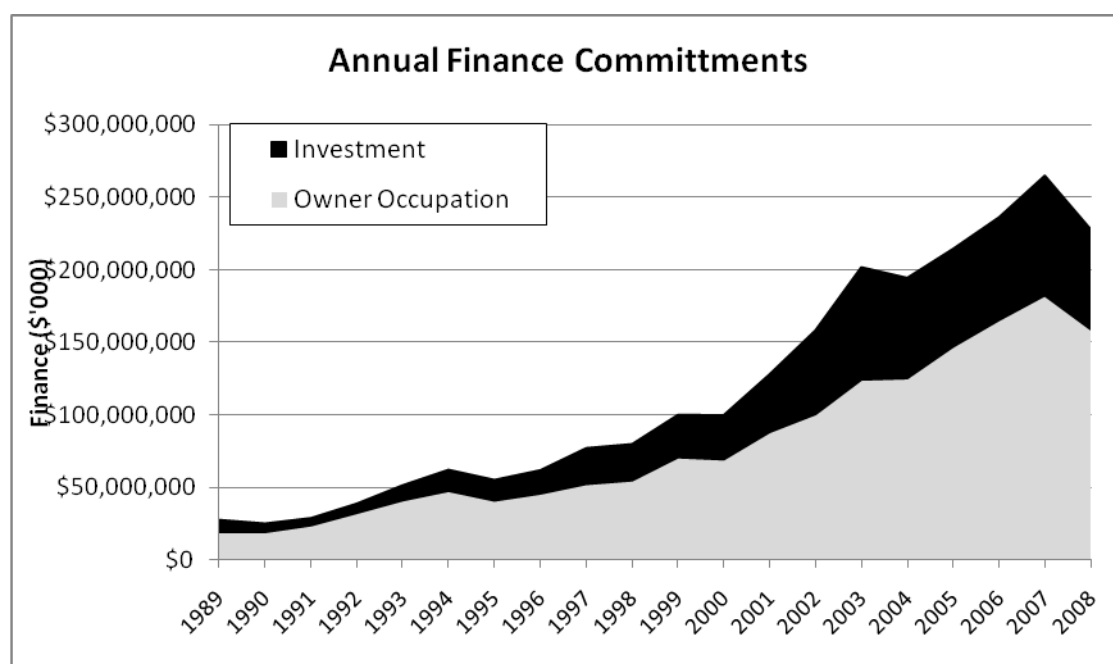
With a strong economy follows consumer confidence and income growth. Research by Kupke (2008) identified the key factors behind the decision to purchase a first home. The most important factors were, in order: affordable house prices; sufficient savings for a deposit; and low interest rates. If affordable house prices are a key decision trigger for first home buyers then this explains, in part, the convergence of house prices. Buyers are attracted to affordable areas increasing demand and raising housing prices in the absence of an adequate supply response.

The cost of borrowing is crucial and is largely dependent on interest rates. The availability of credit and the available mortgage interest rate affect the ability of households to access owner occupier housing. Interest rates are also a significant determinant of investment decisions as lower interest rates reduce investment costs and increase income returns. Lower interest rates increase the number of households that can access housing at the lower end of the market increasing demand. A healthy lower end market permits many households to 'trade up' stimulating the whole of the housing market. Households that 'trade up' can also afford to borrow more within a low interest rate environment.

Inflation has been under 4 per cent for the majority of this decade. A low inflation environment, even though property is traditionally considered a hedge against inflation, generates a level of economic certainty that provides consumers with greater confidence to make their purchasing decision.

Competition between the increasing number of property investors and owner occupiers is another driver of house prices. As Figure 3 demonstrates, investors have become increasingly important in the housing market accounting for around a quarter of all new and existing house finance commitments. Investors have been attracted by economic certainty, tax benefits and the willingness of banks and other mortgage providers to finance purchases (Berry & Dalton 2004). Although rental yields have been relatively modest in recent years, they have been offset by sustained capital growth delivering exceptional medium and long term total returns. These returns have attracted more and more 'mum and dad' investors seeking long term investment opportunities. The ideal market for an investor is one that offers a low initial capital outlay but a decent rental return. These conditions exist in many rural markets where housing is relatively affordable, but there is a shortage of rental accommodation for those looking to form new households and those seeking short term accommodation.

Figure 3: Annual borrowings, Australia, 1989-2008



Source: Australian Bureau of Statistics 2009c.

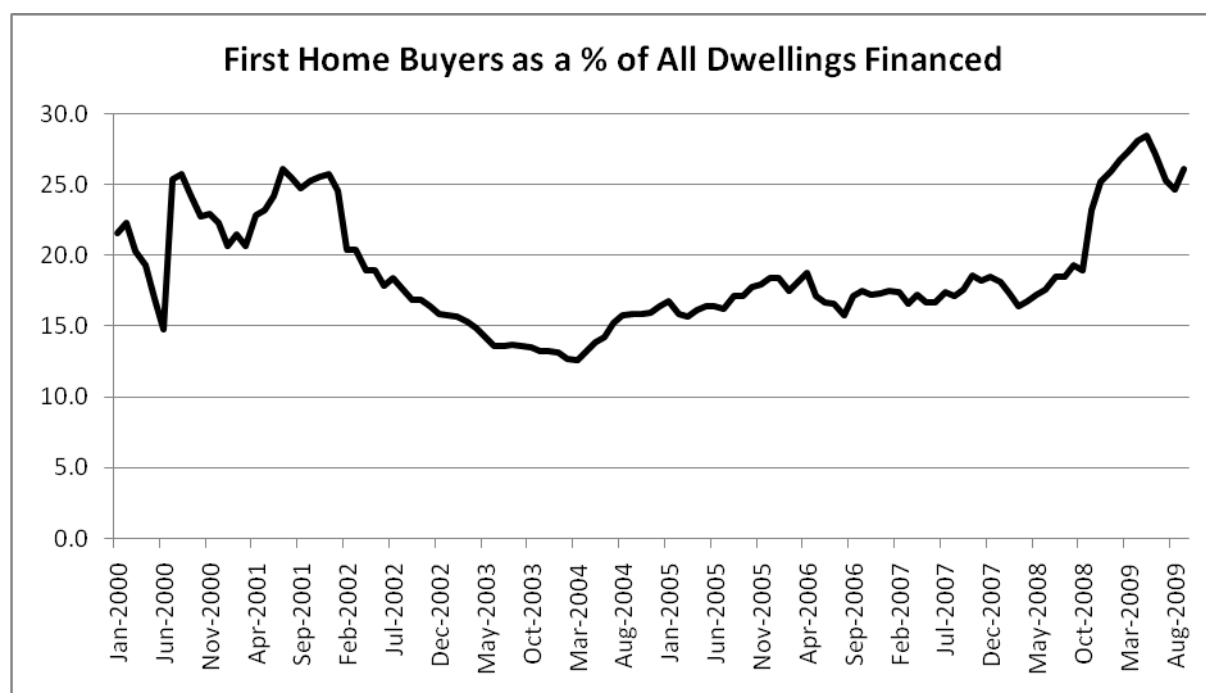
3.4.4 Finance and taxation factors

Berry and Dalton (2004) cite financial deregulation in the 1980s as a crucial factor in the current level of housing demand. Deregulation increased the number of lenders in the housing market with overseas banks and mortgage brokers facilitating easier access to credit. Increased competition among lenders led to innovative mortgage products and, with new lending criteria permitting a second income to be included when calculating the maximum lending limits, more and more households were able to access the housing market (Berry & Dalton 2004). The availability of credit coupled with the historically low interest rate environment and high loan to value ratios granted by lending institutions have fuelled the demand for housing.

Government taxes and subsidies also affect demand. The First Home Owners Grant (FHOG), introduced in 2000 to offset the impact of GST, is a direct subsidy for those entering the housing market. The boost to the grant introduced in 2008 as part of the government's economic stimulus package raised the grant to \$21 000 for new homes and \$14 000 for existing house purchase. Evidence suggests that the FHOG has had a significant impact on housing demand over the last 18 months with the proportion of

first home buyers securing finance rising from 16 per cent to 26 per cent (see Figure 4). Stamp duty concessions for first home buyers in most states have also made the cost of purchasing housing more affordable.

