

Housing affordability for lower-income Australians: plan

**National Research Venture 3: Housing
affordability for lower-income Australians**

Research Paper: Plan

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CONTENTS

1	PURPOSE AND STRUCTURE	1
2	BACKGROUND AND POLICY CONTEXT	2
3	STRUCTURE OF PROPOSED RESEARCH AGENDA AND KEY RESEARCH QUESTIONS	6
3.1	How is the affordability problem conceptualised?	6
3.1.1	Determining an affordability measure	6
3.1.2	Use of affordability measures	8
3.2	What are the drivers of affordability problems?	10
3.2.1	Introduction	10
3.2.2	Structure: macro-level impacts	11
3.2.3	Agency: micro-level choices	11
3.3	Why does affordability matter?	13
3.3.1	Economic	13
3.3.2	Social/cultural	14
3.3.3	Environmental	15
3.4	Who has an affordability problem? How has this changed over time?	15
3.4.1	What we know about affordability?	15
3.4.2	What we don't know?	17
3.5	What are projected affordability problems 10-20 years into the future?	19
3.6	What can be done to improve affordability?	19
4	STAGING, DEVELOPMENT AND POLICY LIAISON	23
4.1	Stage 1: preparation of background/discussion papers	23
4.2	Stage 2: data collection and analysis	24
4.3	Stage 3: projections	25
5	CAPACITY BUILDING AND FUNDING OPPORTUNITIES	27
6	COMMUNICATION AND DISSEMINATION STRATEGY	28
	INDICATIVE REFERENCES	30

1 PURPOSE AND STRUCTURE

This paper outlines the plan for a National Research Venture (NRV), the focus of which is a research agenda intended to provide the evidence needed to develop policies that will address housing affordability problems for lower income Australians.

This NRV seeks to provide the evidence needed to answer the overarching question:

"How do we assess and address housing affordability for lower income households in Australia?"

The research agenda outlined below breaks this question down into 6 logically connected, researchable areas:

1. How is the problem conceptualised?
2. What are the drivers of affordability problems?
3. Why does affordability matter?
4. Who has an affordability problem? How has this changed over time?
5. What are projected affordability problems into the future?
6. How do we assess policies intended to improve affordability?

This paper includes the following sections:

- background and policy context to the NRV (section 2);
- the structure of the research agenda and key research questions (section 3)
- staging and development of the research agenda and policy liaison (section 4)
- capacity building and funding opportunities (section 5)
- communication and dissemination strategy (section 6)
- indicative references (section 7).

2 BACKGROUND AND POLICY CONTEXT

One of the biggest problems lower income Australian households face today is finding affordable, secure and appropriate housing. Whilst this has been an issue for some time, concerns that the problem has been increasing and is affecting moderate as well as low income households has made this a priority issue. The research literature has identified aspects of the emerging housing affordability crisis in Australia¹.

- Currently some 250,000 low-income private renter households are paying more than 30% of their income in meeting their housing costs
- In 2002 more than a third of private renter households receiving Commonwealth Rent Assistance were paying more than 30% of their income in meeting their housing costs with as many as 9% paying more than 50%
- Potential first home buyers are being excluded from home ownership by high and rising house prices
- Estimates predict 1 million households could be in housing stress by 2020 if no remedial action is taken.

These data, which are strongly contested by some researchers and some stakeholders, indicate that, despite the assistance provided by public and community housing, CRA and first home owners' grants, a significant number of lower income households currently face a housing affordability crisis. The research also suggests that housing markets are polarising in terms of where in our cities and towns the affordability problem lies. This suggests that the issue of location is one that cannot be ignored in identifying and addressing affordability problems.

The causes of housing affordability stress are multiple, interacting and complex. Our understanding of them is partial, but they include:

- demographic change and ageing of the population, with a rise in the number and proportion of smaller households with smaller incomes
- changing housing preferences (shaped by choices and constraints) away from home ownership toward renting placing more demand pressure on the private rental market
- a reduced supply of low rent dwellings in the private and public sectors
- escalating house prices due to low interest rates, assistance to home buyers and speculative behaviour by investors
- lack of innovation in the building industry and lack of acceptance of low-cost housing in the community
- labour market change, uneven changes in real incomes between income groups and across Australia and changing housing market behaviour due to casualisation.

As a result of these complex interactions which affect different groups in the population differently, 'the' affordability problem should not be seen as one problem, but as a series of interconnected problems which affect both rental and home

¹ In these results, housing is defined as 'affordable' when a household, after paying for housing costs, has sufficient income to purchase basic life goods (food, transport, clothing, health, education, etc). If a household has insufficient income for such basics it is said to be in 'housing stress'. An indicator of housing stress typically used is when a low-income household (bottom 40% of the income distribution) pays more than 30% of its gross income on housing costs. Consideration of the appropriateness of different definitions of affordability is one of the first issues to be considered by the NRV.

ownership markets. This suggests that the housing market is better seen as a series of segmented housing markets that currently create affordability problems, for example, for first home buyers; older people; single earner households; key workers in high price locations; working poor; young people and long term welfare and pension recipients. This segmentation of housing markets and multiplicity of causes implies a range of housing policy interventions will be needed to create a variety of housing options backed up by a variety of housing products.

Figure 1 both highlights where each of these different groups might be currently located in the various housing market segments and suggests where they might be located on the spectrum of policies designed to provide housing assistance. Portraying housing assistance as a continuum also helps to highlight the fact that the housing outcomes that will be achieved are potentially dynamic, depending in part on the timing and form of intervention that takes place. For example, failure to assist work ready clients into housing linked to training and job opportunities may extend their dependency on more costly and extended interventions in either/both housing and welfare fields. Similarly, timely support for low paid workers to help them achieve home ownership may reduce their need for housing or income subsidies in retirement. Therefore, not only is a broad range of interventions needed but flexible arrangements that can respond to the changing circumstances of individual households and create incentives for them without adversely affecting their housing stability. The arrows at the foot of the diagram indicate the potential dynamics of households at risk depending on whether or not housing assistance is provided. In other words, Figure 1 suggests what sort of policies might be relevant to which particular groups and hence signals ways in which different forms of intervention are likely to assist each group. It highlights the need to focus on affordability in relation to all tenures.

This NRV will focus specifically on outcomes and solutions for households in need of assistance because of affordability problems. The focus of the NRV will be on income-constrained households in broad categories that identify those potentially at risk of affordability problems either now or in the future. These are most likely to be:

- economically disadvantaged households,
- newly formed households,
- restructuring households and
- older households with changing needs.

There is no shortage of analyses of housing affordability and no shortage of solutions, both on paper and in practice, but progress towards a national solution has been painfully slow. A critical question that has been asked in setting up this research program is what more do we need to know and why do we need to know this? There may well be a perception that there is more than enough work already done on affordability. The work already undertaken by the AHNRC and currently being undertaken by HMAc is likely to reinforce this perception. At one level we do know a significant amount about affordability problems and what might be done to address these problems. However, the fact that it has been so difficult to get affordability onto the housing agenda suggests that the possibility that affordability is a critical issue is not a perception shared by all. It suggests that this NRV may need to take a broader perspective about the causes and consequences and potential solutions to housing affordability problems.

The approach taken in this proposal recognizes the lack of agreement about the right mix of responsibilities for housing policy amongst the various levels of government and the unresolved debate as to which level of government should be responsible. It

recognizes, therefore, the need for providing information to enable all levels of government to make appropriate decisions to enhance housing affordability. An assessment of how this might be done has influenced the focus of work to be done in the NRV. The recent response to a perceived affordability crisis for first home buyers, for example, suggests that the NRV needs to take a broad view of affordability issues, covering not just those who face severe housing problems in the private rental market or those who are at risk of homelessness because of inadequate levels of social housing, but also covering middle income earners aspiring to home ownership and current home purchasers or owners who may face difficulties in the future.

The complex causes and effects of increased affordability problems are less well documented than is the incidence of affordability. Yet, understanding them is critical for evaluating the effectiveness of housing assistance, and guiding any future reform. Lack of affordable housing has the potential to create health and social problems for households unable to meet daily living costs, and to impinge negatively upon society in general, and government budgets in particular.

