

Housing affordability The household's experience

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What the study was about

1. To get behind the raw numbers of the household affordability problem
2. To find out how an affordability problem affects financial and social well being.
3. The method was one of a mail out survey of 1381 renters and 399 recent home buyers followed up with 17 focus groups and 20 detailed face to face interviews



The sample

- Of the 1381 renters 730 were *lower income* defined as being in the bottom 40 percent of income earners and 649 were spread across the other income quintiles.
- Of the 399 recent home buyers (last five years) 145 were in the *lower income* group and the remainder in the higher income group.
- The sample embraced lower priced and lower rent locations in NSW, QLD and Vic



Framing the research questions

1. The decision making processes of households in response to affordability constraints
2. Typologies of housing consumers based on affordability position,
3. The impact of decision making of wider market and social relationships eg labour market, income support
4. The degree and form of household risk.
5. The duration of the household affordability problem; i.e. is it cyclical or a more permanent phenomena

Research findings

Renters

- Despite government obsessions with ownership private rental is the problem sector.
- It is not just an issue of sheer numbers but the intensity of their affordability experience. [\[Slide 9\]](#)
- A sizeable proportion of all renters are trapped in long term rental occupancy and are unlikely ever to achieve ownership.
- Another ten percent of renters are backsliders those who were once in home ownership but were unable to stay in.

Research findings

Renters

Cont...



- The bulk of low income renters have little capacity to absorb any sizeable rent increases.
- 70% low income renters are experiencing difficulty and paying rents and 40% have been in arrears at some time in the last three years.
- Among low income renters mobility rates are high (40% moving annually) with just on a third having to move in search of cheaper rents
- For renters, including aspirant renters the biggest barriers to purchase beside rent levels were income levels and certainty of income.

Research findings

Recent purchasers

- A sizeable minority (22%) of purchasers appear unaware of and have not budgeted for the ongoing costs of ownership.
- A small minority of low income purchasers (estimated 10 to 15% risk falling out of ownership if interest rates go up another one percent) with 13% actually unable to meet payment at some point in the last year.
- The real risk factor for purchasers is the state of the economy and ability to have a second job or get part time work.

Research findings

Recent purchasers

Cont...

- Compounding risk is the level of debt (excluding mortgage) and savings. Almost a quarter of all purchasers have no savings and over a third have debts of \$10000 plus.
- Intergenerational transfers had been of assistance for almost a quarter of purchasers but more in the form of a loan than a gift.
- 30% of low income purchasers stated they would have been unable to purchase without FHOS
- The biggest trade off in achieving ownership was housing size and quality. Households were more willing to trade off these than location.

Effects of housing affordability

Wellbeing for lower income renters

Type of Hardship	Lower income households paying 40+% of income in rent
My family has sometimes gone without meals	29.6%
My children have had to go without adequate health and/or dental care	38.7%
Approached a welfare/ community/ counselling agency for assistance	32.9%
Sold or pawned personal possessions	33.7%

Conclusion

Policy implications

Three policy principles emerge from the research;

- A need to improve outcomes for long term renters.
- A need to acknowledge risks faced by marginal Home owners.
- A need for better mechanisms for facilitating access.

But more important is a paradigm shift