Figure 4: Housing demand from first home buyers, Australia, January 2000-August 2009



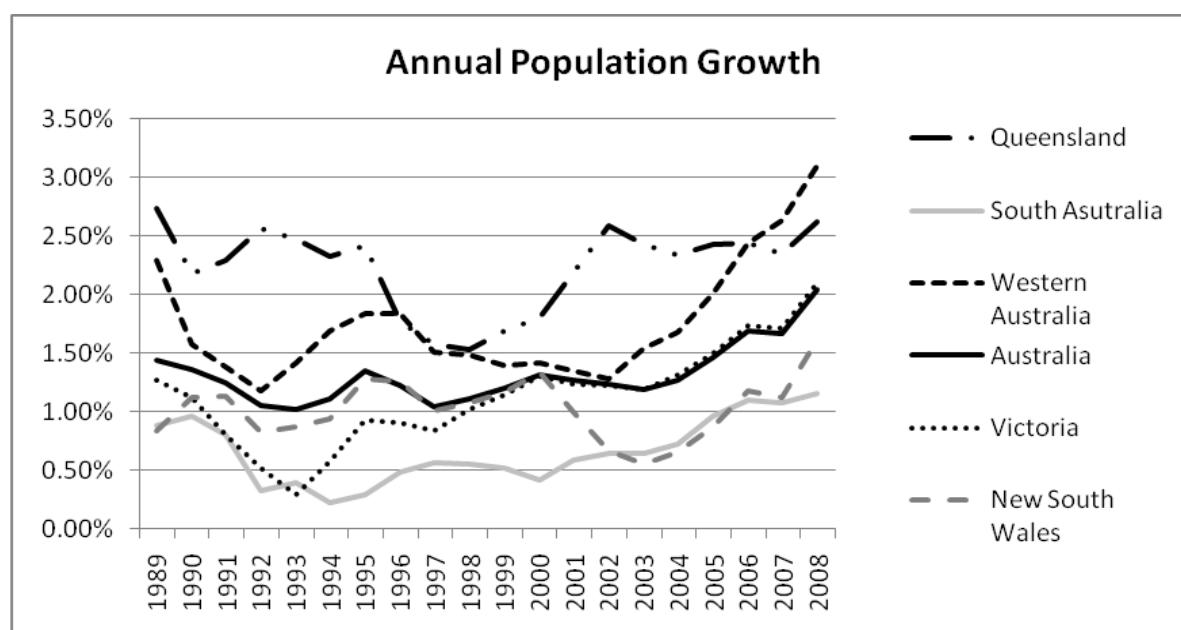
Source: Australian Bureau of Statistics 2009d

General subsidies to owner occupiers include a capital gains tax exemption on the family home and the non taxation of imputed rent (Yates 2003b; Productivity Commission 2004). Such subsidies reduce the cost of housing. For the investor, negative gearing is a key tax exemption. All expenses, including mortgage interest costs, can be deducted from rental income and any loss offset against other taxable income. With comparatively low rents in many parts of Australia failing to cover expenses, negative gearing is seen as essential in attracting and retaining investors to supply property to the private rental market. The Productivity Commission Inquiry on First Home Ownership (Productivity Commission 2004) found that negative gearing, capital works deductions for buildings and the 1999 change to the regulations governing capital gains tax for assets held by individuals, magnified the attractiveness of investing in residential property during the upswing in prices from the late 1990s (National Housing Supply Council 2009).

3.4.5 Demographic factors

Strong population growth has been a crucial driver of housing demand in both metropolitan and rural housing markets. Put simply, an increasing population results in an increasing number of households demanding property and, without an equal supply response, prices rise. Figure 5 shows patterns of population growth over the last 20 years in selected states. In Western Australia and Queensland annual population growth has been well over 1.5 per cent for much of the last 20 years. Even the slowest growing state, South Australia, has seen growth of over 1 per cent per annum since 2005.

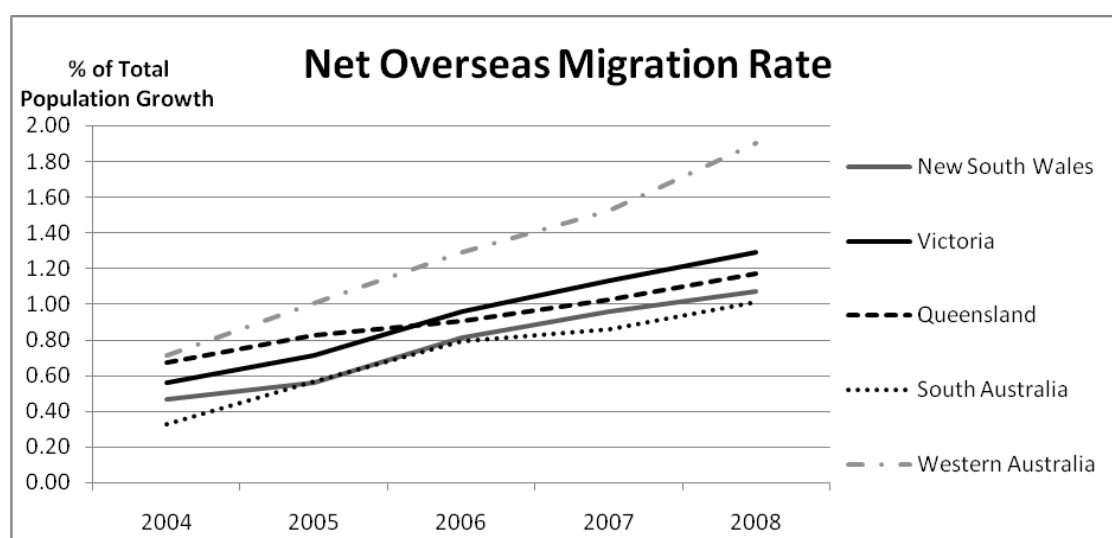
Figure 5: Annual population growth, selected jurisdictions Australia, 1989-2008



Source: Australian Bureau of Statistics 2009a.

Western Australia and Queensland have seen significant overseas and interstate migration on the back of the resources boom as shown in Figure 6. Such growth places pressure on the housing stock.

Figure 6: Net overseas migration, selected jurisdictions Australia, 2004-2008



Source: Australian Bureau of Statistics 2009a.

Added to the growing population is an expected decline in the number of persons per household. The ABS estimate a reduction of 2.6 people per dwelling in 2001 to 2.3 people in 2026 (Australian Bureau of Statistics, 2008a). However, for Australia as a whole the figure had not altered between the census dates of 2001 and 2006, although there were geographical variations with, for example, a fall from 2.6 to 2.5 persons per household in Western Australia and a rise of 2.6 to 2.9 in the Northern Territory. The expected shift towards smaller households with more single person dwellings will place additional pressure on the housing stock.

3.4.6 Sea and tree change population pressures

Population growth is not confined to metropolitan areas. Gurran (2008) describes strong population growth in coastal getaway and commuter communities citing the shortage of affordable housing within capital cities as a major factor. Sea and tree change, or amenity migration, is where migrants move for lifestyle rather than employment opportunities seeking natural amenity, climate, recreation and affordable housing (Gurran 2008). Sea change is defined as 'a profound or notable transformation' (Natoli 2004) referring to residents leaving cities to pursue 'arcadian, nostalgic or alternative beachside lifestyles' (Kelly & Haslam McKenzie 2005). Significant and sustained population growth on the Queensland Gold and Sunshine Coasts, parts of coastal New South Wales, Victoria, South Australia, Tasmania and Western Australia has seen the phrase used as a literal description of non-metropolitan coastal migration (Gurran 2008). Tree change is an extrapolation of this notion, 'tree change' describing people who choose to relocate to usually picturesque small inland towns (Kelly & Haslam-McKenzie 2005).

From the mid 1990s significant growth has occurred in the peri and non-metropolitan coastal areas of Victoria, South Australia and Western Australia driven by net gains in internal migration (Gurran 2008). This followed sustained growth in coastal areas in Northern New South Wales and South East Queensland from the 1970s (Burnley and Murphy 2004). Both sea and tree change growth have been driven by increased disposable income and improved transport access (Gurran 2008). Coastal areas that are within a three to four-hour drive from capital cities are still relatively affordable given the sharp rise in house prices within metropolitan areas and draw a high proportion of their migrants from the capital cities (Tonts et al. 2004; Haslam McKenzie and Johnston 2004; Salt 2004b; Gray and Lawrence 2001). The affordability of tree change towns has attracted many seeking an alternative lifestyle where quality of housing is a key factor.

Sea and tree change movements have contributed to significant population growth outside metropolitan areas, even reversing the population decline seen for most of the twentieth century in many rural areas (ABS 2007b). Table 7 describes the top ten SLAs by population growth in each state.

The SLAs in Table 7 are categorised using the Wulff et al. (2007) typology. Importantly, although the majority of the high growth SLAs are still within metropolitan areas, there are a number of small coastal, small inland and remote towns in Western Australia, Tasmania and South Australia with population growth well above average for the state. Some of the fastest growing SLAs are in remote locations. Some of this growth is due to mining activity, for example Ravensthorpe and the East Pilbara in Western Australia, but there are also locations such as Capel and Harvey, within the same state, which are traditional agricultural communities where mining activity cannot offer an explanation for population growth. There are also a number of small coastal communities with significant levels of population growth: sea and tree change movements explain some of this growth.

Table 7: Top ten population growth LGAs, selected jurisdictions Australia, 2003-2008

New South Wales		Western Australia		Victoria	
Sydney - West (M)	4.5	Capel (SC)	14.3	Wyndham - South (M)	23.0
Canada Bay - Concord (M)	4.0	Perth - Inner (M)	11.1	Whittlesea - North (M)]	13.7
Tweed - Tweed Coast (LC)	3.9	Perth - Remainder (M)	11.0	Melbourne - S'bank-D'lands (M)	12.8
Palerang - Pt A (M)	3.9	Wanneroo - North-East (M)	10.7	Melton - East (M)	11.9
Sydney - Inner (M)	3.8	Ravensthorpe (R)	9.9	Cardinia - Pakenham (M)	9.8

Sydney - South (M)	3.8	Wanneroo - North-West (M)	8.6	Melbourne - Inner (M)	8.0
Baulkham Hills (A) - North	3.8	Dardanup - Pt A (SC)	6.2	Hume - Craigieburn (SI)	6.0
Auburn (M)	3.5	Harvey - Pt A (SC)	5.9	Casey - South (M)	5.7
Strathfield (M)	2.9	Chittering (SI)	5.3	Wyndham - West (M)	5.5
Blacktown (M) - North	2.9	East Pilbara (R)	5.0	Gr. Bendigo - S'saye (LRC)	5.5
South Australia		Tasmania		Queensland	
Salisbury (M)	15.1	Hobart - Inner (M)	6.6	Pallara-Heathwood-Larapinta (M)	22.6
Adelaide (M)	5.3	Brighton (M)	2.9	Wakerley (M)	20.8
Playford - West (M)	4.4	Sorell - Pt A (SC)	2.7	Griffin-Mango Hill (M)	19.9
Alexandrina - Coastal (SC)	4.0	West Tamar - Pt B (SC)	2.1	Kingsholme-Upper Coomera (M)	17.6
Mount Barker - Central (SI)	3.9	Latrobe- Pt A (SC)	2.1	City - Remainder (M)	14.3
Onkaparinga - South Coast (M)	3.3	Kentish (SC)	2.0	Moggill (M)	13.9
Light (SI)	2.8	Glamorgan/Spring Bay (SC)	1.8	Pimpama-Coomera (M)	13.2
Port Adel. Enfield - East (M)	2.6	Launceston - Inner (LRC)	1.8	Ooonoonba-Idalia-Cluden (RC)	12.0
Victor Harbor (M)	2.5	Kingborough - Pt A (SC)	1.7	Douglas (RC)	11.5
Yankalilla (SC)	2.5	Meander Valley - Pt A (SC)	1.4	Bowen Hill (M)	11.4

Source: ABS 2009: Regional Population Growth Australia, Cat. No. 3218.0.