The issue of what constitutes an affordability issue is not one that is clearly defined and it is one that is likely to vary by time and space and according to housing tenure. These are issues that need to be clarified before a more in depth analysis of what are current and potential future affordability problems that are likely to affect different types of households. In terms of an evidence base, we need more information on:

- how the specific groups that have been identified as being at risk are affected by affordability problems;
- the extent to which affordability problems are cyclical or structural;
- the dynamics of affordability problems both within a generation and across generations;
- the extent to which affordability problems are transmitted over time and space; and
- how Australia rates with comparable countries.

With a more clearly specified evidence base on affordability issues, we can then begin to analyse what factors have contributed to the observed outcomes. An understanding of the drivers will enable us to provide some indication of what are the likely problems of affordability in the future. Answers to both of these questions will enable us to assess the extent to which affordability is a problem and if so, whether short term or structural solutions are needed and how these might be brought about.

Finally, we can use the information obtained on the causes and effects of affordability problems to develop a framework for evaluating existing and proposed policy initiatives.

The overarching research question to be addressed by the NRV is:

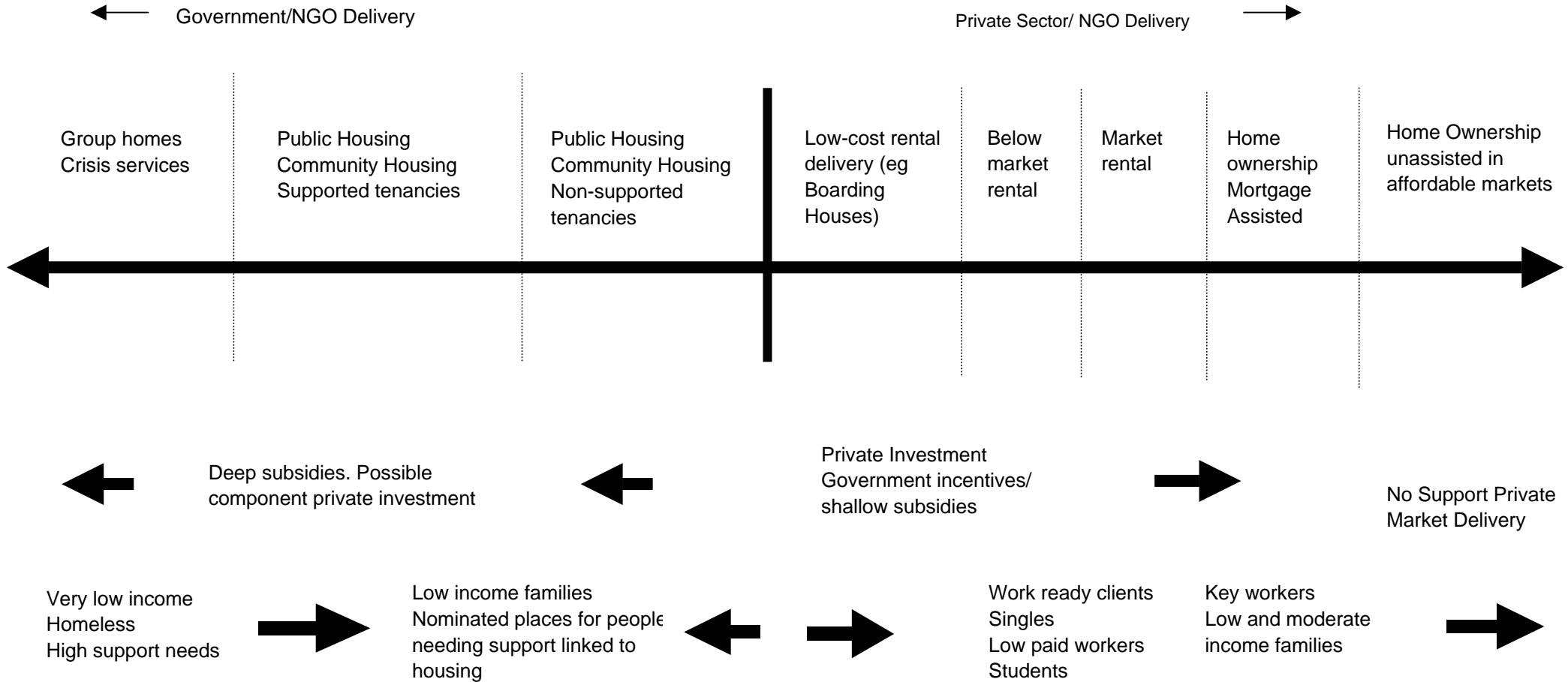
- "How do we assess and address housing affordability for lower income households in Australia?"

This, in turn, suggests a related question:

- "What evidence is needed to determine how much and what sort of intervention is needed to ensure lower income households have access to adequate and affordable housing?"

An overview of the structure of a research agenda that provides the information needed to address these questions is given in the following section.

Figure 1: Housing assistance continuum for households at risk



Source: Based on a diagram used by the NSW Department of Housing

3 STRUCTURE OF PROPOSED RESEARCH AGENDA AND KEY RESEARCH QUESTIONS

The following outline provides a logical and inter-connected set of research questions designed to ensure that the information needed to address the overarching question is covered in a systematic way.

1. How is the problem conceptualised?
2. What are the drivers of affordability problems?
3. Why does affordability matter?
4. Who has an affordability problem? How has this changed over time?
5. What are projected affordability problems into the future?
6. What can be done to improve affordability?

A key function of this section is to place the key research questions that will be addressed by this NRV into a broader context and to identify further areas of research that might be undertaken in the future. The precise projects proposed are outlined in section 7.

3.1 How is the affordability problem conceptualised?

In discussing the extent to which there are affordability problems in Australia, it is critical that the measures employed are understood by those who use them and are meaningful for the use to which they are to be put. These and related issues are dealt with in this area of the NRV research agenda.

3.1.1 *Determining an affordability measure*

The measurement of affordability in recent years has been complicated by the growing ambiguity of the term affordability (arising in part by its variation over time and in different locations and for different households in different tenures), and by the need to see affordability through the lens of policy objectives and implementation. Box 1 highlights a number of the definitional differences that arise.

Box 1: Measurement issues

- the choice of individuals, households or income units as the unit of analysis,
- the use of gross or net income as a benchmark and how either should be defined
- whether rent assistance should be included in income or excluded from housing costs,
- what should be included in housing costs
- whether non-housing costs should be taken into account
- whether housing adequacy should be included in the measure
- whether adjustments should be made for household size or composition
- whether a ratio or residual measure should be employed, and
- whether the measure employed should vary by income or household needs.

Two broad approaches have been employed in measuring affordability problems in Australia:

- Ratio measures. Rent or repayment to income measures based on a fixed proportion 25 or 30 percent of income have become part of the measurement and policy orthodoxy (eg ABS 1994, 2000; Landt and Bray 1997; NHS 1991). While useful, they may not tell the full story of affordability. A major assumption of 25 and 30 per cent benchmarks is that rent or mortgage payments have first claim on a household's budget, i.e. public or private housing tenants are expected to pay at least 25 per cent of their income on rent and if this does not leave enough for other essential expenditures then that is an income problem, not a housing problem. This assumes that housing is not a key component in any income security system, and that income supplements are the appropriate way to ensure adequate standards of living, not housing. They also often assume that the same ratio is appropriate regardless of income, or household structure.
- Residual measures. An alternative approach is to assume that other expenditure items have first claim on the budget, and housing cost should be the residual. This approach assumes that housing programs should be the instrument for addressing all income problems; that is, that housing is the linchpin for a social security system. There are two methods for broadly determining a non-shelter first measure of affordability: that of the poverty line and that of a budget standard. Historically Australia has only had the poverty line as a yardstick but since 1998 the budget standard of the Social Policy Research Center at University of New South Wales has become available and has been revised in 2003 to overcome some of the criticisms. Details of the budget standard approach can be found in Saunders et al (1998). However, the residual housing cost is difficult to determine, as it requires some subjective benchmark of other necessary expenditures.

Research to assess the overall scale of the affordability problem should include a range of affordability measures with a view to comparing the differences and the associated policy implications. Whether a ratio or residual measure is employed, it is important that data collected accounts for household composition as different households have different needs in relation to housing and other expenditures. The increasingly popular solution of using equivalence scales to take these differences into account needs to be examined as do measures that vary spatially.

