

Housing affordability and shortages in resource boom towns

RESOURCE BOOM TOWNS HAVE EXPERIENCED RECURRING HOUSING SHORTAGES AND AFFORDABILITY CRISES. GOVERNMENT AND INDUSTRY NEED TO ADDRESS HOUSING SHORTAGES TO ENSURE APPROPRIATE SOCIAL AND ECONOMIC OUTCOMES IN THESE LOCATIONS.

KEY POINTS

- Considerable challenges are faced in managing the housing implications of mining activity including: the diversity in scale and nature of the industry and its impacts; the cyclical and often unpredictable nature of the resources industry; the propensity for mining to be located in regional and remote areas; changing technology and labour market practices; and differences in policy and institutional arrangements across Australian jurisdictions.
- The lack of available and/or affordable housing has a direct impact on the ability of public and private sectors in resource boom towns to attract and retain staff, especially in the service sector.
- The sustainability and liveability of resource boom towns could be greatly enhanced if the design and planning of towns was undertaken with an eye to permanence and a diversification of the economic base underpinning the local economy.
- Successful housing strategies in mining communities require coordinated action by all spheres of government as well as the mining and residential property industries.
- Responsive governance structures are critical to planning effectively for an adequate supply and mix of housing in mining communities and, in particular, to address the issue of affordability.

This bulletin is based on research by Professor Fiona Haslam McKenzie, Rhonda Phillips, Dr Steven Rowley, Professor David Brereton and Dr Christina Birdsall-Jones of the AHURI Western Australia and AHURI Queensland Research Centres. The research, which examined housing outcomes in Emerald and Moranbah in Queensland and Kalgoorlie and Karratha in Western Australia, confirms housing as a significant concern for mining communities with an integral role in the labour market and economic and social sustainability of resource towns.

CONTEXT

Low levels of housing affordability have been apparent across the nation, but the problem has been especially acute in particular regions and localities with the advent of the recent mining boom. Housing markets in mining boom towns are influenced on all fronts; on the one hand by the increased demand for housing caused by economic development and, on the other, the housing policies and actions of mining companies, governments and the housing industry to address supply. The housing situation is particularly difficult for local Indigenous people who are dependent on inadequate social housing which is often culturally inappropriate and not easily accessible in the resource activity centres. This project sought to investigate the extent of the housing affordability problems in these locations, their social and economic consequences, and the policy responses already in place to address them.

RESEARCH METHOD

This study is an empirical research project using a mixed method approach, comprising two stages. The initial stage involved an Australian and international literature review, a policy document review, examination of relevant media reports and analysis of secondary statistical data reports. The second stage involved investigating four mining towns – Karratha and Kalgoorlie-Boulder (in Western Australia) and Moranbah and Emerald (in Queensland). The study chose towns that varied

in terms of their location, housing conditions and mining labour practices in an effort to identify factors that might have impacted on their housing outcomes. The study considered the impact of housing shortages particularly on low income and Indigenous groups, the identification of key factors facilitating or limiting housing supply, and the effectiveness of strategies employed to address housing supply and affordability.

KEY FINDINGS

Housing in case study mining communities

The study confirms housing as a significant concern for mining communities, especially in the context of rapid expansion in mining activity as evidenced in recent ‘boom’ years. Common housing concerns included the under-supply, high cost and variable standard of housing as well as the mismatch between local needs and housing types and inequities in the social distribution of housing benefits.

However, the case studies demonstrate that there is considerable differentiation between mining towns in the specific dynamics of housing markets (see Table 1). Key differences include median house prices, the percentage of temporary residents and the percentage of workforce employed in mining. Both Emerald and Kalgoorlie have well-established housing markets, whereas Karratha and Moranbah (which are both in more remote areas) have

TABLE 1: CASE STUDY KEY CHARACTERISTICS

Characteristic	Karratha (WA)	Kalgoorlie (WA)	Moranbah (QLD)	Emerald (QLD)
Type of town	Remote regional service centre - medium	Regional service centre - large	Rural sub-regional town - small	Regional service centre - medium
Population	10,730	28,242	7,133	10,999
Temporary residents	2,523 (19%)	782 (3%)	1,127 (14%)	468 (4%)
Approx. distance from capital city	1500km	600km	1100km	830km
% workforce employed in mining	33%	38%	47%	18%
Median house prices: 3-bedroom	\$700,000	\$280,000	\$350,000	\$350,000
Weekly rents: 3-bedroom	\$1500	\$350	\$600	\$360
% rental properties in town	52%	31%	49%	40%

Sources: ABS Census data, 2006 Basic Community Profiles and Quickstats; Real Estate Institute WA; RPDData; Qld Department of Housing; interviews.

more volatile markets and greater constraints on residential land release.

Housing market conditions

During boom times for the mining industry, house prices rise as demand outstrips supply and this stimulates investment in additional supply. The ability of local housing markets in mining towns to respond effectively is impacted by:

- The significantly higher level of rental properties compared to home-ownership, consistent with the more transient and temporary nature of the population.
- High housing costs (particularly in more remote locations) due to factors such as labour and material shortages, transport costs and lack of accommodation for construction workers.
- Difficulties in aligning housing supply with the timing of production demands.
- Reluctance of financiers to lend on homes in mining towns.
- Heavy reliance on non-private and temporary accommodation such as workcamps, single persons quarters, caravans and motels/hotels.