Notes: M = Metropolitan, LC = Large Coastal, SC = Small Coastal, LRC = Large Regional Centres, RC = Regional Cities, R = Remote, SI = Small Inland.

Data is based on estimated resident population.

Demand for holiday homes in coastal and rural locations is another factor driving housing markets. Although such homes have a limited impact on the permanent population, the demand fuels house price growth in the absence of adequate supply. Usually both an investment and lifestyle decision, such purchases add another layer of demand to that from existing residents as well as those seeking to move into the town for employment opportunities or for a sea/tree change.

Housing affordability has certainly contributed to growth in rural and more remote coastal locations and it appears to be a key part of sea/tree change movements. Evidence from Western Australia shows that some of the strongest house price growth of recent years was in rural locations (Rowley & Haslam McKenzie 2009). Regional price growth was over double that of the metropolitan area for the period 2004-2008 (see Table 6). House prices in a number of these locations were driven by demand for housing from the mining sector, but other rural towns with limited employment opportunities also saw extensive growth. Much of this growth can be attributed to the low starting price of housing attracting sea and tree change households as well as those seeking affordable housing and employment opportunities. Anecdotal evidence suggests that fly in fly out (FIFO) mining workers have been attracted to these towns seeking large, 'lifestyle' properties (lifestyle being defined as property over one hectare (REIWA 2009)) unavailable in metropolitan locations. With FIFO work patterns, such households do not need to be within daily commuting distance of work locations but simply have an airport accessible for the monthly or bimonthly flight to the mining town.

Added to demographic factors are geographical factors. The sea has always been an attraction for many and a house with a sea view a dream for many Australians (Salt 2004a; Burnley and Murphy 2004). Finding an affordable coastal property in heavily populated areas is impossible for the vast majority of Australians but many have looked to more remote areas to secure their property.

3.4.7 Supply side factors

If supply cannot keep pace with demand then prices will inevitably rise under certain economic conditions. Many commentators suggest that restrictive land release

policies contribute directly to price rises and declining affordability (Moran 2008; Demographia 2007). Where demand is rising, the only way to meet that demand is to release new land for housing construction or encourage infill development. Failure to meet demand with new supply has inevitable price consequences. However, the view that large scale land release on the periphery of Australia's urban centres will automatically solve housing affordability problems is questionable. Research by Costello and Rowley (2010) demonstrated only a weak link between levels of land supply and house price growth at the suburb level within the Perth metropolitan area.

Where new supply does exist, its nature and form will shape housing demand. Higher density residential development will attract more investors and deliver smaller house types. Large, detached dwellings on traditional subdivisions will attract owner occupiers. Therefore planning and the characteristics of land supply are key to establishing demand at the micro level.

There are certain supply side issues unique to rural markets that determine just how much housing demand can be met.

- Native title is one issue affecting many rural, and particularly remote rural, locations. Native title can take many years to resolve delaying the release of land for residential development.
- The provision of infrastructure can be a serious problem with significant cost implications for development.
- Climatic conditions—the intense heat and cyclone threat in many locations adds to the cost of building a house that can cope with the extreme conditions.
- Labour and building materials—to increase the supply of land and housing requires significant resources in terms of both labour and materials. Remote rural locations suffer the additional costs of transporting building materials. Labour shortages can delay or even postpone development projects, but any shortage of labour adds to the cost of construction through increased wages or construction delays.

All these factors make it very difficult for supply to respond to demand changes in rural housing markets, particularly remote rural locations. The cost of remote, large scale development increases the price of the final product impacting on housing affordability. New housing is then difficult to access for the existing community on low to middle incomes.

Following a demand shift evidenced by rising prices, it may take a number of years for land to be released through the planning system for development. The land then needs to be serviced, sold and built out. Such a slow supply response magnifies demand effects on prices in rural areas. One example is development in Karratha in the Pilbara in WA. The increase in demand for housing resulting from increased mining and support activities put tremendous pressure on the existing housing stock in the early and middle part of this decade. A number of issues such as native title and labour shortages meant supply was very slow to respond to demand and house prices rose dramatically as a result (see Haslam McKenzie et al. 2009). It took a dramatic change in direction from the state government's development agency, Landcorp, to implement a fast tracked land release policy to address the supply shortage.

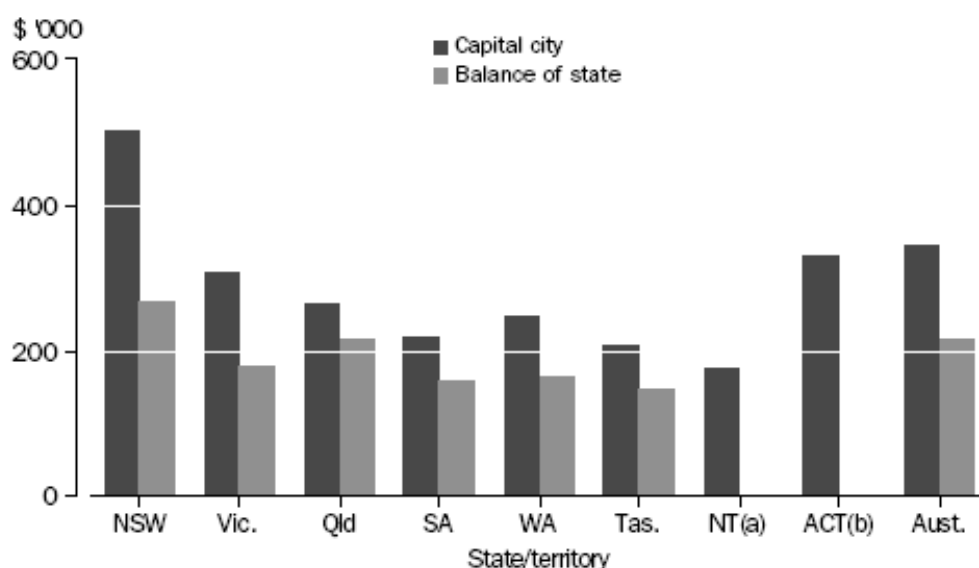
In many coastal locations the land is simply not available to increase supply. The alternative is higher density development which is not popular with many existing residents. Increased densities, populations and services in rural locations detract from the very factors that attracted residents to the area in the first place; for example the uninterrupted rural views or quiet location (Frentz et al. 2004; Esparza & Carruthers

2000; Greive & Tonts 1996). Large scale land supply, which increased the population of rural areas, needs to be supported by employment opportunities but jobs in sea and tree change locations tend to change the nature of employment from productive industries such as agriculture to poorly paid consumption based industries such as tourism and retail (Gurran 2008; Stimson et al. 2003).

3.5 Evidence of declining housing affordability in regional Australia

The Australian Bureau of Statistics reported in 2007 that while estimated home values and equity had grown strongly overall, there were geographic disparities among the states and between the capital cities and the states over the nine years to 2003-04. The home equity in capital cities grew 73 per cent between 1994-95 and 2003-04, compared with 53 per cent for households outside the capital cities. The mean level of equity for a capital city owner in 2003-04 was \$344 000, \$129 000 more than the equity of home owners in the balance of state (\$215 000) as shown in Figure 7 (ABS 2007a). This trend has continued. In 2008 AMP-NATSEM (2008b) reported that while housing unaffordability continued to be higher in metropolitan locations, the lack of affordability in New South Wales, Victorian and Western Australian non-metropolitan locations was heavily influenced by the expensive urban housing markets.

Figure 7: Equity of owner occupier households, capital city and balance of state, selected jurisdictions Australia, 2003-04



(a) Balance of state not available for NT.

(b) Balance of state not available for ACT. Capital city estimate relates to total ACT.

Source: ABS 2003-04 Survey of Income and Housing.

In 2005-06, housing affordability in regional New South Wales (where the median price to income ratio was 7.5), was the worst of all non-metropolitan areas in Australia and even exceeded the levels in the capital cities of other states (Victoria 6.2, Queensland and South Australia 6.6, Western Australia 6.8) (AMP-NATSEM 2008b). Increasingly, it was reported, the gap between metropolitan and non-metropolitan areas was narrowing.

Housing affordability in regional Western Australia in 2006 was the second worst behind New South Wales, but regional Western Australia reported the lowest level of housing stress (13.1%), indicating that median incomes in non-metropolitan Western

Australia were higher than for non-metropolitan areas in other states (AMP-NATSEM 2008b).

