

# Affordable Housing in Western Sydney Summary Issues

## Introduction

A key issue for Western Sydney is the **lack of adequate, affordable<sup>1</sup> housing** that provides reasonable access to work opportunities and community services at a cost that does not cause substantial hardship to the occupants

More action is urgently needed at all three levels of government: more resources, more comprehensive and integrated policy and above all a national impetus.

## Key Issues for Sydney

- Lack of housing affordability is greater in Sydney than in regional areas of NSW;
- The generational issues of housing stress
- One in three low income households are in housing stress;
- 30% of single households are in housing stress, but couple households suffer the least stress;
- Housing stress is more associated with income than profession; and
- People in their 40s, 50s and 60s are more likely to be still paying a mortgage than Australians of the same age a decade ago.

The huge increase in housing costs has severe economic and social consequences. It can:

- effect economic development and competitiveness,
- result in inefficient urban development and high transport costs,
- influence fertility rates and family cohesion,
- reduce retirement security; and
- adversely impact intergenerational equity and the social strength of local communities.

WSROC considers that there is a pressing need for government intervention to help trigger private investment in the lower end of the housing market.

## What has changed?

The gap between the rich and the poor is getting greater with those with less than half the median income needing 27 times their annual disposable income to purchase a typical home in 2005/06.

During the last decade average house prices in Australia have almost doubled relative to income. In Sydney prices are substantially higher than elsewhere and some of its problems are more acute. There are unprecedented high levels of housing debt that have been incurred by people seeking to buy their homes, but their assets have not been significantly appreciating and more recently, particularly in areas such as Western Sydney, have been losing value.

Sydney has a higher proportion of renters than the national average. Nowadays the great majority of low-income renters pay more than the benchmark 30% of their income on rent and many pay more than 50%.

Overseas experience has pointed to the fact that a large social housing sector with acceptable rents evens out the costs of housing between different households and the various players in the housing market perform on a more equitable basis. However, changes in housing policies and the resulting changes in housing markets have increased polarisation. Such changes have also led to dehumanisation of tenants and increases in homelessness among this most vulnerable group.

The supply of appropriate housing is not keeping up with the increasing numbers of moderate income households – those earning between \$35,000 and \$55,000 per annum.

Over the last three decades large increases in value accruing to home owners have brought financial security to those who could not previously have known or expected it. The emotional

investment that is made in the home has resulted in a combination of interest and commitment that makes housing unique in the market place.

### **Issues for Greater Western Sydney**

In Western Sydney hidden inequalities in housing can stem from differences in the physical and social infrastructure provided in various parts of the region. The presence or absence of infrastructure provision, as well as limited employment opportunities, has been shown to directly affect the health and well-being of households<sup>3</sup>. Poor public transport provision, limited employment opportunities and scarce community services are all factors which erode the 'real' affordability of housing in Greater Western Sydney.

High levels of car ownership are exacerbating income deprivation in many areas. To bring about any change will require a massive alteration to a lifestyle that has developed out of necessity. Transport costs are the third largest items in household budgets after housing and food, consuming on average 14.8% of the proportion of household income in Sydney.

Localities situated in the middle and outer suburbs of Western Sydney are most vulnerable to the socio-economic impact of oil price rises. In these areas people are already suffering from a combination of housing stress and transport stress – a situation that is likely to get worse.

Many of these households will have little chance to rent or buy homes in locations near familiar social networks, employment or community amenities. Few of these households will find the housing forms currently offered by the industry suitable for their needs.

The escalating cost of land is also seriously impacting on future housing affordability in 'greenfield' estates.

Failure to accommodate the housing needs of moderate income households is important since it distorts the demographic profile of areas by leading to the exodus of:

- Locally born residents;
- Couples;
- Single parents;
- Local residents whose families have split;
- Older residents who no longer have the income to pay for local housing; and
- Essential local service workers from many local areas.

