Housing, inequality and the role of population mobility

SOCIO-SPATIAL POLARISATION HAS INCREASED SIGNIFICANTLY IN MELBOURNE OVER THE 20 YEAR PERIOD 1986-2006. THIS POLARISATION CAN BE ATTRIBUTED TO THE INCREASING GAP IN MEDIAN HOUSING PRICES ACROSS MELBOURNE, EXACERBATED BY SOCIO-ECONOMIC MIGRATION OF HOUSEHOLDS INTO AND OUT OF VERY HIGH AND VERY LOW COST HOUSING MARKET AREAS.

- Between 1986 and 2006, household incomes in Melbourne demonstrated clear and increasing polarisation.

- A similar transformation took place spatially. The gap in median house prices between Melbourne's highest and lowest cost Statistical Subdivisions (SSDs) more than doubled. This considerably restricted the residential location choices of Melbourne's low income households.

- Selective patterns of socio-economic migration reinforced socio-spatial polarisation. In particular, the household incomes of those moving in and out of differently priced housing markets contributed strongly to polarisation in Melbourne.

- Apart from the Inner SSD (which is a highly transitory market), very high cost markets had disproportionate gains of high income households and disproportionate losses of low income households.

- Areas with very high and high cost housing markets had disproportionate numbers of high income households moving in (in-movers) compared with the proportion of high income households in the stable population. In this way, household mobility acts to intensify the already advantaged socio-economic position of the regions.

- In areas with very low cost markets, the household incomes of in-movers tend to be similar to the resident population thereby consolidating the already existing low income structure of the area. High income households were more likely to move out than to move in to these areas.

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BACKGROUND

'Socio-spatial polarisation' refers broadly to the growing gap between rich and poor households in both socio-economic position (socio) and geographic location (spatial). Socio-spatial polarisation leads to inequalities in welfare, health, education, employment, real income and social wellbeing outcomes of different urban social groups. The housing market often consolidates or intensifies inequalities among these different groups. As housing prices are directly related to the level of urban amenity, residents living in low cost housing market areas are much less able to access urban resources than their higher income counterparts in high cost housing markets. Residential moves into and out of these areas significantly impact on both housing prices and residential income levels, thereby directly contributing to socio-spatial polarisation and its social impacts.

METHODOLOGY

This research examined the socio-economic impact of in and out migration at the household level for each of Melbourne's 16 SSDs between 2001 and 2006. The study questioned whether households of differing income levels disproportionately moved into or away from different markets. To address this question, the ABS migration matrix based on 2006 Census data was used to analyse:

- The distribution of in-movers by geographic origin (local, elsewhere in Melbourne, elsewhere in Australia or overseas).

- Net household gains and losses by geographic origin and destination for each SSD.

- Impact of in-mover and out-mover households on local SSD household income structure (i.e. selective migration by household income groups).
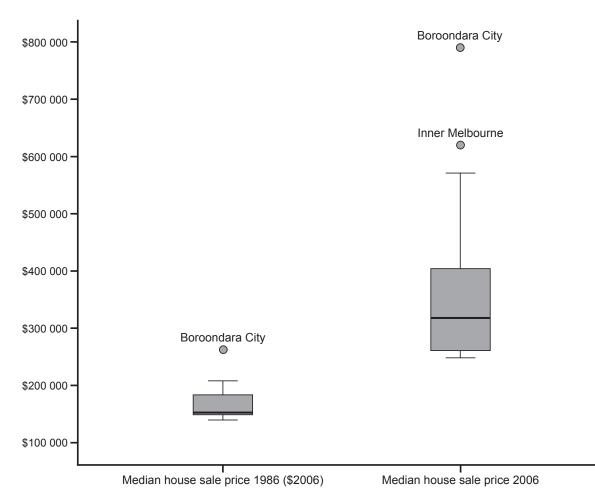
FINDINGS

Socio-spatial polarisation in Melbourne: 1986–2006

- Polarising events over the 1986 to 2006 period were clearly identifiable in both Melbourne's household income structure and housing market.

- During this period there was a marked increase in the share of low and high income households and a relative decline in the three middle groups.

- During this period the gap between the least and the most affordable housing markets increased. In dollar terms (adjusted to 2006 dollars), the gap in median house sale prices amounted to $122 000 in 1986 and soared to $542 000 in 2006 (see Figure).

- In 1986, sale prices were grouped closer to the Melbourne median and only the SSD of Boroondara deviated markedly from this trend (57% above the metro-wide median). By 2006, the spread of median house sale prices had increased significantly, and house prices in Boroondara were 131 per cent above the metropolitan figure (see Figure).

- This widening gap implies that low income households became much more restricted in their potential locational choices and therefore in their household decisions about mobility.

Socio-economic migration, housing markets and polarisation

- Residential moves by different socio-economic groups have the potential to shape the social composition at both origin and destination locations.

- This research demonstrated that household mobility in Melbourne contributes strongly to polarisation because of the distinctive income pattern of in-movers and out-movers, particularly within the extreme ends of the housing market.

- The most visible differences in mobility, however, were evident in the very high and very low cost markets.

FIGURE: DISTRIBUTION OF MEDIAN HOUSE SALE PRICES FOR MELBOURNE SSDS IN 1986 AND 2006

Source: Victorian Government (DSE) LANDATA house sale price data, 1986 and 2006.
Box plots show range of median sale prices.

Very high cost markets

- Very high cost markets attract relatively more high income households than found in the stable household population. They also experienced disproportionate losses of low income households.

- For example, of those that moved to the SSD of Southern Melbourne, 41 per cent of households had high incomes compared with 32 per cent of its resident households. This tendency has the potential to further raise the socio-economic position of these areas.

- The exception to this trend is the highly transitory SSD of Inner Melbourne.

- To a lesser extent, the same occurs in high cost markets. It appears that mobility bolsters the already high socio-economic position of very high and high cost housing markets.

Very low cost markets

- In very low cost markets, in-movers were more likely to have similar incomes to the resident stable population thereby consolidating the already low income structure of the area.

- In Hume City, for example, 39 per cent of the stable household population had low incomes and 35 per cent of in-mover households had low incomes. At the higher end of the income distribution in Hume, 22 per cent of the stable population had high incomes, and 22 per cent in-mover households also had high income.

It is the locations at the extreme ends of the metropolitan housing market where patterns of socio-economic migration have further entrenched socio-spatial polarisation.

POLICY IMPLICATIONS

- Mobility research offers valuable information to policy-makers when implementing policies or programs that have a location based component.

- The findings of this study challenge policy-makers and urban planners to work to reduce the spatial concentrations of locations of extreme disadvantage and advantage.

- The housing market will play a pivotal role in meeting this challenge only if the supply of housing affordable to low income households is increased and, importantly, if the location of such housing is dispersed throughout the metropolitan area.

- To this end, the findings of this report support the retention, and if possible an increase of existing middle and inner ring public stock in higher priced housing markets as recommended in the Inquiry into the Adequacy and Future Directions of Public Housing in Victoria (2010).

- The National Rental Affordability Scheme could also play a role in reducing socio-spatial polarisation. Funds could be directed towards increasing the supply of affordable dwellings in different locations for low income households, taking into account mobility patterns.

- Developer incentives could also be provided to encourage private developers to include affordable or social housing in projects throughout the metropolitan area.

FURTHER INFORMATION

This bulletin is based on AHURI project 50382, *Housing and income inequalities in the city*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting the AHURI National Office on +61 3 9660 2300.

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