It was also noted that Queensland had particularly high levels of stress in non-metropolitan areas at 23 per cent. It was announced in late 2006 that the Queensland Government would implement a strategy to accelerate regional planning to meet the demands of rapid rural and regional population growth, especially in South East Queensland, and the increasing demands for public services at a local level. The South East Queensland Regional Plan 2009-2031 was launched in July 2009 and the Far North Queensland Regional Plan 2009-2031 was launch in February.

The 2008 global financial crisis influenced the Australian housing market but not nearly as dramatically as was the case in many other international locations. The Housing Industry Association (HIA) collaborates with the Commonwealth Bank to produce a quarterly Housing Affordability Index. It reported that in October 2009 housing affordability deteriorated in all sectors of Australia, for the second consecutive quarter. This was the result of house prices recovering from their modest falls in 2008/09 and interest rates rising for the first time since the rapid cuts dramatically improved affordability in late 2008 into 2009 (HIA 2009). It is evident that house prices in non-metropolitan areas mirrored the national and capital city trends.

Bankwest also compiles a Key Worker Housing Affordability Report which tracks housing affordability for five groups of key public sector workers—nurses, teachers, police officers, fire fighters and ambulance officers—in 554 local government areas across Australia. An area is classified as unaffordable if its median house price is more than five times the salary of a key worker (averaged at \$49 000). The review uses earnings data from the ABS's Employee Earnings and Hours Survey and annual median house price data from Residex. In July 2009, it was reported that 13 per cent (51 out of 406) of regional areas across Australia were unaffordable for key workers (see Figure 8). In March 2008, 70 out of 406 (17%) were unaffordable for key workers; a significant increase from March 2004 when seven per cent (28 out of 406) of local government areas in regional and rural areas were unaffordable. Those local government areas listed as most affordable for key workers in March 2009 ranged in median house price from \$45 500 in Brewarrina (NSW) to \$86 000 in Dundas (WA).

Remoteness¹⁴ does not necessarily mean that house prices are affordable. Many of the remote towns servicing the resource industries have very expensive housing (see Haslam McKenzie et al. 2009) including Roebourne (median house price March 2009: \$738 000) and Port Hedland (\$617 000), both in remote Western Australia (Bankwest 2009). The house price to key workers earnings ratio for Roebourne is 10.1.

¹⁴ Defined by the Accessibility/Remoteness Index of Australia (ARIA) developed by the National Key Centre for Social Applications of Geographic Information Systems as the distance along road networks to service centres (a hierarchy of urban centres with a population of 5,000 people or more). The ABS has developed a Remoteness Structure based on the ARIA scores. Generally it is assumed that 'remote' is four hours' or more drive from an urban centre.

Figure 8: Bankwest key worker housing affordability report: least affordable Regional LGAs

Least Affordable regional LGAs in Australia for Key Workers								
LGA	State	House Price to Earnings Ratio (March 2009)						Median House Price \$ (Mar 2009)
		All Key workers	Ambulance Officers	Fire-fighters	Nurses	Police Officers	Teachers	
Roebourne	WA	10.1	11.6	14.6	13.0	10.1	14.1	738,000
Broome	WA	9.5	11.0	13.8	12.3	9.5	13.3	696,000
Gingin	WA	8.5	9.8	12.4	11.0	8.5	11.9	624,000
Port Hedland	WA	8.4	9.7	12.2	10.9	8.4	11.8	617,000
Queenscliffe	Vic	8.2	10.2	9.4	12.1	8.2	11.5	598,500
Noosa	Qld	7.9	9.1	11.4	10.5	7.9	9.5	576,500
Shark Bay	WA	7.8	9.0	11.3	10.0	7.8	10.9	568,500
Augusta-Margaret River	WA	7.7	8.9	11.1	9.9	7.7	10.7	561,500
Byron	NSW	7.7	9.1	11.1	11.3	7.7	10.1	560,500
Busselton	WA	7.5	8.6	10.8	9.7	7.5	10.5	547,500

Source: Bankwest, 2009, p.7

Using data from 2001 to 2006, research was undertaken in 2007 by the Urban Development Institute of Australia (UDIA) across 70 designated centres including some in rural, regional and remote locations, comparing the ratio of property prices to annual income to identify changes in housing affordability over time (UDIA/Matusick, 2007). The UDIA/Matusick index identified areas within Queensland, Western Australia and New South Wales where a number of regional locations experienced affordability constraints, for example Redland, Broom and Lismore. This data bears out the issues identified earlier regarding increased population and housing pressures in coastal locations, particularly in Queensland and New South Wales, and areas where mining activity has increased, i.e. in Western Australian inland communities.

3.5.1 Declining housing affordability in regional Western Australia

House prices in rural WA grew by 214 per cent during the period 1998-2008 with much of this growth (144%) occurring since 2004. This is, in part, related to the mining boom, but even agricultural towns have experienced growth well over 200 per cent. Mining towns such as Karratha, Ravensthorpe, Newman and Port Headland, for example, have seen growth of well over 250 per cent in the ten-year period. Much of the growth is attributed to demand for accommodation from the mining sector and supporting industry. Agricultural and coastal areas such as Northam, Carnarvon and Narrogin have also seen growth over 200 per cent, which is also the case for many coastal towns (e.g. Harvey, Busselton and Margaret River).

Table 6 described how house price growth in regional areas had outstripped the metropolitan area. Rising Perth prices forced many to seek affordable accommodation in more rural locations. Of 27 rural towns examined by Rowley and McKenzie (2009) eight had a median price above the metro area. Only two towns had a median price below \$250 000. Ten years earlier, the median price of every single town was below \$200 000.

The Bankwest Key Worker Housing Affordability Report (2009) recognises Western Australia as the most unaffordable state for regional housing. One-third of regional towns were classed as unaffordable—unaffordable being classified as a median price more than five times a worker's annual earnings. Regional WA had seven of the top ten least affordable housing markets in Australia (Bankwest 2009).

Many of the affordability problems, particularly in the mining towns, are the result of land supply failing to keep pace with housing demand. For example, building activity in the Western Australian regions rose sharply from around 3000 units in 2000/01 to a peak of around 8000 units in 2006 then declining around 50 per cent by 2008/09. This suggests that there are serious problems ahead for regional housing markets unless housing supply quickly responds to declining affordability.

3.5.2 Declining housing affordability in regional Queensland

The other big growth state, Queensland, has experienced persistent regional growth for half a century, and, although the rate of growth declined in the last year, the region together with Brisbane accounts for more than one-third of the state's housing and population growth. The Bankwest Key Worker Housing Affordability Report (2009) claims that the median house price in both Brisbane and nearly 80 per cent of LGAs in South East Queensland are unaffordable. The highest housing growth non-metropolitan LGAs are all coastal, including: Townsville City, Fraser Coast, Cairns Regional Council and Mackay (Department for Infrastructure and Planning 2009). Migration from New South Wales and Victoria has traditionally been the greatest source of population increase, although with the global downturn in 2008-09 this was significantly curtailed.

In addition to significant growth pressures on the coast, Queensland has considerable resource deposits, including coal, energy and metallic minerals, and is the location of extensive exploration and extraction activity. It is the world's largest exporter of seaborne coal, with mining concentrated in the central Bowen Basin and the south-western Surat Basin (Haslam McKenzie et al. 2008). As a consequence of the rapid expansion in mining in the Bowen Basin since 2001, rents have increased by 142 per cent, house prices almost quadrupled and house vacancy rates dropped dramatically (Haslam McKenzie et al. 2008), however the impacts have been felt unevenly.

The unevenness of Queensland regional housing affordability is borne out in the Bankwest Key Worker Housing Affordability Report (2009), which shows that eight of the 20 most affordable regional areas are in Queensland with Aramac and Paroo house prices to earnings ratio of 1.0 times and 1.2 times respectively being the most affordable. There are 17 LGAs where the house price to earnings for key workers is less than three times. However, the median house price in 12 per cent (12 of 101) of all non-metropolitan Queensland LGAs is considered unaffordable for key workers.

3.5.3 Declining housing affordability in regional South Australia

In South Australia, non-metropolitan (not including outer Adelaide) building approvals have consistently been about of 3 per cent for the entire state since 2003 (Housing Industry Prospects Forum 2009). Outer Adelaide, which incorporates the Barossa, Mount Lofty, Victor Harbor and the Fleurieu Peninsula, (including Kangaroo Island), are often denoted as sea and tree change locations and building activity has also been variable but has consistently represented about 15 per cent of the state's building approvals over the last decade.

While Adelaide is classified as unaffordable for key workers by the Bankwest Key Worker Housing Affordability Report (2009), there are more LGAs in regional South Australia than other mainland states that are considered affordable (98% or 46 out of 47 LGAs). Five years ago, however, there were no LGAs in South Australia that were classified as unaffordable.

3.5.4 Declining housing affordability in regional Victoria

Demand for housing in non-metropolitan Victoria has been very strong since 2001 with regional centres such as Ballarat, Geelong, Bendigo and Wellington showing

particularly strong growth (Real Estate Institute of Victoria 2007). In the ten years between 1999/00 to 2008/09, median house prices in regional Victoria grew by about 120 per cent (Office of the Victorian Valuer General 2009). Over this period, the upward trend in rural median house prices has generally followed that of Melbourne, although in 2007-08 the gap widened slightly in favour of the metropolitan area. This is in stark contrast to other jurisdictions, like, for example, Western Australia.