Affordability also needs to be seen in terms of related housing objectives. A household or a location could achieve high affordability in terms of a benchmark measure; say a number below the 25 percent level. This, however, may mean simply that the household is incurring other costs that actually reduce their well-being or, in the case of an area as a whole, that it is so amenity poor that cheap market prices (which reflect the amenity) create high affordability. For example, Single Parent A on the same income as single parent B lives in an inner city location and has good access to schools, shops, and employment opportunities. As a result, she has no car and uses public transport or walks (as do her children). Her rent is \$50 a week more than Household B and has an affordability ratio of 31% - that is, she is deemed to have an affordability problem. Household B has responded to the higher costs of the inner city by moving to the outer suburbs. Her rent is \$50 a week less but because of poor access to all services and amenities has to run an old car and has transport costs \$60 a week higher than Household A. She has an affordability ratio of 25 percent and is deemed unproblematic. This illustrates that we cannot assume that achievement of low affordability means an unproblematic housing situation. Little work has been done on the relationship between high housing affordability and the trade offs that households have to make to achieve affordability and the associated

personal and community costs that flow from these tradeoffs and how these can be measured.

The latter point also raises another important issue in conceptualisation of affordability issues and problems and that is whether too much affordability is a problem. Despite the recent house price boom there remain areas of good affordability e.g. certain outer suburbs and many regional centers. The reasons they remain affordable is because of negative perceptions by the wider community as to their poor amenity, public transport and employment opportunity. The risk in such high affordability areas is that they are drawing in, and will continue to do so, the lowest income households, as these are the only areas they can afford, while, at the same time, higher income residents are leaving for areas of higher amenity and the perception that their area has a limited future. In the long term this process creates areas of limited social and economic sustainability. The affordability debate should, therefore, be seen not just in terms of creating more affordable housing in high cost areas but improving amenity and opportunity in low cost areas so that a wider socio economic range of households will choose to live in such areas. This suggests very different policy options, eg spatially specific infrastructure or home renovation programs and creates a different understanding of how to achieve affordability. Thus, there is a need to research the relationship between high affordability and measures of social disadvantage, as well as the degree to which high affordability is patterning low-income household mobility decisions.

3.1.2 Use of affordability measures

Affordable housing must be looked at in terms of policy intent. While broad benchmarks are useful for measuring the degree of need, they provide little guidance to interested stakeholders in the actual provision of affordable housing. If a local government or a builder -developer wants to provide affordable housing, what do we say is affordable? Australia has little history compared to the USA of providing meaningful housing affordability targets appropriate to different regions or municipalities. For example, the Department of Housing and Urban Development in the USA uses measures such as an affordable dwelling is one that is 75 percent of the median value for a property of that type in that area, or affordable by a household whose income is 60% of the median income for households in that area. Appropriate targets for Australia would need to be established, but if the private sector is to have a more active role in the provision of affordable housing we need to develop appropriate affordability guidelines along such lines.

In any discussion of the concept of 'housing affordability', it is helpful to distinguish its deployment as a shorthand term to highlight a range of housing related policy issues from its use as an analytical concept to measure household expenditure on housing-related costs. For whilst 'housing affordability' is generally understood as a term for how much money households should be expected to pay for their housing, it has become, in recent years, the focal point for debate about the appropriate level of government subsidies to assist low income households. In other words, 'housing affordability' has become the concept by which lobbyists, pressure groups and policy makers seek to make the case either for or against additional investment. So, for example, while the Housing Industry Association might cite the 'affordability' problem as a rationale for abolishing stamp duty (HIA 2003), welfare agencies such as ACOSS cite the 'affordability' problem as a consequence of underinvestment in public housing.

Contestation also surrounds the term 'affordable housing' which has been used by policy makers with reference to housing stress. In recent years, it has been also deployed frequently as an alternative term to 'public', 'social' or 'low-cost' housing. In part its deployment is a reflection of the paucity of funds for public housing and the

preference of the Commonwealth Government to target subsidies to low-income households via Commonwealth Rental Assistance or First Homeowners Grant. The advantage of the term 'affordable housing' is that it is tenure neutral and applies to low-income households in any housing circumstance. On the other hand, critics of the concept have pointed out that it is also used as a means to promote private sector solutions to the problem of housing need, thereby casting aspersion on the need for greater investment in public housing.

Hulchanski (1995) has identified the ways in which 'affordability' is deployed within housing research, public administration and institutional finance. He lists these as:

- a description of household expenditures;
- a measure for comparison and analysis of trends;
- for administration of public housing subsidies;
- defining housing need for public policy purposes;
- estimating household's ability to pay the rent or service a mortgage; and
- part of the selection criteria in the decision to let or provide a mortgage.

The discussion above serves to illustrate that housing affordability is best understood as a concept that will always be subject to argument. This said, it is important for analytical purposes that some attempt is made to provide definitional clarity about how the term is deployed.

The deployment of the affordability concept has been criticised by a number of academics (e.g. Donnison 1967; Marks 1984; Malpass 1993 and Hulchanski 1995). Malpass (1993, p87) comments affordability 'is a virtually indefinable concept and certainly cannot be neatly or simply understood as a fixed percentage of income'. Hulchanski (1995, p473) argues 'the sweeping generalisation that spending more than a certain percentage of income on housing means the household has a housing problem is simply not logical' and does not represent the behaviour of real households. Landt and Bray (1997) argue that measures of affordability are generally weak and insensitive. The National Housing Strategy (1991) measure of housing stress does not take account of family characteristics, tax or government assistance, while the Henderson poverty line underestimates the private rental costs of families with children. Landt and Bray (1997) put forward arguments in favour of a Canadian model that accounts for regional rent variations but excludes some groups who would be considered in housing need.

In spite of these concerns, the quest for analytical rigour has encouraged economists and housing academics to put forward ever more sophisticated approaches to measuring affordability. However, a key challenge is accounting for the subjective element in determining what is 'affordable'. For example, Malpass and Murie (1994) point out some householders who purchase their own home might be quite prepared to pay a higher proportion of their income at the start of their occupation, in the expectation that this proportion might fall in subsequent years (on account of higher incomes etc.). Also, we know that intergenerational transfers and savings also affect what constitutes 'affordability', as do location factors. Attempts to incorporate sophistication in the measurement of affordability problems have been made by Bogden and Can (1997), who seek to develop measures of the spatial distribution of affordability problems and Thalmann (1999), who seeks to provide a judgement as to what is 'appropriate' housing consumption. For a summary of Australian perspectives about how affordability should be measured, see Percival (1998); Karmel (1998); and Yates and Wulff (2000).

A number of brief conclusions can be drawn from the preceding discussion.

- First, there is an obligation on researchers to be explicit about their judgments and assumptions in devising affordability criteria.
- Second, despite the difficulties, the measurement of housing affordability provides policy makers with valuable evidence to inform and enhance decision making on issues relating to housing investment, needs based assessment and eligibility criteria for social housing.
- Third, it is important to note that despite considerable debate about the ways to measure affordability and the appropriate definition to adopt, research studies have generally reached broadly similar conclusions about which household 'types' experience housing stress (i.e. sole parent or families with young children on low incomes, low income single people and households either renting in the private market or buying a first home).
- Finally, the contested components of both 'housing affordability' and 'affordable housing' provide the basis to explore a set of pertinent research questions. For example, how has the construction of 'affordability' problems changed over time? What impact do the discourses surrounding affordability have on the policy process? What are the connections or linkages between affordability debates and recent policy outcomes? Why has 'affordability' become the pivotal focus for policy endeavour?

Decisions on how affordability is to be measured will affect both the assessment of the magnitude of the problem and the factors that have contributed to it. These decisions need to be made before much of the work on the remainder of the research agenda can begin.

Project A in section 7 outlines a research proposal that addresses the issues raised in this sub-section.

3.2 What are the drivers of affordability problems?

3.2.1 Introduction

In terms of understanding what factors contribute to affordability problems, it is important to understand what are the key drivers and policies that both contribute to affordability problems and serve to ameliorate them.