Without a significant change in how this issue is addressed NSW will continue to divide into a State of housing 'haves' and 'have nots'. Without strong leadership and partnerships the economic competitiveness of NSW will deteriorate and the housing opportunities and choices available to future generations will be severely limited.

### **The Older Suburbs**

There is evidence of increasing social polarisation across the region, with growing social diversity and physical obsolescence of the older suburbs built between the 1930s and the 1960s.

While Sydney's older inner city areas have experienced unprecedented pressure for densification and gentrification and the newest outer suburbs have undergone an upward transition in terms of social composition, the areas in between are ageing and becoming the major locations of urban disadvantage in Sydney.

It is now generally recognised that many of the social problems that have been encountered in areas that have experienced rapid urban growth have arisen from an imbalance in the age and household structure of the incoming population. The output of private builders in new release areas has traditionally been geared to the needs of a market dominated by the family purchaser.

Land use planning has resulted in ad hoc urban renewal with poor outcomes. There has been little understanding of the processes driving the changes or of the complex problems these areas face.

There has been no concerted effort to link land-use planning with the social interventions that these areas require, or recognition of how the housing market plays a key role in generating and maintaining the disadvantage of these areas. The lack of an integrated approach to addressing complex urban problems has contributed to a socio-economic divide.

There is a growing divide between these older localities and the newer more affluent housing estates. The spatial structure of Sydney is becoming increasingly polarised. In Western Sydney the most extensive areas of disadvantage have little public housing. In contrast, areas of disadvantage in the inner city have high proportions of public housing.

The dwelling stock in the older Western Sydney suburbs, built of low cost materials using a mix of cheap construction methods, by today's standards lacks amenity and much of it is of fibro construction. Much of this housing is reaching the end of its life cycle.

Much of this poor quality housing has passed into the private rental market. Older owner occupiers are being replaced by more mobile renters; there are fewer higher end incomes or stable households to hold the community together.

There is a highly distinct demography. These areas contain high proportions of people born overseas speaking a language other than English, low income earners, very young families, high unemployment and low employment participation rates. Many of the medium density dwellings comprise walk-up flats. Most are in private ownership and are rented, with only a small proportion of people living in the social housing sector.

Yet these areas have many characteristics in common with the large public housing estates in south-west Sydney, since they share a similar income profile, large populations of young families and have a high rate of turnover. The physical form is distinct and unpopular and is only accepted by people who have limited opportunities and may be socially stigmatized.

Selective migration is occurring between suburbs, with the older areas losing upwardly mobile populations to the new fringe areas. The key feature of these older suburbs is a much more highly diverse housing market and greater concentrations of social problems. These, predominantly private sector areas, are now subject to intensifying pressures for change and renewal, especially where the housing occupies relatively large blocks of land. The change is largely unplanned and ad hoc.

Without intervention in the market, pockets of disadvantage in these older middle suburbs will continue to increase as social problems concentrate and new investment drains further. There is the danger that Western Sydney may become an even more divided and polarised society. The growing inequality is not only about income inequality, it has also to do with opportunities to live full lives.

### **Housing Careers**

The changing nature of household formation and the emerging prevalence of non-traditional households (such as single parent families, lone persons and childless couples) are progressively complicating the development of a standard household history. Yet there is little evidence of fewer households aspiring to own their homes.

The allocation of households to dwellings must also be seen in terms of market constraints as well as individual preferences. The current out-migration from a number of the older established suburbs of Western Sydney suggests that there are some groups who consider their housing needs can be better satisfied elsewhere.

It would appear that constraints of housing availability, access to mortgages and lack of public housing provision, as well as social aspects of location and safety concerns, are also predictors of migratory potential. Also moves by owners to more expensive owner-occupied housing can depend more on capital gains from past ownership, rather than any increase in housing need.

Many of these older suburbs, despite being located on railway lines, have been losing population. This is clearly a matter of some concern since these areas have been targeted for urban consolidation. They are now the locations of some of the most disadvantaged communities in Australia. Land use planning in the past has failed to address the problems of these declining suburbs.