It has been reported that the sea and tree change phenomenon is having the same impact on non-metropolitan populations and house prices in Victoria as in other states (SGS Economics and Planning 2009). In the general area of the Great Ocean Road, the average residential lot price is now \$150 000, approximately twice that of 2001 prices.

As is the case for all other states, there are areas of regional Victoria where key workers struggle to find affordable housing (Bankwest 2009). The median house price in 4 per cent (2 of 48) of LGAs in regional and rural areas of Victoria is defined as unaffordable and this has not changed over the last five years. The Barwon region, Queenscliffe (where house price to earnings ratio is 8.2 times) and Surf Coast (where house price to earnings ratio is 6.9 times) are unaffordable, while the most affordable regional area in Victoria is Yarriambiack in the Wimmera region where the house price to earnings ratio is 1.8 times. There are 15 LGAs where the house price to earnings ratio for key workers is less than four (Bankwest 2009).

3.5.5 Declining housing affordability in regional New South Wales

Sydney has had the most expensive housing for more than a decade, but regional New South Wales' housing availability and affordability is mixed with prices ranging from just under \$100 000 to \$400 000. There is a much higher proportion of housing stress in Sydney than in the rest of New South Wales.

As is the case in other states, locations that are recognised sea or tree locations such as Port Macquarie, Port Stephens, Byron Bay and Kangaroo Valley have experienced accelerated house prices, but there are 22 LGAs in New South Wales where the house price to earnings ratio is less than three times (Bankwest 2009). However, the ten most affordable LGAs are all in remote areas. Affordability in regional New South Wales has significantly improved over the year 2008-09 (Bankwest 2009) mainly due to the large cuts in interest rates. In 2009, the median house price in 8 per cent (nine of 108) of LGAs was unaffordable for key workers, an improvement from 14 per cent (fifteen) in March 2008 and down from 17 per cent in March 2004. The most affordable regional area in New South Wales is Brewarrina in the north west of the state with a house price to earnings ratio of 0.9 times.

Not surprisingly, vacancy rates for rental dwellings are higher in most inland non-metropolitan locations. Shelter NSW (2009) reports that in 2006 there were 156 000 lower income households in New South Wales in housing stress living in private rental, 68 000 of whom were living in non-metropolitan locations. Of these, 23 000 were families with children.

Housing becomes increasingly unaffordable around large regional centres such as Newcastle, Albury, Gosford and Queanbeyan (near Canberra). House prices in Queanbeyan in particular have escalated in the decade although Shelter New South Wales (2009) reports that in some coastal areas in particular, there has been a decline in house prices, although in terms of affordability, places such as Gosford where there has been an 0.7 per cent decline and Port Stephens a 3.7 per cent decrease, housing and accommodation in these LGAs is still unaffordable for many people.

This section has shown that housing affordability in regional Australia has declined over the last decade, with all states affected by this trend. This outcome suggests that regional housing markets are not insulated from the broader national processes and that there remains a strong link between metropolitan and non-metropolitan housing markets.

3.6 Housing for Indigenous Persons in Regional Australia

The key feature of Australian housing careers has traditionally been the strong correlation between life stage and dwelling type (Beer, Faulkner and Gabriel 2006). In general terms, the non-Indigenous expectation has been one of a progression from rental to purchase associated with increasing household income over the life course. The *Yearbook Australia 2007* summarises the expected course of the average housing career as follows:

As people progress through different life cycle stages and their family structures and financial situations change, so do their housing needs and preferences. For young people leaving their parental home, a typical life experience with housing might begin with renting a small flat or unit for themselves or sharing a group house, then moving on to renting an apartment or house with their partner while saving for a deposit on their first home. Many couples will buy their first home and pay off a considerable part of their mortgage before having their first child. Then, as the number and age of children increase, many will upgrade to a larger house. After the children have left home, most home owners will probably remain in the same home at least until retirement, by which time most will own their home outright. After retirement, some will change location, and in doing so a few will choose a smaller home, possibly a unit in a retirement village. Later, some who are too old or frail to live in their own home will move into cared accommodation. (ABS 2007c: 233).

This is very much an idealised portrait of non-Indigenous housing careers and as such it conveys the generally accepted view of housing as a consumable commodity in terms of price, quality of the dwelling and quality of the location. In reality, however, non-Indigenous housing careers tend to vary more widely than this profile would suggest. For example, young people are living with their parents for longer, partnering later, and buying their first homes later. Some follow other paths entirely and may choose not to engage in home ownership at all (Beer, Faulkner & Gabriel 2006). This is to some extent explained by the rising cost of home ownership over the last decade and a half.

Non-Indigenous Western Australians tend to conform to the long established pattern of being consumers of housing with a range of choices. This range has undeniably been modified by the recently prevailing conditions of low affordability. However, choice is still demonstrably a part of the non-Indigenous pattern of housing consumption. This is in direct contrast to the Indigenous experience of housing.

The significantly different housing career of Indigenous Australians is evident in the data on tenure type for Indigenous and non-Indigenous households (Table 8). As of the 2006 Census, 34 per cent of Indigenous households are outright home owners or purchasing their homes, compared with 69 per cent of non-Indigenous Australians.

The contrast in tenure types between Indigenous and non-Indigenous Australians also extends into the rental tenures, where 60 per cent of Indigenous households rent their homes, compared with 27 per cent for non-Indigenous households. Some 48 per cent of all Indigenous households in rental housing rent their homes either from

state/territory housing authorities or community housing organisations. As opposed to 16 per cent of non-Indigenous renters, 31 per cent of Indigenous renters are in the private market compared with 52 per cent of non-Indigenous renters. Indigenous housing careers are therefore dominated by rental, not ownership, and are characterised by the experience of public rather than private rental.

Table 8: Tenure type by Indigenous status of household, Australia

	<i>Owners and purchasers (% of total group)</i>	<i>Total Renters (%)</i>	<i>Rental tenure type as percentage of total renters</i>	
			<i>State/community rental</i>	<i>Private rental</i>
Indigenous Households	56 990 (34)	100 408 (60)	48 283 (48)	31 244 (31)
Non-Indigenous Households	4 809 850 (69)	1 910 054 (27)	306 308 (16)	992 963 (52)

Source: ABS 2006 Census of Population and Housing, Tenure Type and Landlord Type by Dwelling Structure by Indigenous Status of Household Western Australia (state).

Table 9 shows the differences in home ownership rates among the states and the Northern Territory by Indigenous status. The Northern Territory has the lowest home ownership rates in Australia for both Indigenous and non-Indigenous people. In the case of non-Indigenous people, this may be due to the higher rate of employer supplied housing in the Northern Territory. In the case of Indigenous people, the reasons for the low rate of home ownership may be due to the greater number of remote communities on communally owned land. This title makes private home ownership somewhat complicated (Memmott et al. 2009). Tasmania has the highest rate of Indigenous home ownership nationwide, and the reasons for this would bear investigation. In New South Wales and Tasmania, the rate of Indigenous home ownership has dropped between the censuses. In all other states and the Northern Territory, the rate has risen by an average of nearly five per cent. The primary federal vehicle for Indigenous home ownership promotion is Indigenous Business Australia which provides home loans to Indigenous home purchasers. All states and territories have Indigenous home ownership programs as well. In Western Australia, Keystart, an assisted purchase scheme, is marketed to Indigenous people through the Aboriginal Housing Scheme.

An emphasis on Indigenous home ownership has been a part of Indigenous policy for many years, and has remained a part of the Indigenous policy platforms of both the present and the previous Federal governments (Macklin 2008; Local Government Association of the Northern Territory 2006; Oxfam Australia 2007). The reason that governments seek to foster Indigenous home ownership is partly because home ownership is regarded as an indication of personal wealth.¹⁵ Greater rates of Indigenous home ownership are therefore taken as an indicator of increased standards of living among Indigenous people. As well, home ownership is viewed as indicating Indigenous participation in the national economy. While this view is often vague in terms of its specifics, the general view of successive governments clearly assumes that the connection exists. One of the generally agreed effects of home ownership, however, is that it results in the inter-generational transfer of wealth. In the absence of greater representation of home ownership among Indigenous Australians, this is certainly one means of economic improvement from which most Indigenous people are cut off (Peterson and Taylor 2005). This is undoubtedly due to the

¹⁵ The Australian Census does not collect statistics on accumulated savings and other resources and so home ownership has become a 'proxy' indicator in this regard (Altman and Hunter 2003).

enduring poverty that most Indigenous people have experienced intergenerationally, but it is worsened by a crisis of housing affordability.

Table 9: Home ownership rates by Indigenous status of household, selected jurisdictions, Australia

	2001		2006	
	Indigenous (%)	Non-Indigenous (%)	Indigenous (%)	Non-Indigenous (%)
New South Wales	38.9	69.0	36.0	67.5
Northern Territory	13.7	53.0	18.0	55.0
Queensland	28.0	67.0	31.0	72.0
South Australia	29.0	72.0	34.0	70.0
Tasmania	56.7	73.0	53.0	72.0
Western Australia	26.5	72.0	30.0	70.0

Source: ABS 2006 and 2001 Census of Population and Housing

According to the Australian Local Government Association (ALGA), Australia has been experiencing a national *land boom* (Australian Local Government Association 2007). In its *State of the Regions Report: 2006–07*, the ALGA pointed out that over the nine years from 1996 to 2005, the value of land in Australia tripled, and the increase was led by residential land values. The report points out two things of significance: first, that this was not due to an increase in the land available; and second, that capital gains were made on land, not buildings. Correspondingly, housing affordability in 2006 reached its lowest point since 1990 (Real Estate Institute of Australia 2006) and changed little over the succeeding years (Real Estate Institute of Australia 2008a; 2008b; 2009). Despite the worsening situation of low affordability until the onset of the global financial crisis in late 2008, it was still the case that non-Indigenous housing careers in Western Australia were dominated by ownership rather than rental (see Table 6). As of the last census, 70 per cent of non-Indigenous Western Australian households either owned their own homes outright or were owners with a mortgage; 26 per cent are renters and of this proportion, 42 per cent rent privately. Only 15 per cent of non-Indigenous Western Australians are public housing renters.