These drivers can be classified into two broad areas:

- At a macro level, a broad range of factors and policies beyond housing policy affect housing market outcomes and hence affordability. These can be broadly equated to 'structural' components of the affordability problem.
- At a micro level, housing and household choices affect affordability, as does the time period over which affordability is assessed. These can be viewed as equivalent to the 'agency' component of the affordability problem.

The first (structural) area focuses on the impacts of external factors such as economic, social and demographic trends, as well as a wide range of government interventions in the economy on housing markets and, hence, affordability. The second area concerns the extent to which affordability problems are driven by consumer choice. The focus on this second component must be the household as the nexus through which housing market drivers are focused and where residential decisions are taken. It needs to examine the extent to which household preference and consumption behaviour drive affordability outcomes. It needs to assess the extent to which the structure of the household itself (effective income, sole earner

households, dependents, the need to care for a relative, life style, life cycle, cultural preferences) affects its affordability position.

Whilst both these areas require understanding if the complexities of the drivers of the affordable housing problem are to be unpacked, only the second can be dealt with in any depth within the research agenda outlined for this NRV. This notwithstanding, the importance of macro-level impacts on housing affordability must not be downplayed. An indication of the factors that are likely to impinge upon affordability outcomes is provided below in order to highlight the broader context within which the micro-level impacts that will form the basis of the research for this NRV operate.

3.2.2 Structure: macro-level impacts

A wide range of factors potentially affect the housing market. These factors can have different impacts in different sub-markets and groups of the population, and can also differ between locations and over time.

The list of policy contenders is potentially long. It will include:

- transport policy (e.g. access to quality transport services, the construction of new transport infrastructure, the cost of fuel, national car fleet policy);
- labour market policy (deregulation and competition policy, unemployment policies, redundancy arrangements);
- incomes and welfare policy (benefits withdrawal, superannuation arrangements, service provision);
- taxation (personal taxation levels; asset taxation; the treatment of wealth transfers);
- immigration (national quotas, immigrant profile quotas, the location of new arrivals);
- planning and land release policies (development controls and dwelling densities, urban consolidation policy, local planning capacities, strategic planning decisions, planning gain policies, development levies and charges);
- environmental policy (sustainable building regulations, site remediation);
- education and health (school or health infrastructure location, costs of schooling, mobility requirements in the home);
- infrastructure location (broader issues flowing from the location of major urban investment decisions such as shopping centres, urban renewal activity, new recreational facilities, basic amenity provision, etc); and
- finance and investment (macro-economic policy, the performance of competing investment classes).

Because it is likely that it would prove impossible to accurately assess the impact of these different factors on households at risk of facing affordability problems, the NRV will not focus specifically on the effect these broader factors have on affordability outcomes. However, identification of them in this broader contextual overview will ensure their impact is not forgotten in the more narrowly defined research agenda outlined in the following section.

3.2.3 Agency: micro-level choices

The second (agency) area, which will be the focus of the research projects outlined in section 7, deals with the extent to which affordability problems arise from choice (tenure choice, location choice issues, dwelling consumption propensities, wealth transfer behaviour, etc) or constraint.

The decisions made by households (or even the decision to form a household) provide the key to this area of research. Structural factors (as defined above) operate as constraints on these choices. A review of the existing housing choice literature will provide a framework for examining the nature of household decisions made within the constraints and opportunities provided by the macro-structures of the housing market.

Given that the focus of this NRV is to be on households defined to have a high risk of affordability problems, the key issue will be to identify the range of household related factors that push or persuade these high risk households to consume more housing services than they can ostensibly afford (i.e. where their cost-income ratios are above the 30 per cent threshold or by whatever threshold measure is employed). Questions that need to be examined are how can we define choice in this sector of the market and how far does choice enter into the housing consumption decisions made by such households?

What are the trade-offs made by households with poor affordability outcomes? Do these represent an acceptable result for them or simply reflect a lack of affordable alternatives? Examples of factors that might lead to unaffordable outcomes could include the need for a larger home to accommodate children, the need to find local accommodation quickly after relationship breakdown, a willingness to put up with higher housing costs due to proximity to work or preferred community networks or because of expectations about a greater capacity to meet these housing costs in the future.

What are the trade-offs made by households with acceptable affordability outcomes? Examples of factors that might lead to affordable outcomes are a willingness to travel long distances to work, to live in a location where there are no work opportunities at all, to rent rather than own, to live in relatively crowded conditions, to stay in the parental home or a willingness to forego non-essential consumption in order to accumulate a large deposit.

The difficulty of separating out choice from constraint is one that will need to be borne in mind when developing the research methodology to be employed. The focus in the research will be on the choices made by the limited range of income constrained households identified in section 2 above. It will not focus on the totality of housing choice parameters across the whole housing market.

An assessment of who is at risk will lead on to proposals for the empirical research the NRV will undertake to explore behavioural and preference issues further. This will need to involve household level data, either through commissioned surveys or as additional modules for the HILDA or comparable national surveys. There may also be modelling possibilities, using such datasets or informed use of disaggregated Census data. However, information will need to be sufficiently targeted to allow us to define the extent to which households in unaffordable housing are there out of choice or constraint. Without this market research, the issue of which mix of policies should be developed (rental or home ownership, for example), where these should be targeted and what level of funding will be required to address the core problem will not be properly assessed.

There are two components to this kind of research.

→ The first relates to household preferences and behaviour. Research may be needed to assess the effective trade-offs low income households make in assessing their housing situations – both when moving to or setting up a new home, and during an on-going occupancy. Is affordability only one of the elements that impinges on a household's assessment of their housing situation?

In other words, does affordability matter at the household level, and at what threshold does affordability become a real problem?.

- The second involves an assessment of the role household structure itself plays in the affordability equation and housing decisions. We know that households with sole earners and children are more likely to experience housing affordability problems. How far do these household constraints limit choice and are these important to the households concerned? Identifying the specific questions that need to be addressed is something that is expected to arise out of the initial work of the NRV.

Phase 2 of Project C in section 7 outlines a research proposal that addresses the issues raised in this sub-section in conjunction with those raised in relation to areas 4 and 5 discussed below. A key aspect of this project is the collection of new data. The possibility that additional data modules might be bolted on to existing surveys in conjunction with data requirements from NRV2 is a question that needs to be considered before precise research questions can be identified in this area.²

3.3 Why does affordability matter?

The first two research areas outlined above have focussed on how affordability is to be measured, and what affects affordability outcomes. The third of the critical background areas to be addressed is the question of affordability matters. In addressing this question, a triple bottom line approach based on investigation of the extent to which unaffordable housing outcomes (established in the earlier sections of the NRV) are implicated in negative economic, social, cultural and environmental outcomes provides a comprehensive approach to addressing the question.

Housing is likely to come back onto the government agenda only if the current processes of housing provision through policy-mediated market outcomes and a resultant lack of affordable housing are widely seen to be causing significant and growing problems for a diverse and increasing proportion of the population. The research proposal outlined in section 7 focuses on economic outcomes. Many of the social outcomes have been identified in the systematic review undertaken for NRV1 (Bridge et al 2003) and a comprehensive review of environmental outcomes would require more resources than are available within the budget for this NRV. However, this section provides a brief overview of economic, social and environmental issues to ensure that all of these non-shelter outcomes are highlighted as outcomes that potentially arise from a lack of affordable housing. Illustrative examples are given below.

3.3.1 Economic

Housing affordability can have an impact on economic outcomes in a number of ways. In the first place, it may have an impact on the macro economy. Australia as a middle-ranking, open economy is vulnerable to interest and exchange rate shocks. The operation of the housing market impinges centrally on these parameters. Excessive debt burdens undertaken by home purchasers in response to high house prices, for example, can affect the effectiveness and predictability of monetary policy operating through interest rate changes because of the impact of changes in housing affordability on household behaviour. High house prices, that render home ownership unaffordable for many first home purchasers, add to housing wealth for existing home owners and can contribute to increased aggregate demand both directly and indirectly

² The question of whether HILDA would be a suitable vehicle for this has been considered but this option is likely to be rejected because the data would not become available until 2007 or 2008 at the very earliest.

through providing the basis for equity withdrawal (which, in turn, adds to increased debt and to the threat of interest rate changes bringing about a severe credit squeeze. High house prices may also be a factor that contributes to inflationary pressures.