### **Affordable Housing in Western Sydney**

Western Sydney is often considered to be an area of affordable housing compared to the rest of Sydney. However, this does not mean that the housing is necessarily cheap for the people who live there.

There has been a pronounced worsening in affordability in the traditionally more affordable LGAs. In some of the middle and outer suburbs of Western Sydney (particularly in Fairfield, Blacktown and Liverpool) the income to repayment ratios, which hovered in the low to mid-30s in 2001, accelerated to the low 40s in 2006. By contrast, many of Sydney's wealthier suburbs experienced relatively improved levels of affordability – at least for those already living there. This is because incomes rose so much more quickly there that the increase in house prices has not impacted so much on affordability in those areas.

In terms of rental in the lower value markets of Western Sydney, worsening levels of rental affordability are apparent. In these areas even relatively small changes have a big impact on what is left of a household's budget, once the rent has been paid. If rents do continue to rise it is probable that the most pain will be felt by those whose housing options are limited by locational constraints and a lack of choice.

The Australian affordable housing sector is tiny in comparison to North America and Europe and these larger affordable housing sectors have the capacity to offer a greater choice of housing options, whereas in Australia the products provided have been relatively undifferentiated and aligned principally with the criteria and rules for public housing, especially in rent setting and eligibility.

Despite the absence of direct intervention by government in the housing market, the role of government is pivotal. Some of the most significant impacts on Australian housing stem directly from interest rate and taxation policies and the Federal Government's promotion of home ownership as a means of attaining financial security.

There appears to be the perception that ownership in its current form is the only form of desirable housing, whereas surveys indicate that what people really want is security of tenure.

### **Urban Renewal**

The issues surrounding the physical renewal and associated social change in ageing suburbs has attracted both policy and scholarly attention overseas but have received little attention in Australia.

There is a focus on physical renewal through high density development, with little consideration given as to who will live in these apartments. Unfortunately the socio-spatial implications of urban consolidation policies have not been widely understood, and as previously noted can lead to an increase in socio-economic polarisation.

Because households are becoming smaller and household formation rates are driving high housing demand, there is a perception that the problem will simply be found in supplying more smaller units of accommodation. Yet there is scant evidence that Australians have generally become more

enthusiastic about high density living or that many older people want to downsize and move into apartments.

The current planning ideology that is attempting to concentrate flats in inner city and town centre locations implies a degree of social segregation by household type and will become a dominant feature of the future metropolitan structure. Urban consolidation policies need to be re-thought for existing socially disadvantaged areas, if socially regressive outcomes are to be avoided.

### **Land Supply**

Much of the lack of housing affordability debate has focussed on a criticism of the State Government's failure to release more land at the urban fringe. However, these land release arguments ignore the different housing sub-markets in a single suburb or LGA, let alone across the metropolitan region. It should be noted that housing in one sub-region does not automatically substitute for housing in other areas.

New residential development at Sydney's western fringe has stalled and while developers complain about taxes and levies, privately they admit they are withholding new house-land packages from the market because the prices they get are too low. The market for new housing appears to have disappeared. There could be due to a number of factors:

- High levels of interest rates;
- A stagnation of house prices in Western Sydney; and
- Inadequate capital gains leading to a loss of confidence that housing will retain its value.

Also more people are becoming aware of the locational disadvantages of life on the urban fringe.

### **Generational Issues**

There are emerging issues of generational issues in terms of housing stress. For example across Australia it is estimated that one third of households in generation X and Y are in housing stress, compared with 18.8% of 45-49 years old and 10 % of 60 years plus.

People now in their late 40s, 50s and 60s are much more likely to be still paying off a mortgage than Australians of the same age a decade ago. Should this trend continue, future generations will be less likely to enter into old age with their mortgage paid off and their home underpinning their financial security into retirement.

For many in Western Sydney there are now more opportunities and more choice. But this is not universally shared. The shift of provision of services from the public to the private sector is also exacerbating inequality.