The biggest decline in affordability nationwide occurred in Western Australia in 2006. This decline was due to the interaction between family income and the increase in housing prices. The generally accepted means of reckoning housing affordability is that rent or mortgage repayments should not exceed 30 per cent of income on an annual basis. In 2006, an average of 32.1 per cent of the average Western Australian family income was required to service home loan repayments (REIA 2006). In 2007 the Real Estate Institute of Western Australia (REIWA) reported a rental vacancy rate of 1 per cent in Perth (Real Estate Institute of WA 2007), which was described in the national media as a crisis in rental vacancy rates (ABS 2007c). The outcome of this situation is described by Burke (2007: 1):

Australia's affluence disguises hardship and struggle for many households to the degree that it is of little surprise that there is a growing disparity between Australian subjective wellbeing and actual economic growth as measured by Gross National Product—it is clear that the benefits of this growth are not being shared fairly or are being eroded by housing market processes.

The impact of increasing real estate values in the regions becomes evident in patterns of Indigenous homelessness. Homelessness in general is differentiated according to

the individual's decreasing access to stable residence in conventional housing with access to private cooking, toilet and washing facilities (Chamberlain & MacKenzie 2003). Primary homelessness means that the individual has no access to such housing, secondary homelessness means that the individual has found shelter in the homes of friends or relations, and tertiary homelessness means that the individual is living in a caravan park, boarding house, hostel or similar facility.

Among Indigenous people, secondary homelessness is a common solution to the shortage of affordable housing and widespread household overcrowding is the result, as is shown in Table 10. It is part of the wider Australian society's stereotype of Indigenous society that Indigenous people like to live in overcrowded conditions. While it is probably true that Indigenous people have a broader range of acceptable housing occupancy levels, it not true that they enjoy household overcrowding. A major driving force behind household overcrowding in Indigenous society is secondary homelessness brought about through the ongoing shortage of affordable housing. People may have no choice but to seek housing among their extended kin group either because there is no other option or because the waiting lists for public housing are excessively long, particularly outside the metropolitan area. In Broome for example, the longest reported wait for public housing is eight years, and in Carnarvon, five years (Birdsall-Jones et al. 2010).

Table 10: Overcrowding by remoteness, Indigenous persons aged 18 years and over, 2004-05, Australia

<i>Major cities (%)</i>	<i>Inner regional (%)</i>	<i>Outer regional (%)</i>	<i>Remote or Very remote (%)</i>	<i>Australia (%)</i>
11.3	8.9	16.1	29.2	16.9

Source: AIHW 2009, p.23

Private rental housing appears to be more difficult to obtain than public housing and price is not always the problem. A number of Indigenous men have found work in the mining industry and other industries requiring licensed operators for earth moving equipment and the money earned is very good. Obviously men earning such wages are not eligible for public housing; however, they and their families have found it impossible to obtain private rental housing. According to participants in a recent study of Indigenous homelessness (Birdsall-Jones et al. 2010), employed Indigenous men and their partners have been unable to achieve approval for tenancy from real estate agents in Broome and Carnarvon. In Broome, it was not clear whether this was on account of a lack of availability of properties to let or racial prejudice in real estate agents' letting practices. In Carnarvon, the problem is clearer. Nearly all of the private rental properties are handled by agencies who supply housing exclusively to mining industry or to the tourist industry. There are very few properties available to the general public. In any case, despite their possession of a relatively high income, these employed Indigenous men are unable to acquire private rental housing for their families. Their only alternative to secondary homelessness is to obtain public housing through applications made by their partners who must apply as single mothers.

4 METHODOLOGY

4.1 Introduction

This chapter discusses the methodologies to be employed to answer the key research question: How do the drivers of supply and demand for housing in regional and rural centres affect the supply of affordable housing?

The methods used in this project seek to capture both the broad-scale, system-wide trends evident across regional Australia and the particular circumstances evident in a selected group of centres. Overall, the objective of the research is to document the impact of national and locally generated influences on the supply of, and demand for, housing in regional markets. This calls for the collection of both primary and secondary data, and a review of relevant publications—as reflected in this positioning paper.

4.2 Research methods

The project will use a range of data collection and analytical techniques to answer the four key questions, namely:

1. What is the nature and extent of housing affordability problems in rural and regional centres across Australia and how do they vary by geographic setting (remote, coastal, etc), local economy and population size? And, what is it that makes particular drivers of affordable housing supply and demand significant in particular geographic and economic settings?
2. What are the significant housing market drivers in rural and regional centres throughout Australia and how, why and in what ways do they vary by state, region and local economy?
3. How and why have these housing market drivers affected the supply of affordable housing in both the rental and home purchase sectors?
4. What is the likely impact of the measures being used by local, state and Australian governments to boost the supply of affordable housing in these centres, and how can these initiatives be strengthened?

The methods to be employed throughout this project include:

- A short review of the published and grey literature on the drivers of housing markets in rural and regional centres in Australia, as presented in this Positioning Paper.
- An analysis of Census data on the incidence of housing stress at the SLA level for non metropolitan Australia.
- The use of recent rental bond data for SA, NSW and Queensland to analyse the supply of affordable rental properties within regional centres. These are the states for which these data are available to researchers and were used previously by Beer and others working on the supply of rental housing.
- An analysis of Real Estate Institute data for 2009 (or an equivalent recent data source) on house prices for each SLA in each jurisdiction.
- The completion of face-to-face interviews with key stakeholders in approximately 15 case studies spread across all states and territories. These case studies will be spread across the five housing market types identified by Wulff et al. (2007) and include interviews with social housing providers, local government officials, real estate agents, the non-government sector, builders and Indigenous groups.

The selection of the case studies has considered the incidence of housing stress in each regional housing market, with housing stress defined as households in the lowest 40 per cent of the income distribution paying 30 per cent or more of their gross income on rent or mortgage payments.

The use of a case study methodology is an important part of this research project because case studies have the capacity to provide insights into the drivers of regional housing markets and the diversity of experience across Australia. This research methodology also allow us to *drill down* in order to fully understand both the processes operating in selected regional housing markets and phenomena revealed through the literature review and analysis of data sets. The selected case studies for the project will also include areas with static or declining housing markets and some investigation will be undertaken in terms of what can be done in these areas to improve the housing market if encouraging private investment has proven problematic.

The interviews with key stakeholders in each case study location will pay attention to a range of factors as described above, as well as issues such as supply constraints, drivers of demand, as well as some investigation of issues around housing diversity, the flow and availability of finance, the impact of the decisions of finance providers and how long it is before the drivers of regional housing markets respond. Discussions with stakeholders will also pay attention to the impact of drought and climate change issues more broadly and the impact of such environmental conditions and processes on regional housing markets, and particularly declining housing markets. Additionally, the research will investigate barriers to more rapid response in markets where housing demand is evident but supply is not keeping place, and overall will investigate the need for and comment on whether governments need to introduce policy levers to address any of these specific issues or to improve supply responses in regional and rural areas.

Importantly, the housing of Indigenous Australians in rural and regional centres will be a specific focus to the project. At least one centre in the Northern Territory will be included among the case studies and it is expected that at least two other centres will have a substantial Indigenous population. The focus on outcomes for Indigenous Australians is important given the over-representation of Indigenous people in regional Australia and the concentration of housing need in the Indigenous population. Investigating the capacity of mainstream housing to accommodate Indigenous Australians is also a key part of the AHURI research agenda and ensuring the mainstream housing options have the capacity to meet need and demand from the Indigenous population is a priority of governments.

4.3 Case studies

Specifically, three case studies are sought for each of the regional housing market types identified by Wulff et al (2007) and discussed in Section 3.3.2 above. Table 11 (from Wulff et al's analysis), classifies each SLA in Australia into their five-fold classification of housing markets.