The UK Treasury is concerned that full membership of the European monetary system will remove the British Government's control over interest rate policy as a counter to runaway housing booms. The Reserve Bank of Australia is concerned that excessive household debt driven by equity withdrawn from housing wealth will both intensify the housing price spiral and render aggregate demand (consumption) hyper sensitive to future interest rate rises imposed to re-establish external balance (i.e. to deal with the balance of payments deficit). In such situations the RBA will have to balance the need to manage the external economic climate with the risk of imposing a severe domestic credit squeeze. Both agencies are carrying out continuing debates and research on these matters. The basic reason why housing matters here is that it is the dominant asset class in the wealth holdings of most Australians and, therefore, to the extent that wealth effects influence current consumption, housing must play an important macroeconomic role in the economy.

Any effective policy reforms that took some of the heat out of the speculative house price cycle – say, through the interventions of the state government land commissions in the urban land market or by re-targeting existing taxation benefits – could be justified in reducing the difficulties facing macroeconomic policy makers in a small open economy like Australia.

In the second place, a lack of affordable housing may affect the efficiency with which labour markets operate at both a national and regional level, and particularly in the large metropolitan areas in Australia. There are a number of ways in which such outcomes might arise. High housing costs, for example, may be reflected in rising wage levels that feed back into rising housing prices in a region. The precise nature of the causal processes operating here are unclear. Are housing prices higher in Sydney because wages are higher – or vice-versa; or are both forces at work in a process of circular causation? If pronounced, this outcome undercuts the competitive advantage of firms locating in the region.

If the process of matching local housing prices and wages (i.e. re-imposing affordability for the majority of workers) is incomplete, then some workers – including so-called 'key workers' – may be forced to re-locate to other regions, while other workers from elsewhere may be dissuaded by the prospect of high housing costs from in-migrating. These processes of labour mobility and immobility may not reflect and support the emergence of the most efficient spatial economy (i.e. applying the resources of the nation to the ends and in the places that would maximize Australia's growth in the global economy) but stem from imperfections in spatial housing markets (and the unintended effects of current housing and other policies).

Project B in section 7 outlines a research proposal that addresses these economic outcomes associated with housing affordability.

3.3.2 Social/cultural

The issues covered in this and the following sub-section will not be examined explicitly within the NRV research agenda. They are included as an indication of the potential links between the research to be undertaken by this and other NRVs. They are also included as a reminder of their importance and of the need to take them into account when evaluating policies

Social and cultural impacts will vary across the various groups identified as facing affordability problems. In general, a key concern is that non-affordable housing

contributes to or reinforces a range of non-housing costs (as being examined in NRV1). It can accentuate financial hardship in the family by leaving too little in the household budget for necessities other than housing. It can place some households at risk of homelessness or over-crowding. It can add to family instability and breakdown. It can be a factor in the declining health of household members. It can threaten the educational careers of children. It can contribute to welfare dependency for households (such as private renters) in the social security system. It can heighten social inequality. A lack of affordable housing can increase the risk of discrimination against certain households or reinforce patterns of exclusion and segregation for minority groups. It can undermine social cohesion and community bonds.

3.3.3 Environmental

Existing housing market conventional wisdom is that there is a trade off between affordable new housing and environmental sustainability. Any policy aimed at improving the poor environmental performance of the housing stock – like mandatory insulation, re-use of grey water, energy rated appliances – tends to be opposed by the industry as adding to the up-front costs of home purchase. Even where it is clear that the end-user (the resident) will re-coup the extra cost in a reasonable time through lower energy bills etc., there is marked industry and consumer resistance.

The broader community costs of an environmentally poor housing stock are legion – e.g. excessive greenhouse gas emission; high infrastructure investment requirements in areas like electricity and water; traffic congestion (due to urban sprawl); etc. This is a well researched area and no new research will be undertaken within this area. One dimension to the environmental question, however, has been raised above – i.e. the role of ‘liveable cities’ in attracting capital and creative workers who underpin the ‘smart economy’ - and the impact of this factor will be a factor that is relevant to both project B and project C outlined in section 7.

The issue of how or whether economic, social and environmental costs can be introduced into policy evaluation is left for consideration in project D outlined in section 7.

3.4 Who has an affordability problem? How has this changed over time?

With the exception of some of the issues to be covered in area 2, the issues raised in the first three areas outlined above are to be covered primarily by desk based research based on secondary source material. This will lead to a number of background papers that will inform the work to be undertaken on the final three areas to be covered in the second stage of the NRV. The first of these is described in this sub-section. This focuses on providing a sound evidence base for an assessment of the extent of affordability problems for households at risk, both at a point in time and over time. These estimates are to be based on measures that have credibility amongst all stakeholders. Determining which measures are to be employed is part of the work to be done in the first area outlined above and will be covered in project A.

3.4.1 What we know about affordability?

As will be covered in project A, there is a range of methodological issues associated with measuring affordability. From a number of comparative studies (eg Karmel various years; Landt and Bray 1997; Burke and Ralston 2003), however, we know that whilst estimates of the number and composition of those with affordability problems are sensitive to the measures employed, there are many results that are robust to whatever measure is employed.

At a microeconomic level, there is a significant amount of consistent information in the last decade about which groups are most vulnerable to housing affordability problems which reinforces results from earlier decades. Some of this is summarised in Box 2 below.

Research exploring some of these issues can be found in the above mentioned comparative studies and in AIHW (1995) and Milligan (2003), as well as in the various summary reports of the respective ABS surveys (ABS 1996, 2000) and in the more specialized work undertaken by the Productivity Commission in their annual reports for the Steering Committee for the Review of Commonwealth/State Service Provision (SCRCSSP, various).

Box 2: What we know about affordability

From detailed analyses of 1994 and 1999 survey data, we know affordability problems are

- highest for households in lowest income quintile
- highest for recent purchasers and private renters
- highest for non-aged households (i.e. with reference person aged <65)
- highest for sole parent and couple families with children
- better for households with, rather than without, rent assistance

These outcomes are robust regardless of measures employed.

Affordability can be thought of as being a problem of differing duration. It can be

- a short term “threshold” problem for people having difficulty meeting the up-front costs of entering either home purchase or rental (due to deposits, transaction costs, high mortgage to income levels, etc),
- an “on-going” problem for households where, for example, high initial housing costs fail to fall in real terms in relation to household income over time (or may actually increase),
- an “episodic” problem resulting from an unplanned change in household circumstances (e.g. illness, family break-up) or from unpredicted external factors (e.g. periods of unemployment, change in lending rates, etc).

Policy options will be different for each type of affordability problem. However, most evidence to date does not provide a means of distinguishing between these problems, nor does it provide a means of determining the extent to which affordability problems (or solutions to these) are spatially driven.

In general, survey data provides very little scope for a spatial disaggregation of these results and census data needs to be employed for this purpose. Whilst census data provides a much greater scope for analysis of spatial variation in outcomes, it does so with some loss of precision in relation to key income variables. An analysis of 1986 and 1996 census data, which is a less rigorous analysis than that on which the above results are derived, is reported in Berry and Hall (2001) for Adelaide, Melbourne and Sydney. More disaggregate estimates for Sydney alone, some with updates to 2001, can be found in MTF (1998), Hall (1998) and Randolph and Holloway (2002) and Yates and Reynolds (2003). These studies consistently show considerable spatial variation in affordability problems.

Snapshot pictures of affordability suffer from a number of problems. They give no indication of the duration of any affordability problems identified for households

identified as in stress at a particular point of time and they give no indication of the extent to which the problems observed are affected by the inherently cyclical nature of housing markets. In relation to the latter, for example, the recent Productivity Commission draft report (2003) falls into the trap of assuming that, because there has been a perceived bubble or overshooting of housing prices in the past 3 years, all affordability problems associated with high house prices are cyclical in nature and will disappear over time. The question of whether longitudinal data sets currently available in Australia are likely to be adequate for an analysis of the duration of affordability problems is one that will be addressed in the early stages of the NRV.

