

IT'S TIME TO ACT ON HOUSING AFFORDABILITY IN NSW

THE RENTAL UNAFFORDABILITY PROBLEM IN NSW

There is a growing shortage of affordable and available rental housing for low income households in NSW.

98,000 **38%** **134,000**
1996 2011

The shortage of affordable housing has grown by 38% over 15 years.¹



On a typical day in April 2016, there were

12,993

properties advertised for rent in Greater Sydney.



Only **848**

of these properties were affordable for households on a minimum wage.²



Only **51**

families on income support could afford to rent one of these properties.²

RENTAL STRESS:

those in the bottom 40% of household income who are paying more than 30% of their income in housing costs.



In 2013-14, NSW had the highest proportion of low income households experiencing rental stress.

NSW **76%**

AUSTRALIA **68%**

In NSW, 76% of low and very low income households were experiencing rental stress compared to 68% nationally.

WHAT DOES 'RENTAL STRESS' REALLY MEAN FOR PEOPLE?

Those experiencing rental stress will often sacrifice necessities in order to pay the rent on time.



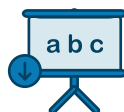
Some households may go without meals. (22% of low income households have gone without a meal to pay the rent)⁴



There may not be enough money left over after the rent is paid, to pay for health care. (26% of low income households have gone without medical treatment to pay the rent)⁴



Often, those experiencing rental stress, may not be able to pay other bills on time. (42% of low income households have not paid another bill when due, in order to pay the rent on time)⁴



A lack of affordable housing can also impact on children's performance at school as lower income households may have to relocate frequently.⁵



In the worst case, the unaffordable housing market can result in homelessness. Housing affordability issues are the primary cause of homelessness in many countries.⁶

WHAT IS CAUSING THE RENTAL UNAFFORDABILITY PROBLEM?

House prices have grown dramatically since 1990, putting ownership out of reach for all but well-off households.

↑78%



In the last decade (2006-2016), house prices in Sydney have grown by 78%.⁷

This is because, along with deregulation, our tax system has encouraged speculation in housing by cutting tax on capital gains and by subsidizing investors' losses on borrowing while they wait to sell at a profit.



By 2014, half of all new finance commitments in Australia went to investors rather than to owner-occupiers.⁸

Therefore, more people are renting because they can't afford to buy.



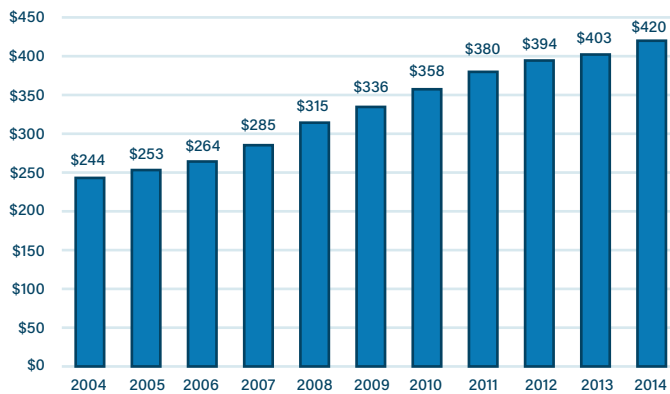
Home ownership rates have fallen from 68% in 2004 to 65% in 2014 (from 68% to 63% in NSW).⁹

Rent prices have increased by 70% over the last ten years.¹⁰

\$300 **70%** **\$510**
2006 2016

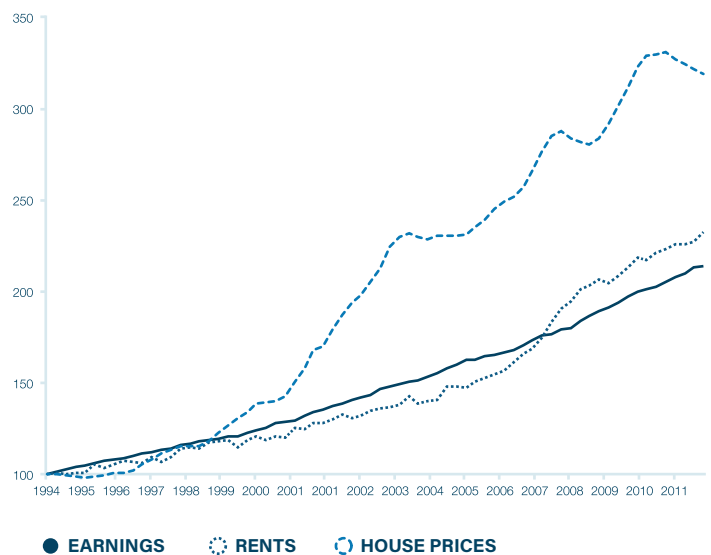
In past decades, rents have risen faster than income.