Table 11: Classification of Statistical Local Areas in Australia by Wulff et al's five fold housing market classification system

<i>Non-metropolitan population centres with expanding housing markets</i>			
New South Wales	Queensland	South Australia	Western Australia
Wollongong	Cairns	Barossa – Barossa	Mandurah
Newcastle	Townsville	Barossa – Tanunda	Murray
Queanbeyan	Sunshine Coast	Light	Capel
Great Lakes	Gold Coast	Mallala	Dardanup
Shoalhaven	Beaudesert – Pt B	Adelaide Hills Bal	Harvey

Wingecarribee Ballina Byron Richmond Valley Balance Tweed - Pt B Coffs Harbour Hastings Maclean Yarrowluml Mulwaree Eurobodalla Hume Murray	Caboolture – Pt B Caloundra – Hinterland Caloundra – Rail Corridor Esk Ipswich – South-West Ipswich – West Laidley Maroochy Bal Noosa Bal Burnett Hervey Bay Cooloola (excl. Gympie) Isis Kolan Miriam Vale Nanango Tiaro Woocoo Cambooya Crow's Nest Jondaryan Rosalie Fitzroy Calliope Livingstone Mackay - Pt A Sarina Thuringowa - Pt B Townsville - Pt B Cardwell	Mount – Central Mount Barker Bal Alexandrina – Coastal Alexandrina – Strathalbyn Victor Harbor Yankalilla Copper Coast Robe Tasmania Meander Valley Latrobe	Donnybrook-Balingup Waroona Augusta-Margaret River Busselton Nannup Albany Balance Denmark Chittering Dandaragan Gingin Northam Toodyay York Greenough Irwin Northampton
Victoria Greater Geelong Moorabool – Bacchus Marsh Moorabool – Ballan Gr. Bendigo – Central Macedon Ranges – Romsey Macedon Ranges Bal Delatite – South Mitchell – South Murrindindi – West Alpine – East Bass Coast – Phillip Is. Bass Coast Bal Greater Geelong – Pt B Surf Coast – East Surf Coast – West Golden Plains – Sth- East			

Non-metropolitan population centres with low growth housing markets

New South Wales Muswellbrook Scone Singleton Lismore Richmond Valle - Casino Bellingen Grafton Nambucca Greater Taree Kempsey Tamworth Gunnedah Inverell Armidale Dumaresq - City Glen Innes Moree Plains Narrabri	Queensland Gatton Bundaberg Cooloola - Gympie only Gayndah Kingaroy Maryborough Mundubbera Murgon Toowoomba Dalby Goondiwindi Stanthorpe Warwick – Central Balonne Murweh Roma Rockhampton Gladstone Banana	South Australia Barossa – Angaston Clare and Gilbert Valleys Berri & Barmera – Barmera Berri & Barmera –Berri Loxton Waikerie –East Loxton Waikerie –West Renmark Paringa – Paringa Renmark Paringa – Renmark Murray Bridge Naracoorte and Lucindale Tatiara Mount Gambier Wattle Range – East Wattle Range – West Port Lincoln	Victoria Colac-Otway – Colac Warrnambool Glenelg – Portland South Grampians – Hamilton Ballarat – Central Horsham – Central N. Grampians – Stawell Mildura Swan Hill – Central Central Goldfields – Maryborough Mount Alexander – Castlemaine Gr. Shepparton Campaspe – Echuca Campaspe – Kyabram Moir – East Moir – West
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Dubbo Mudgee Narromine Cobar Bathurst Blayney Orange Greater Lithgow Oberon Cowra Forbes Parkes Goulburn Yass Young Bega Valley Cooma-Monaro Wagga Wagga Cootamundra Tumut Griffith Hay Leeton Murrumbidgee Albury Corowa Berrigan Deniliquin Broken Hill	Longreach Bowen Burdekin Charters Towers Hinchinbrook excl. Palm Is. Atherton Cairns - Pt B Johnstone Mareeba	Ceduna Port Pirie – City Flinders Ranges Western Australia Bunbury Collie Manjimup Katanning Albany – Central Narrogin Moora Northam Merredin Geraldton	Delatite – Benalla Mitchell – North Wodonga Indigo – Pt B Wangaratta – Central E. Gippsland – Bairnsdale Wellington – Sale Latrobe – Moe Latrobe – Morwell Latrobe - Traralgon Baw Baw – Pt B West Tasmania George Town Launceston Northern Midlands West Tamar Burnie Central Coast Devonport Waratah/Wynyard
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Rural/remote regions with expanding housing markets

New South Wales Parry Snowy River South Australia Whyalla Port Augusta Roxby Downs	Northern Territory Coomalie South Alligator East Arnhem - Bal Katherine Tennant Creek Alice Springs Petermann Sandover - Bal	Queensland Duaringa Emerald Belyando Whitsunday Aurukun Cook (excl. Weipa) Douglas Torres Carpentaria Mount Isa	Western Australia Kalgoorlie/Boulder Coolgardie Ngaanyatjarraku Esperance Carnarvon Exmouth Shark Bay Wiluna Mullewa East Pilbara Port Hedland Ashburton Roebourne Halls Creek Wyndham-East Kimberley Broome Derby-West Kimberley
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Small non-metropolitan settlements with low growth housing markets

New South Wales Dungog Gloucester Merriwa Murrurundi	Victoria Queenscliffe Golden Plains – North-West Greater Geelong – Pt C	Queensland Boonah Kilcoy Biggenden Kilkivan	Western Australia Boddington Boyup Brook Bridgetown-Greenbushes
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Kyogle	Corangamite – North	Monto	Gnowangerup
Copmanhurst	Corangamite – South	Wondai	Jerramungup
Pristine Waters - Nymboida	Moyne – North-East	Chinchilla	Kojonup
Pristine Waters - Ulmarra	Moyne – North-West	Clifton	Cranbrook
Barraba	Moyne – South	Inglewood	Plantagenet
Bingara	Glenelg – Heywood	Murilla	Pingelly
Manilla	Glenelg – North	Pittsworth	Wagin
Nundle	S. Grampians – Wannon	Taroom	Corrigin
Quirindi	S. Grampians Bal	Waggamba	Beverley
Yallaroi	Hepburn – East	Wambo	Cunderdin
Guyra	Hepburn – West	Bungil	Dalwallinu
Severn	Moorabool – West	Warroo	Quairading
Tenterfield	Ararat	Jericho	Wongan-Ballidu
Uralla	Pyrenees – North	Mount Morgan	Bruce Rock
Walcha	Pyrenees – South	Mirani	Kellerberrin
Coolah	N. Grampians – St Arnaud	Dalrymple	Ravensthorpe
Coonabarabran	West Wimmera	Eacham	Coorow
Gilgandra	Hindmarsh	South Australia	Tasmania
Wellington	Yarriambiack – North	Kangaroo Island	Central Highlands
Bogan	Yarriambiack– South	Adelaide Hills - North	Derwent Valley - Pt B
Coonamble	Buloke – North	Barunga West	Glamorgan/Spring Bay
Warren	Buloke – South	Yorke Peninsula – North	Huon Valley
Cabonne	Gannawarra	Yorke Peninsula - South	Kingborough - Pt B
Evans - Pt A	C. Goldfields Bal	Goyder	Southern Midlands
Evans - Pt B	Loddon – North	Wakefield	Tasman
Rylstone	Loddon – South	Mid Murray	Break O'Day
Bland	Mount Alexander Bal	Karoonda East Murray	Dorset
Lachlan	Macedon Ranges – Kyneton	Southern Mallee	Circular Head
Weddin	Campaspe – Rochester	The Coorong	Kentish
Boorowa	Campaspe – South	Lacepede	
Crookwell	Delatite – North	Grant	
Gunning	Strathbogie	Cleve	
Harden	Murrindindi – East	Elliston	
Tallaganda	Indigo – Pt A	Franklin Harbor	
Bombala	Towong – Pt A	Kimba	
Coolamon	Alpine – West	Le Hunte	
Gundagai	Towong – Pt B	Lower Eyre Peninsula	
Holbrook	E. Gippsland – Orbost	Tumby Bay	
Tumbarumba	E. Gippsland – South-West	Streaky Bay	
Urana	E. Gippsland Bal	Northern Areas	
Conargo	Wellington – Alberton	Peterborough	
Jerilderie	Wellington – Avon	Port Pirie Central,	
Wakool	Wellington – Maffra	Districts Balance	
Balranald	Wellington – Rosedale	Mount Remarkable	
Wentworth	Baw Baw – Pt A		
June	Latrobe Bal		
Lockhart	Baw Baw – Pt B East		
Narrandera	South Gippsland – Central		
Temora	South Gippsland –East		
Carrathool	South Gippsland –West		
Culcairn			

Remote regions with low growth housing markets

New South Wales	Queensland	South Australia	Western Australia
Walgett	Millmerran	Unincorporated Flinders Ranges	Lake Grace
Bourke	Tara	Cooper Pedy	Yilgarn
Brewarrina	Booringa	Unincorporated Far North	Laverton
Central Darling	Paroo		Leonora
Unincorp. Far West	Quilpie		Dundas
	Bauhinia		Meekatharra
Northern Territory	Peak Downs	Tasmania	Mount Magnet
Bathurst-Melville	Barcaldine	West Coast	
Jabiru	Blackall		
West Arnhem	Winton		
Daly	Broadsound		
Groote Eylandt	Nebo		
Nhulunbuy	Hinchinbrook - Palm Island		
Elsey - Bal	Cook – Weipa only		
Gulf	Etheridge		
Victoria	Herberton		
Tableland	Burke		
Tennant Creek – Bal	Cloncurry		
Tanami	Flinders		
	McKinlay		
	Richmond		

Source: from Wulff et al. 2007: pp.72, 74-75 & 77-78

The selection of the case studies that are central to the second stage of this research has taken into account the regional footprint of the specific housing policy measures discussed in Chapter 2. Locations that have already benefited from such initiatives or secured funding for such initiatives are being examined with Lismore, for example, a focus of NSW Government policy attention while Townsville has benefited from both NRAS and Queensland Government assistance. In addition, the selection of case studies includes those who have not been included in the current range of housing policy initiatives. These investigations will allow us to understand the impacts of, and barriers to the effective implementation of, these types of policy levers.

The case studies cover a number of Australian states in order to be nationally relevant. We propose to investigate the following housing markets:

→ *Non-metropolitan population centres with expanding housing markets*

- Townsville (Qld) with 9.7 per cent of households in housing stress
- Barossa – Tanunda (SA) with 14.9 per cent of households in housing stress
- Denmark (WA) with 24.5 per cent of households in housing stress.