A number of the studies indicated above, however, do provide sufficiently robust analyses of trends in affordability over time to indicate that affordability as measured on a range of indicators has worsened over time. Most comprehensive are studies by Percival (1998), Burke and Ralston (2003), both of which rely on Household Expenditure Survey data from 1975-6 to the most recent available at the time of the study, although neither of these studies provides comprehensive evidence of trends in affordability for the particular households identified as being at risk in the snapshot data. On the basis of the simplest of the various affordability measures that might be employed, Berry and Hall (2001) showed that, in aggregate, housing stress increased substantially for low income tenants from 1986-1996 in all capital cities other than Perth, with 3 out of every 4 low income private renter households (in the bottom 2 income quintiles) and four out of every 5 in renters in the same income group in Sydney spending more than 30% of their gross household income in rent. They projected that, by 2020, nearly one million households will experience stress in metropolitan Australia if present trends continue. The robustness of such projections to the assumptions made needs to be tested.

An aggregate overview of affordability trends specifically in relation to home purchase can also be obtained from the types of affordability indexes produced by the HIA and REIA. Whilst these measures are highly aggregated and do not give any indication of outcomes for individual households, they do give a good indication of trends in affordability over time.

3.4.2 What we don't know?

There are a number of broad areas where our current knowledge about housing affordability is deficient. These gaps provide the basis for the research proposed within this area of the NRV.

Measuring the extent of the problem

The research on affordability to date suggests that there is unlikely to be agreement on precise measures of the extent to which there is an affordability problem in Australia. However, evidence of a worsening trend over a 25 year period on a number of measures highlights the need to continually monitor outcomes over time. While there is evidence that overall housing affordability levels have been falling, and there is evidence that certain groups are more likely to be affected than others, the precise size and characteristics of those housing market segments where affordability is an issue have yet to be clearly identified and quantified. At a basic level, differences in affordability outcomes by tenure, income, household type, and age, for example, have been well established. However, housing affordability problems affect a range of housing sub-markets and groups and these can change over time. While overall estimates of those living in unaffordable housing have been made, often at quite small spatial scales, our understanding of the number and characteristics of households in the various housing sub-market where affordability is an issue has not been well researched. This is important. We need to know which sectors are affected, the

numbers of households in each sector, the extent of their problem, and the time over which they are affected.

Locating the problem

The spatial component of this is crucial. Housing sub-markets are spatially constituted. Overall analyses of affordability numbers often ignore this. But without this kind of detailed spatially disaggregated information, policy formulations may miss their mark. The variation in affordability outcomes by location suggests housing affordability has strong impact on location choice. We do not know how much any housing cost affordability advantage achieved by residing in a less expensive location is offset by a travel to work cost disadvantage. Over a decade ago, King (1994) suggested that better measures of accessibility were needed before such indicators could be incorporated into affordability measures. He also suggested that further development of indicators of housing stress is likely to depend on the availability of better housing data. The trade-off between travel costs and locational choices for those with affordability problems have never been fully researched or understood, despite the long-standing role such a relationship has played in urban economic location theory. An assessment of the factors affecting the location choices made by households at risk will provide some insights into these issues.

The duration of affordability problems

As indicated above, despite reasonably comprehensive data on affordability outcomes at a particular point of time and, at a broad level, of trends over time, we do not have information on the duration of housing affordability problems. A number of socio-economic changes in the past few decades, for example, are likely to have significantly affected housing costs over a household's or individual's lifetime. A decade of low inflation, for example, has meant that home purchasers have no longer been able to rely on time to reduce their initial housing burdens. At the same time, a decade of rising house prices and relatively stable rents has meant that rents provide a temporary reprieve from the burden of home ownership. Increasing reliance on two incomes to sustain purchase decisions means that households no longer have a residual insurance against loss of income by the primary income earner. Changing patterns of partnering, dissolution and re-partnering are likewise likely to have an impact on the burden of housing costs over time. A number of these issues are to be covered in NRV2. The improving availability of longitudinal data through HILDA opens the possibility of addressing some of these questions but the time period covered by HILDA currently is likely to be too short to provide any substantive insights. The issue of whether alternative approaches to those that rely on limited longitudinal data can provide additional insights is one that needs to be considered as the NRV develops.

The role of wealth transfers

Much of our data suggests that home ownership has been one of the prime factors that have generated positive housing affordability outcomes for older households. However, we know little about the extent to which older households are able and prepared to assist their offspring in achieving affordable housing outcomes in gaining access to home-ownership or through other means. We do not know what the impact of inheritance will be on the capacity of those who have not yet been able to access home ownership, or its contribution to better housing affordability outcomes for those who are home buyers (this is in addition to the effects of such transfers on house prices and housing investment decisions). The improved availability of wealth data through the HILDA survey opens up the possibility of examining some but not all of these issues.

Phase 1 and 2 of Project C in section 7 outlines a research proposal that addresses the issues raised in area 4 covered in this sub-section, along with those raised in area 2 covered above.

3.5 What are projected affordability problems 10-20 years into the future?

While the policy visibility of affordability issues has waxed and waned over the last three decades, the evidence to date suggests that affordability problems will always be there for a sizeable minority of households. In terms of assessment of the private market's ability to provide affordability and long term planning and policy, it is useful to get some measure of the scale of the affordability problems in the future. How many households may be unable to afford private market housing and therefore need housing assistance in ten to twenty years time? Providing some answers to questions may provide some indication of the adequacy of current policy levers.

To do this requires an exercise in projections, which could range from the relatively simple to the highly complex. However, some indication of the potential magnitude of the problem could be obtained by relatively simple projections and modelling based on the evidence generated from the research associated with areas 2 and 4 above.

Such projections could be used to fill in a table as below which could give some assessment of the additional households experiencing an affordability problem and therefore what this might mean by way of additional social housing needs or additional rent assistance expenditure.

Figure 2: Matrix of possible projection scenarios

	<i>Scenario 1 Steady state housing costs</i>	<i>Scenario 2 Faster Increase housing costs</i>	<i>Scenario 3 Lower than past housing costs</i>
<i>Unchanged Income Distribution</i>	220,000 *	280,000*	190,000*
<i>More regressive income Distribution</i>	280,000*	380,000*	230,000*
<i>Less regressive income distribution</i>	190,000*	240,000*	160,000*

* these numbers have been inserted for illustrative purposes only.

Further sophistication to such an exercise could be provided by analysis of intergenerational transfers of wealth through inheritance to assess whether and to what degree such a process might ameliorate the scale of any inheritance problems.

Phase 3 of Project C in section 7 outlines a proposal for the simplest set of projections that can be undertaken from current affordability data and household projections. More complex projections would require some modelling of the behavioural relations that underpin the outcomes observed in areas 2 and 4 and are beyond the scope of this particular NRV. Even the simplest projections, however, should provide data important to issues of how to provide long-term affordable housing for the aged.

3.6 What can be done to improve affordability?

This final area for the NRV provides a framework for assessing the best way to address the issues that have been identified in the five areas outlined in the foregoing sections. It focuses on the way forward.

In the housing policy analysis field in Australia, there has been a small number of recent studies which have contributed to our knowledge of the design, operation and impacts of different housing strategies, by looking either at the macro policy framework or at specific policy instruments or initiatives. Of this field, the main studies that have contributed either methodological tools or specific evidence about housing affordability are summarised in Box 3 below.

The short overview of these studies provided in Box 3 shows that, while they form a very valuable record, they do not comprise a comprehensive evidence base of the actual or forecast impacts of the array of affordable housing policies and mechanisms. Nor has a robust basis for evaluating housing policies and their impacts been developed or agreed in Australia so far.

Australia lags similarly developed countries in Europe and North America in diversifying its approach to the provision of more affordable housing. The findings of policy related research in Australia together with analyses of the changing nature and level of housing affordability issues (see earlier discussion) has consistently led to the view that additional and more diverse policy approaches and policy mixes are needed to tackle our housing affordability problems. Under the auspices of the Housing Ministers Advisory Council, (internal to government) work began in 2003 on identifying and classifying policy levers that have the potential to address housing affordability issues. One potential contribution arising from this work is the development of a financial model that can be used to test the impact of various levers, separately or in combination, in housing sub-markets where affordability problems are present. However, there is no publicly available evidence to date that the model applied has been independently assessed and verified. The further development of robust assumptions and models to forecast the potential impacts of housing policy levers in diverse and dynamic housing markets is one research option in this area.