AVERAGE NSW WEEKLY MEDIAN RENT



Despite this growth in rental prices, there has been very little housing built at affordable rents, far less than the increase in the number of people who need it. In addition, there is also a lack of social housing available for those who need it. Over the past ten years there has been a decrease in the supply of social housing stock as a proportion of overall NSW housing.¹¹

RENT & HOUSE PRICES COMPARED TO EARNINGS 2012



Across NSW the demand for social housing is increasing with more than 59,000 households currently on the social housing waiting list.¹²



The gap is therefore increasing between the top income earners (who are often owners of property) and the bottom income earners (who are often struggling to find affordable rental housing). Those who own property become more wealthy as house prices grow. Therefore, both housing and income inequality are increasing as house prices in NSW continue to rise.

Between 2001 and 2014 the average equity of homeowners in the bottom 10% grew by \$16,804, while the equity of the top 10% grew by \$308,869.¹³



Households in the top 20% have an average net wealth of \$2,514,400 while households in the bottom 20% have an average net wealth of \$35,500.¹⁴



A final contributing factor to the problem is that the workforce is becoming increasingly casualised, meaning purchasing a house is impossible and renting is risky.



Workers under the age of 30 are more likely to be working in casual roles than ever before (Joint Statement). In the 10 years between 2002 and 2012, the proportion of people under 30 working without paid leave entitlements almost doubled (2.6% to 4.34%).¹⁵

THE POSSIBLE SOLUTIONS - WHO IS RESPONSIBLE FOR CHANGE?

All levels of government to work to ensure a fairer housing system. Reform is needed across the taxation, income security, social housing and homelessness systems.



FEDERAL - TAX REFORM

Tax reform is necessary- parties should commit to limit the offsetting of losses on investments in rental properties to income from those assets, rather than the whole of the investor's income.



STATE - SUPPLY OF AFFORDABLE HOUSING

Direct investment by the state government to increase affordable and social housing supply in the private and public markets. Increasing housing supply will only make a difference if it is targeted to the lower end of both the home ownership and rental markets.



LOCAL - SUPPORT FOR GOVERNMENTS & COMMUNITIES

Local councils to outline affordable housing targets, including social housing.

BOTH STATE & LOCAL

Inclusionary housing: A planning requirement that relevant new developments provide a percentage of affordable housing (directly or in cash) either in a new development, developments on government land or in an area where there has been an increase in value (value sharing). We recommend that 15% of new developments on private land should be affordable housing, and 20% on government land.

Explore the options around partnering with not-for-profit and community organisations to provide affordable housing.

1. Maryanne Wolf et al. AHURI Final Report No. 241, Tables 18 & 19

2. P69. Anglicare Rental Affordability Snapshot 2016

3. Yates, J. unpublished data based on ABS '2013 - 14 survey of Income and Housing'

4. Tenants' Union of NSW, Affordable Housing and the New South Wales Rental Market 2014 SURVEY REPORT

5. Phibbs, P & Young, P. AHURI Positioning Paper No. 37

6. Prof Suzanne Fitzpatrick & Dr. Sarah Johnsen. Institute for Housing, Urban and Real Estate Research, Heriot-Watt University; & Beth Watts, Centre for Housing Policy, University of York. January 2012

7. Core logic RP data, 2016

8. Hulse, K. et al. 2015 Supply shortages and affordability outcomes in the private rental sector: short and longer term trends, AHURI Final Report No. 241

9. The Household, Income and Labour Dynamics in Australia HILDA Survey: Selected Findings from Waves 1 to 14, Table 6.1 & Figure 6.1

10. Derived from NSW Rent and Sales Report March 2016

11. NSW Auditor - General's Report to Parliament. Making the best use of public housing. 2012

12. NSW Family and Community Services, 2016

13. The Household, Income and Labour Dynamics in Australia HILDA Survey: Selected Findings from Waves 1 to 14, Table 6.1 & Figure 6.3

14. Figures sourced from ABS and McCrindle research

15. ABS, 2012