→ *Non-metropolitan population centres with low growth housing markets*

- Lismore (NSW) with 23.4 per cent of households in housing stress
- Port Lincoln (SA) with 18 per cent of households in housing stress
- Colac-Otway – Colac (Vic.) with 17.5 per cent of households in housing stress.

→ *Rural/remote regions with expanding housing markets*

- Snowy River (NSW) with 12.3 per cent of households in housing stress
- Roxby Downs (SA) with 2.2 per cent of households in housing stress

- Alice Springs (NT) with 12 per cent of households in housing stress.
- *Small non-metropolitan settlements with low growth housing markets*
 - Glenelg-Heywood (Vic.) with 10.1 per cent of households in housing stress
 - Boddington (WA) with 10.6 per cent of households in housing stress
 - Chinchilla (Qld) with 12.9 per cent of households in housing stress.
- *Remote regions with low growth housing markets*
 - Nhulunbuy (NT) with 1.0 per cent of households in housing stress
 - Meekathara (WA) with 5.7 per cent of households in housing stress
 - West Coast (Tasmania) with per cent of households in housing stress.

The housing markets indicated above will provide a robust analysis of the major trends in regional housing markets across Australia and they clearly capture a range of housing processes and levels of housing stress. The population centres included in the analysis will capture the diversity across locations and housing market types and contribute greatly to the findings of this research project.

5 CONCLUSION

This Positioning Paper has reviewed both the literature on regional housing markets and the current and emerging policy environment. It has shown that there have been significant developments in housing policy over the previous two years, with a number of major policy initiatives and substantial public sector investment in housing. The Positioning Paper has suggested that not all new programs and policies are equally accessible to metropolitan and non-metropolitan Australia alike. Experience has shown that there are a number of impediments—such as program size—to successful integration with programs for non metropolitan regions.

The paper has reviewed the literature on regional housing markets and demonstrated that regional housing markets are different to those of metropolitan Australia. In large measure, the smaller regional housing markets appear to function less efficiently than metropolitan markets, resulting in reduced investment by the private sector, a greater level of risk and fewer market choices. Regional housing markets, however, have followed the national trend towards declining affordability and recent changes in the housing market may worsen this trend over the next decade.

This research that this paper provides the context for is important in terms of policy development because it will provide a current evidence base on the drivers of housing markets in rural and regional Australia and the impact of current policies and initiatives.

As this Positioning Paper has documented, there has been significant policy interest and innovation with respect to initiatives to address the current ongoing affordability crisis in Australia, and to address known housing supply constraints. The Australian and state and territory governments have committed to a broad reform agenda in terms of housing. However, we know little about the impacts of the current raft of initiatives and reforms on the housing market, and particularly in rural and regional areas. Investigating the impacts of, and barriers to, all of the initiatives discussed in this chapter for regional housing markets is the focus of the second stage of this research.

This Positioning Paper has shown that the key drivers of rural and regional housing markets include:

- increasing differentiation within rural and regional housing markets with the emergence of discrete housing market segments with very different trajectories
- there are both high and low growth housing markets outside of Australia's capitals
- on-going house price and rent increases across the nation's housing markets that have contributed to concerns with housing affordability in many rural and regional areas
- the impact of *seachange* and *treechange* processes that have boosted demand for housing in attractive locations
- the ageing of some parts of the non metropolitan population
- housing policies at the national, state and local levels that have had an impact on housing markets, although more information is needed on the nature and direction of those impacts
- the impact of fly in fly out mining and other forms of economic activity
- apparent gaps in the supply of necessary residential infrastructure in some regions, either because of low growth or very high rates of growth

- challenges of housing supply in many rural and regional housing markets with potential shortages of material, labour and, in some localities, land zoned for residential development
- continuing differentiation between Indigenous and non Indigenous Australians in rural and regional Australia in the structure and nature of their housing outcomes.

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APPENDICES

Appendix 1: NRAS tenant eligibility criteria

To be eligible to be the tenant of an NRAS dwelling, a tenant's income must equal or be less than the initial income limits specified in the National Rental Affordability Scheme Regulations 2008 (see Table A1), with revisions made annually (May 1) in accordance with the NRAS tenant income index. These annual revisions to the income limits take into account the effect of wages growth etc.

Table A 1: NRAS tenant income eligibility levels

<i>Household type</i>	<i>Initial income limit (\$)</i>	<i>Upper income limit (\$)</i>
One adult	41 514	51 893
2 adults	57 391	71 739
3 adults	73 269	91 587
4 adults	89 146	111 433
Sole parent with 1 child	57 432	71 790
Sole parent with 2 children	71 200	89,000
Sole parent with 3 children	84 968	106 210
Couple with 1 child	71 159	88 949
Couple with 2 children	84 927	106 159
Couple with 3 children	98 695	123 369

Source: National Rental Affordability Scheme Regulations 2008; FaHCSIA 2009h.

Household types not covered above are subject to the following income limits (Table A2).

Table A 2: NRAS tenant income eligibility levels

<i>Person type</i>	<i>Initial income limit (\$)</i>
First adult	41 514
Each additional adult	15 877
Each child	13 768
First sole parent	43 664

Source: National Rental Affordability Scheme Regulations 2008; FaHCSIA 2009h.

Household income can increase by up to 25 per cent (the upper income limit) before a household's eligibility for an NRAS dwelling is affected.

Appendix 2: Organisations receiving NRAS incentive offers

Table A 3: Organisations receiving NRAS incentive offers for round two

<i>State</i>	<i>Name of Applicant</i>	<i>Total</i>
ACT	Community Housing Canberra,	89
	The Uniting Church in Australia Property Trust	12
	Total	101
NSW	Affordable Community Housing Ltd	163
	Baptist Community Services - NSW & ACT	59
	BlueCHP Ltd	12
	Churches Community Housing Limited	56
	Community Housing Ltd	110
	Compass Housing Services Co Ltd Fourth Sector Enterprises Pty Ltd as Trustee for Tasmanian Community	160
	Housing Property Trust (TCHPT)	30
	Hume Community Housing Association Company Ltd	112
	Major Investment Group II Pty Ltd	20
	Mission Australia	126
	Payce Consolidated Ltd	350
	Queensland Affordable Housing Consortium Ltd	10
	The Uniting Church in Australia Property Trust	155
	Total	1,363
Qld	Affordable Management Corporation Pty Ltd atf Affordable Housing Management Fund	111
	Alloa Properties Pty Ltd atf the DG and CM Allan Family Trust	20
	Ausbild Developments ty Ltd Aztec Developments (Qld) Pty Ltd atf Aztec 19 Joyce Trust and Network	95
	Homes Real Estate Pty Ltd atf Konan Hammer Trust	21
	Brisbane Housing Company Ltd	155
	Gladstone Central Committee on the Ageing	21
	Gold Coast Housing Company Ltd ING Garden Villages Pty Limited CAN 129 703 911 129 703 911 as trustee for the Garden	154
	Villages Management Trust Oak Tree Retirement Villages Pty Ltd and Oak Tree Retirement Village Park	20
	Avenue Pty Ltd	75
	Queensland Affordable Housing Consortium Ltd	904
	Spike (Qld) Pty Ltd	44
	Sundale Garden Village, Nambour	29
	Total	1,649
SA	Adelaide Benevolent and Strangers Friend	20
	Affordable Housing Consulting Pty Ltd	38
	Aged Care and Housing Group Incorporated	22
	Bedford Industries Incorporated	21
	Common Ground Adelaide Ltd	52
	James Brown Memorial Trust	44
	Julia Farr Housing Association Inc	26

	Lutheran Community Housing Support Unit Inc	40
	Portway Housing Association Incorporated	22
	Service to Youth Council Inc	24
	Southern Junction Community Services Inc	83
	The Corporation of the City of Adelaide	27
	Unity Housing Company Limited	103
	Wheelchair Accessible Community Housing Association Incorporated	20
	Total	542
Tas	A D Bayne & R E Fergusson & F J Grant (in partnership) Fourth Sector Enterprises Pty Ltd as Trustee for Tasmanian Community Housing Property Trust (TCHPT)	120
	Mission Australia	21
	Ninety Four Feet Pty Ltd	28
	Southern Bay Investments	42
	St Ann's Homes Inc	46
	Total	80
		337
Vic	Common Equity Housing Ltd	354
	Ethan Affordable Housing Ltd	148
	Hamton JV (Coburg) Pty Ltd	255
	Holmeslen Institute of Tafe	100
	Mission Australia	285
	Monash University Oak Tree Retirement Villages Pty Ltd and Oak Tree Retirement Village Park	750
	Avenue Pty Ltd	25
	Supported Housing Limited	461
	The Uniting Church in Australia Property Trust	27
	Total	2,405
WA	Accelerated Wealth Systems Pty Ltd ATF The Affordable Housing Systems Group Unit Trust	105
	Florin Pty Ltd Foundation Housing as the WA Leading Agency for the Urban Affordable Housing Association	39
	Total	200
		344
	Total Round Two	6,741

Plibersek 2009e.

Note: atf = as trustee for.

Table A 4: Organisations receiving NRAS incentive offers for round two

	<i>ACT</i>	<i>NSW</i>	<i>QLD</i>	<i>SA</i>	<i>TAS</i>	<i>VIC</i>	<i>WA</i>	<i>TOTAL</i>
Incentives being offered now	56	507	448	422	587	379	401	2800
Possible offers in coming weeks	0	567	278	0	0	317	0	1162
Total	56	1074	726	422	587	696	401	3962

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