The first research in Australia on non-government delivery models for affordable housing was completed in 2004 (Milligan et al, forthcoming). This research brought together information on the operating models that are already in place (such as City West Housing in NSW, the Brisbane Housing Company and Community Housing Canberra). It drew out lessons from these models from an analysis of the performance of these agencies and from interviews with their Directors, staff and other stakeholders. However, it is too early in the development of many of these models to evaluate their full impacts and assess their longer term potential. Therefore, to continue to inform our views about alternative policy, financial and operational approaches to the provision of affordable housing, it will be desirable for research into the policy mechanisms underpinning new arrangements and their operation to keep up with the growth and evolution of the affordable housing sector.

As a first step, agreement about the types of performance measures that are appropriate to apply to an assessment of housing policy mechanisms will need to be proposed and negotiated, noting that this is an undeveloped field both locally and internationally (Ambrose, 1993).

Box 3: Indicative evaluative studies

- Hall and Berry (2003) proposed and tested a financial appraisal methodology for determining the efficiency and risk for government associated with five different housing assistance options (a housing allowance, bond funded social housing, grant funded public housing, subsidised home loans and shared equity) in different housing market conditions. Based on their findings, the researchers argue for a more flexible mix of policy options for tackling housing needs in Australia.
- Gurran (2003) carried out a qualitative review of the scope and elements of local housing strategies (some of which include affordable housing objectives) that have been developed by a small number of local governments in Australia but did not consider the impacts that implementing such strategies may have had.
- Walker et al (2003) undertook a review of program evaluation methodologies and indicators in the context of indigenous housing policy. The focus of the methodology and key output is a set of principles to underpin housing research and program evaluation for indigenous peoples.
- Yates (2003) assessed the distributional impacts of direct and indirect forms of home purchase assistance in Australia and compared the results with similar work undertaken in the 1980s. It is one of the few studies where the impact of policies over different periods has been updated on a basis which has enabled longitudinal comparisons to be made.
- Extensive work leading up to, or undertaken under the auspices of the Affordable Housing National Research Consortium³ (2001), has focussed on the potential for private investment and models of financing affordable housing, concluding with policy implications interpreted for the Australian context. This work also floated criteria for what was an acceptable approach to financing affordable housing from policy, administrative and political points of view (see stage 3 report), which have not been further discussed.
- Wood (2001) developed and tested specific policy incentives to increase investment in low cost rental housing within the existing macro policy framework for rental investment
- Yates (2001) undertook a quantitative analysis of the impacts of urban consolidation policies on the supply of affordable housing in Sydney and Melbourne.
- In the context of growing political concerns about declining access to affordable home ownership, the Productivity Commission and various industry and peak bodies and government agencies have recently drawn together some of the available evidence of the effects of regulatory and taxation policies on declining affordability for first home buyers (Productivity Commission, 2003).

A key task for this NRV, therefore, is to develop an evaluation framework and methodology to support more systematic and rigorous assessment of the performance and outcomes of different affordable housing models. This would entail identifying and seeking agreement to the objectives and outcomes being sought (noting that these are not always explicit in policy discourse); proposing evaluation criteria; selecting and describing suitable evaluation methodologies (financial analysis, cost benefit analysis, behavioural surveys, etc); testing and refining preferred approaches using real cases and advising on their further application and use. A key methodological issue to be faced will be how to isolate the impacts of specific policy interventions by controlling for those exogenous factors that can be expected to have a significant impact on affordability outcomes, as discussed in area 2.

³ The Affordable Housing National Research Consortium is a national committee of people representing the housing, building and development sectors, trade unions and not for profit agencies formed in 2000 to examine the scope of affordability problems in Australia and to propose innovative solutions

An important aspect of policy evaluation work that has been highlighted by a recent review of the cumulative record of affordable housing policy and practice in the United States (Katz and Turner 2003) is the breadth and complexity of both explicit and implicit goals that contemporary affordable housing strategies tend to embrace - ranging from more specific objectives like the provision of appropriate and affordable housing with linkages to services, through to broader aims such as the promotion of individual social and economic participation, stronger families and communities and sustainable societies. A second challenge is the growing diversity in the markets and communities in which affordable housing policies need to operate, as already discussed. This suggests that evaluation methodologies will have to be able to incorporate a wider range of evaluative criteria than in the past and be designed to drill down into similarities and differences in outcomes across more diverse housing markets and the variety of household and community structures.

Whilst there will not be scope within this NRV for designing and evaluating particular policy options that cater for some specified affordability needs on a local, regional or sectoral basis - for example, policies designed to assist key workers obtain or retain affordable housing in expensive housing markets, policies using the planning system and development approval process to create additional affordable housing opportunities, etc. - the framework developed for evaluating affordable housing models will provide a template for future evaluation of any such policy initiatives.

Project D in section 7 outlines a proposal for the development of an evaluation framework and methodology for assessing the impacts of affordable housing models and for the testing of this framework in relation to specific policy initiatives to be specified.⁴

New research in this area that is currently beyond the scope of this NRV but that might be undertaken with additional resources include: further development of models for testing the impacts of different policy options across the range of housing markets operating in Australia; selective reviews and distillation of evidence from overseas of what works and why for particular areas of interest – such as the design and effectiveness of affordable housing policies in global cities, housing options for key workers, the impact of using planning mechanisms to increase the supply of affordable housing, neighbourhood and community impacts of integrated affordable housing developments, the impacts of alternative rent setting models on affordability and a comparison of the impacts of specific financing and delivery models for affordable housing that are being introduced in Australia.

⁴ Because the development of new affordable housing models in Australia is expected to accelerate during the course of the NRV (but on an as yet largely unknown basis), it may be desirable to retain some flexibility around researching specific approaches that will emerge over the next few years.

4 STAGING, DEVELOPMENT AND POLICY LIAISON

As far as it can be specified in advance, the research plan for this NRV has been built into the logical structure of this proposal and is implied by the structure of the research agenda outlined in section 3. This section summarises the key stages envisaged as well as the anticipated interaction with the PRWG to maintain the policy relevance of the work undertaken. Table 1 provides a summary of projects mentioned in this section. The text below outlines the structure implicit in Table 1 and indicates how the research program will develop over time. Figure 2 at the end of the section provides a diagrammatic representation of the timing of the proposed research program and of the policy liaison envisaged.

Table 1: Staging of research program

Stage 1 <i>(Background)</i>	Project A: Concepts	Area 1
	Project D: Evaluation framework	Area 6
	Project C, phase 1: Measures	Area 4
Stage 2 <i>(Analysis)</i>	Project B: Effects	Area 3
	Project C, phase 2: Drivers	Area 2
Stage 3 <i>(Projection)</i>	Project C, phase 3: Projections	Area 5

4.1 Stage 1: preparation of background/discussion papers

Stage 1 is to provide the background and conceptual framework for the NRV. It consists of preparation of background/concept papers from areas 1 and 6 and a position/discussion paper from area 4. The background/concept papers would provide a comprehensive review of existing literature in order to establish the existing issues and evidence base in the relevant areas identified for research in this NRV. These papers would identify key issues that need to be built into work to be undertaken in Stages 2 and 3. The discussion paper from area 4 would provide a starting point for refinement of the research methodology and questions to be developed for Stage 2.

Draft final versions of the papers prepared as Projects A and D outlined in section 7 would be due for presentation at the workshop at the end of Stage 1 as would a preliminary report on work in progress from Project C. In addition, the Project D proposal covering area 6 envisages a (by invitation) project specific forum to be held towards the end of 2004. Subject to contracts being finalised, Stage 1 is to start in August 2004 with draft papers prepared for circulation in late January prior to a workshop presentation in February 2005. Final reports from Projects A and D are due in March 2005.

Stage 1 is to be rounded off with a 1 day PRWG liaison/limited invitation workshop followed by a 1 day follow up team workshop. This is planned for February 2005.

Attendance at this workshop is to be by invitation only and will be limited to:

- the user group for the NRV, presumed to consist of
 - the NRV director,
 - one or two representatives from the PRWG,
 - a representative from HMAC,
 - a representative from AHURI Ltd., and
 - a representative from each of the key Research Centres involved in the NRV if the Centres are not represented by the authors of the reports being prepared).
- possibly several other invitees who have the potential to contribute to the development of the next stage in the research process.
- any PRWG member wishing to attend. An invitation will be extended to all PRWG members.