Demographic and social changes are placing increased pressures on housing choice. The consequences of not providing for a wider range of housing choice, than that currently offered on the market, may result in people being forced to move away from their area due to a lack of available accommodation suited to their present needs.

### **What Needs to be Done**

WSROC is of the view that the Commonwealth and States and Territories should follow the South Australian approach of adopting an ambitious but not unachievable numerical overall target for improving the supply of affordable housing. Such targets should secure the sustained commitment across governments and encourage support from other sources.

A more diverse range of housing and a greater social mix should be encouraged in both new release areas and older areas undergoing urban revitalisation, to ensure that new developments cater for as wide a range as possible of different socio-economic groups. The aim is to develop communities where residents of all ages and income groups can live together. The lifestyle needs of singles, childless couples, families, people with a disability and the aged should all be catered for.

In addition to being socially more equitable, such a strategy helps to reduce the peak demand for age-specific services such as schools and health care, and ensures a diversity of services exist to fulfil the full lifecycle of the community. It also assists in redressing the socio-economic imbalance that currently exists in Greater Western Sydney.

There is a need to counteract market failure with alternative forms of tenure, including co-operative structures which house people from across the socio-economic spectrum.

Since market and housing supply trends are cyclical, the current situation is at a particular point on the market cycle where there is more demand than supply. However, since planning responses are failing to take locational issues, there can still be undersupply in some areas and over-supply in others.

There needs to be greater understanding of how the First Home Buyers scheme has been poorly targeted distorting the market. It is recommended that refining the scheme over time could free up resources to improve housing access for lower income groups.

It is acknowledged that high levels of home ownership has had substantial benefits for public expenditure, since it has saved on rental assistance payments. However, WSROC is of the view that rental assistance should be further targeted to ensure those in affordable housing remain eligible, even when rent is below market rates.

There should be greater acknowledgement of the distorting impacts that negative gearing and targeting has on the housing market and the resulting tax haven it provides for high income earners. Again, over time, negative gearing should be reinforced and more tightly targeted or even abolished; with safeguards put in place to avoid problems in the rental market.

Rather than simply adopting the UK and US housing models, further consideration should be given to other forms of housing tenure successfully used in other parts of the world, such as Sweden, which has adopted the co-operative approach and applied it to provide a broad range of housing and not just social housing.

## **Conclusion**

In Western Sydney people more and more people are suffering a combination of 'housing stress' and 'transport stress' and are travelling longer and further just to carry out their daily activities. The community is highly car dependent and lacks access to local facilities and services. People's lives and working patterns are becoming increasingly complex and it is recognised that access to public transport and other essential human services and facilities is essential.

Of particular concern is that more and more people have little freedom of choice in terms of where they live and find employment. Also reliance on market forces to provide housing choice has clearly failed. The consequences of not providing for a wider range of housing choice is resulting in more people being forced to move away from their area due to a lack of available accommodation suited to their current needs.

As more and more people move to the urban fringe, the peak demand for age-specific services such as schools and health care increases (hence the need for demountable classrooms in new release areas and the closure of schools in under-populated older established areas). The costs of the continued extension of the trunk infrastructure (roads, public transport, water supply, sewerage and drainage systems) coupled with the age-specific demands placed on human services and facilities, are all issues having to be tackled by the myriad of agencies and influential players in the urban development process.

In a NCOSS debate held at the NSW Parliament a few years ago, the then WSROC President responded to the question of ***Does it matter if the poor are forced out of Sydney?*** She noted that such a situation would be socially inequitable, environmentally irresponsible, would reduce

cultural vitality and would be economically unviable. In summary, she stressed that it does matter if the poor are forced out of Sydney.

The Minister for Planning in NSW has also recognised that this is an unsustainable policy. He has been quoted as saying that the east/west divide still exists in household incomes and has announced he wants to break this down by improving access to employment, education and other key services. The Premier has also listed 'access to affordable housing' as an issue high on his agenda. WSROC is anxious to ensure that the rhetoric from all three levels of government is actually matched by a commitment to better housing outcomes.

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