The housing stresses faced in mining towns, particularly during boom times, impact not only on mine workers, but also on other temporary workers brought in to provide services to the mining community and importantly to the local population.

Mining industry characteristics

Patterns of boom and bust in the resources industry are irregular and difficult to predict. This study provides evidence that both the speed and scale of the boom since 2001 and the recent slowdown resulting from the global economic crisis were not anticipated by mining companies, governments or housing and land developers. However, mining companies have demonstrated a willingness to respond pragmatically to housing supply pressures when they arose. An increasing reliance on 'fly-in, fly-out' and 'drive-in, drive out' employment practices is a direct response to the lack of housing in mining communities, but has also placed additional pressures on housing supply and affordability in base locations such as Perth and Mackay.

Social and economic impacts

During a mining boom period, the economic impact of severe shortages and high costs of housing is most obvious in the difficulties faced by mining companies, government services and non-mining service industries in recruiting and retaining staff. The most noticeable social impacts are the difficulties faced by low- and moderate-income households in accessing affordable housing, inevitably leading to overcrowding, homelessness or forced relocation to more affordable markets. All case studies showed evidence of women and young adult children forced to leave town due to housing shortages and high rents, particularly in Karratha and Moranbah. Indigenous communities were effectively squeezed out of Karratha due to the high cost of private housing and the high demand for public housing. Once forced out of these booming towns, limited access to public transport and jobs means that the cycle of poverty continues for many low-income households, despite the affluence created by mining activity.

Policy and governance

The housing stresses in all case studies point to a lack of robust policy frameworks or governance arrangements capable of managing the housing implications of the resources boom. Indicators of shortcomings in policy and governance include:

- lack of accurate information to inform planning
- fragmentation in responsibility
- confusion of roles
- lack of forums capable of mediating between conflicting interests or coordinating responses.

However, there were examples of new local responses such as the proactive planning and land development strategies in Emerald, the Growth Management Group established in Moranbah, and the formation of the Pilbara Industry's Community Council in Western Australia specifically aimed at increasing Indigenous participation in employment and improving the sustainability of Pilbara towns.

The new Sustainable Resource Communities Policy in Queensland (announced September 2008) is designed to enhance the management of cumulative and regional impacts associated with the resources sector, requiring the preparation of Social Impact Plans. It proposes the creation of multi-sectoral Local Leadership Groups focused

on regional planning issues, and foreshadows the requirement for Social Impact Plans in communities where significant resource projects are being considered.

While it is too early to assess the success of these new approaches, they represent an acknowledgement of the inadequacy of the pre-existing policies and governance arrangements to meet the growth challenges inherent in the complexity, scale and speed of the resources boom. The recent downturn in mining activity also flags that planning for these communities must accommodate both growth and decline scenarios.

POLICY IMPLICATIONS

Successful housing strategies in mining communities require coordinated action by all spheres of government as well as the mining and residential property industries. They need to take account of the immediate housing needs of a community as well as the longer-term scenarios for the town and the region. Many of the necessary strategies require long-term implementation timeframes involving improved coordination of planning between all stakeholders and resolution of their diverse interests and responsibilities. Local communities and non-government organisations have an important role to play in identifying community concerns and potential responses.

While towns are vulnerable to the resources super-cycle (typified by a prolonged rise in commodity prices and the inevitable downturn that follows) their future is tenuous. If an effort was made to plan and design towns to enhance liveability and attractiveness, there is a greater likelihood of increased private investment in businesses and the community. Broadening the demographic and economic diversity of resource boom towns is essential if these communities are to achieve some measure

of sustainability. This includes government's responsibility to ensure that economically disadvantaged people living in mining regions are not forced out, or kept out, due to a lack of affordable housing and/or infrastructure. More emphasis on permanent accommodation may be appropriate in a regional centre that has a diverse economic base and is designated as a growth centre.

New governance mechanisms at the regional level are required to provide a framework in which companies and the different levels of government can share information and collaborate on matters of common concern, and address the various challenges identified. Some recent initiatives to strengthen cross-sectoral planning in both Western Australia and Queensland show some promise in this regard. Government's role is to lead and provide strategic guidance that assists rather than hinders sustainable socio-economic and environmental development. It must also lead in the management of often complex cultural issues.

FURTHER INFORMATION

This bulletin is based on AHURI project 80370, *Housing market dynamics in resource boom towns*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au

Or contact the AHURI National Office on +61 3 9660 2300

www.ahuri.edu.au



HEAD OFFICE Level 1, 114 Flinders Street Melbourne Victoria 3000 TELEPHONE +61 3 9660 2300
FACSIMILE +61 3 9663 5488 EMAIL information@ahuri.edu.au WEB www.ahuri.edu.au

ACKNOWLEDGMENTS This material was produced with funding from Australian Government and the Australian States and Territories, AHURI Ltd acknowledges the financial and other support it has received from the Australian, State and Territory Governments, without which this work would not have been possible.

DISCLAIMER The opinions in this publication reflect the results of a research study and do not necessarily reflect the views of AHURI Ltd, its Board or its funding organisations. No responsibility is accepted by AHURI Ltd, its Board or its funders for the accuracy or omission of any statement, opinion, advice or information in this publication.