This workshop is to assist with the development of specific research questions that arise from the work undertaken on areas 1 and 6 and the preliminary work undertaken on area 4 and that can be researched within the budget and time frame set for the NRV. Appropriate data sources and research methodologies for the next stage of the research program will be confirmed at this stage as will plans for the survey that forms the focus on Stage 2.

4.2 Stage 2: data collection and analysis

Stage 2 consists of two components. The first is an overview paper that examines the effects of housing affordability. Whilst this is primarily a desk-based project, it will benefit from being able to build on the conceptual work and early data analysis that will emerge from Projects A and C in Stage 1. The second, larger component, is developmental work on the agreed research questions within areas 2, 4, and 5 in the plan outlined in section 3 above. One of the early key tasks within this stage will be the design and commissioning of a special purpose quantitative survey, the aim of which is to provide the data needed for the questions raised in areas 2 and 4. The first task will involve design and piloting of the survey questions. This represents the first part of phase 2 of Project C. It will be followed up at a later date with an in depth analysis based on qualitative work focussing on specific groups and issues that are identified in phase 2.

Stage 2 is due to start in March 2005 and to continue until mid 2006.

A one day workshop will be held mid-way through stage 2 in order to present and discuss early findings from the survey data generated in phase 2 of Project C. The first half day will be used for dissemination to the extended user group as indicated above. The second half day will be a team workshop that will focus on developing methodologies for analysing, explaining and further exploring the survey results. It will also focus on how the results obtained can best be integrated into the phase 3 projections of Project C discussed above in area 5. This workshop is planned for sometime towards the end of 2005 or early 2006. In depth analytical and projection work will be undertaken in the latter part of 2006 and the early part of 2007.

Stage 2 will be completed with a third workshop. Whether this is to be based on the same format as that at the end of Stage 1 or whether it is a more open presentation will be considered at the second workshop.

4.3 Stage 3: projections

Stage 3 will consist of phase 3 of Project C, covering the projections based on the results of Stage 2 work (and of more complex analysis of the survey data if additional funding is forthcoming).

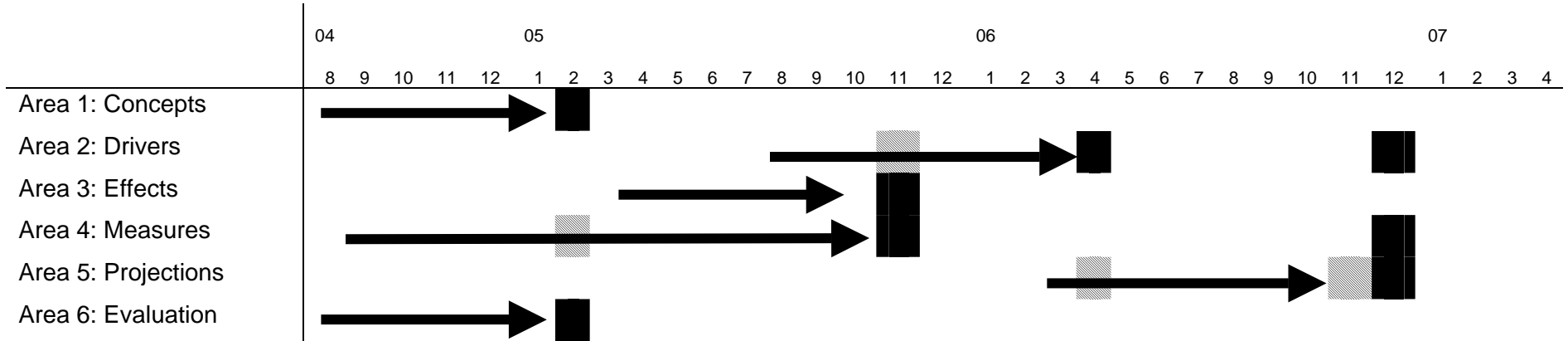
As a precursor to the final presentation from this NRV, the PRWG will be offered the opportunity of a work in progress on the work from phase 3 of Project C late in 2006.

Stage 3 will conclude with presentation of results from a draft report on the findings of all phases of Project C (covering areas 2, 4 and 5) to a wider audience consisting of primary stakeholders and other interested individuals (format to be discussed). The responses to this will form the basis for the final revision of the final report from the NRV. This presentation is to be scheduled in the first half of 2007. The desirability of integrating this with repeat presentations of results from Projects A, B and D will be discussed with the user group before final arrangements are made for this final presentation.

A final report for all phases of Project C will be prepared in response to feedback obtained these final workshops.

Figure 3 below gives a diagrammatic and indicative representation of the timing of the research to be undertaken in each of the 6 areas identified in this draft NRV plan and of the stages outlined above. The relative weight placed on the various areas to be researched affects the duration and timing indicated in this figure.

Figure 3: Indicative timing of research program



Note: shaded cells indicate timing of workshops and presentations;
 hatched = work in progress report
 black = draft final report

5 CAPACITY BUILDING AND FUNDING OPPORTUNITIES

Capacity building within this NRV is achieved primarily through

- maintaining research staff currently on short term contracts within the housing research area whose developed and emerging skills would be lost to housing without the projects outlined in section 7. It is envisaged positions at both the UNSW/UWS Research Centre and Swinburne/Monash Research Centre will be supported in this way. In particular, the capacities of researchers with quantitative and/or qualitative data analysis skills will be enhanced. Likewise, the capacities of researchers with survey design skills will be enhanced..
- deploying the University of Tasmania/AHURI funded postdoctoral fellow assigned to work on this NRV undertaken under the direction of the Project Leader.
- maintaining the continuing involvement of an experienced housing analyst who is employed on a contractual basis within the Sydney Research Centre.
- retaining the skills of leading housing academics/researchers who might otherwise leave academia and housing research.
- supporting the capacity to undertake telephone based surveys within the University sector.

Additional capacity building/additional funding opportunities include:

- the possibility of using an AHURI scholarship at the University of Sydney for a PhD student willing to work on the research agenda covered by this NRV. AHURI top-up scholarships are also available from the Universities hosting each of the participating Research Centres.
- the possibility of linking some the work on affordability measures with currently funded ARC work on budget standards
- the possibility of additional leverage from Australian Research Council grants
- the possibility of raising additional funding for the survey from industry and/or other sources by extending its coverage
- the possibility of obtaining funding from affordable housing providers to undertake evaluation of existing projects
- the possibility of a NRV3 "bid" for a foreshadowed AHURI project brief on housing affordability, occupation and location in Australian cities and regions.
- the possibility of extending the work of the NRV3 with project based funding for research identified as desirable in section 3 but excluded from the NRV3 program because of resource constraints.

6 COMMUNICATION AND DISSEMINATION STRATEGY

The reporting requirements built into Section 4 of this proposal, on staging, development and policy liaison, provide the primary basis for the communication and dissemination strategy for NRV3.

Written reports and workshop presentations from Projects A, B, and D and from each of the three phases of Project C will form the basis of the communication of the results of the research undertaken.

The key dates indicated by the shaded cells in Figure 2 provide an indicative timetable for these reports and presentations. A summary of these is as follows:

February 2005:

- presentation to PRWG and others by invitation
- draft final reports from Projects A and D
- work in progress reports from Project C, phase 1

March 2005:

- publication on AHURI website
- final reports from Projects A and D

November 2005:

- presentation to PRWG and others by invitation
- draft final report from Projects B and C phase 1
- work in progress reports from Project C, phase 2

December 2005:

- publication on AHURI website
- final report from Project C phase 1

April 2006:

- presentation to PRWG and others by invitation
- draft final report from Project C phase 2
- work in progress reports from Project C, phase 3

May 2006:

- publication on AHURI website
- final report from Project C phase 2

November 2006:

- presentation to PRWG and others by invitation
- draft final report from Project C phase 3

December 2006:

- publication on AHURI website
- final report from Project C phase 3

March 2007:

→ half day presentation of outcomes of whole research agenda to audience of primary stakeholders and interested individuals

The outputs of this NRV will consist of 6 final reports (one each from Projects A, B and D and 3 from Project C) plus the results of the quantitative survey that will be made available to interested users (eg via the Australian Social Science Data Archives maintained by the ANU).

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