

# BEYOND REACH

A workforce housing crisis in the making



QLD Edition



RED TAPE

LAND RESTRICTIONS

HOUSING TAXES



Residential Development Council  
PROPERTY COUNCIL

By The Residential Development Council  
A division of the Property Council of Australia  
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# BEYOND REACH

## A workforce housing crisis in the making

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### Introduction.

The cost of housing has risen rapidly from the late 1990s and early 2000s – from around four times median household incomes (where it has been for much of the post war period) to now around 7 or even over 8 times median incomes.

These increases have been driven by government policies which have since the late 1990s:

- restricted the supply of land in order to (hopefully – and it is so far mainly about hope) increase the proportion of households living in home units rather than traditional suburban blocks
- taxed new housing supply through various fees, levies, charges, taxes and compliance costs which now account for up to one third the cost of a new house/land package (these taxes have typically risen by over 300% in the last 5 years)
- tied up supply in a worsening tangle of red tape, which has seen assessment and approval of housing development take longer and cost more yet deliver no community benefit.

Many governments are in denial about the causes of the current problems. They claim that interest rates are to blame, or that access to ready credit in a strong economy is the root cause. However, none of these political attempts to 'pass the buck' recognize the undeniable fact that the cost of basic housing, or access to low-cost house+land packages on the urban fringe (which typified the entry level housing market for generations of Australians since the 1950s), have escalated wildly under their watch.

To demonstrate the magnitude of the problem, the Residential Development Council has prepared the following research which relates the cost of different forms of housing to a series of stereotypical family units.

Low to middle income occupations were chosen, along with essential occupations (police, nursing, teaching as examples) to demonstrate that people with occupations essential to the functioning of our cities are being denied housing anywhere near their places of work. Even the option of low cost entry level house and land packages on the urban fringe is, for many, beyond reach.

What are the consequences for our economy or the shape of our communities if these trends are allowed to continue?

### Executive summary.

For working Australian households, there are several definitions of housing affordability. There are those who suggest that typically no more than 30% of household incomes should be servicing housing costs. Others suggest that house prices should cost no more than three to four times median household incomes for it to be affordable.

We have used both measures in this report. No matter which way you look at the situation, the cost of housing is beyond the reach of many working family units across the nation.

For an increasing number of young families, the prospect of a single income earner and stay at home parent is now beyond reach if home ownership is an objective.

For others, even with both parents working full time, home ownership can still be beyond reach.

For others still, even the prospect of finding affordable rental housing lies beyond the realm of what is called affordable.

## Methodology and information sources.

The Residential Development Council engaged a respected lecturer in town planning – Louise Charlton – to compile the basic data.

Incomes are sourced from various State Government sources. The incomes used are, where possible, basic award rates, without overtime or other benefits taken into account. Clearly many of the occupations cited are capable of earning more through work as self-employed contractors (eg electrician) or for the private sector (eg teaching) or with overtime taken into account (eg policeman). However the basic awards provide a reliable way of comparing regions.

Incomes are based on the awards typically available to employees aged around the 27 to 30 years of age mark. Incomes quoted are gross pre-tax incomes. Family groups may or may not have children. No allowance has been made for various childcare allowances or family tax benefits if they do.

Median house and unit prices have been obtained from Real Estate Institutes and from sites such as realestate.com.au or domain.com.au and reflect median prices at the beginning of 2007. Median house and unit rentals were sourced from Real Estate Institutes, the web, newspapers and discussions with agents. The prices of entry level new housing were based on developer advertisements, the web and discussions with agents and developers.

In all cases, prices quoted are as close as possible to 'typical' 3 bedroom houses or 2 bedroom home units. Prices are intended as representative of the region only.

For repayments, we have assumed a 5% deposit. A rate of interest of 8% over a 25 year term (principal and interest loan) has been used in calculating annual repayments. Principal and interest loan calculators have been used to derive the repayment figures.

There has been no allowance for the costs of legals, searches or other transaction costs. Further, there has been no allowance for the FHOS given that where first home buyers are involved, the grant is rarely sufficient to cover the 5% deposit which we have already assumed.

The median multiple figure used reflects the median house price for that area, relative to the combined household incomes for that family group.

## Household types.

Six different household types were chosen to illustrate the dimensions of housing affordability for 'key worker' and low-middle income occupations in major centres.

There is no scientific basis on which the following family/occupation groupings have been chosen:

**A full time primary school teacher and a full time administrative assistant.**

**A full time police officer (partner not employed)**

**A full time ambulance officer and full time nurse**

**A full time public servant**

**A full time electrician and part time retail shop assistant**

**A full time child care worker**

# SOLUTIONS

The problems that currently plague housing affordability were created without excessive difficulty, and can equally be remedied without excessive difficulty.

The prescription for an affordable future relies heavily on three policy fronts:

## 1

### Improve Development Assessment

Remove the blockages and improve the governance of Australia's worsening systems of development assessment. The Development Assessment Forum – a federally funded initiative supported by all state governments – has identified a '10 Point Plan' to reform local government development assessment systems.

The plan has the 'in principle' support of State Planning Ministers. It is time to fast track the reforms.

## 2

### Ensure adequate land supply to meet demand

Increase competition in the market for new land and move away from heavily prescriptive land use policies which punish growth. To reduce pressure on land prices, it is essential not only to ensure adequate total supply volumes, but for governments to understand the need for competition in various locations and for various types and sizes of lots demanded by Australian households.

A first step is for state governments to more closely examine their assumptions on available developable land, and to agree on a consistent methodology for monitoring land supplies.

There is a role for the COAG to harmonise the methodology of land supply research and to set standards for national assessments which highlight areas of pending shortfall – before land supply deficits emerge.

## 3

### Fairer funding of infrastructure

The Property Council, along with numerous other leading industry bodies, has long advocated a disciplined use of public debt to fund essential infrastructure. This approach:

- ❑ Spreads the infrastructure burden across the entire community (which benefits from it)
- ❑ Spreads the burden across several generations (not just today's homebuyers) as infrastructure is generational
- ❑ Is funded at a lower economic and social cost than the alternative (forcing home buyers to pay for the debt through their mortgage)





## Primary School Teacher and Administrative Assistant - Annual combined gross income \$91,797

A dual income household of a late twenties primary school teacher and similarly aged full time administrative assistant can expect to bring in a gross income of around \$91,797 before allowances and overtime. The primary school teacher wage is around \$56,052 and the full time administrative assistant wage is around \$35,745.

Of all household groups profiled in this study, this household enjoys the widest housing choice.

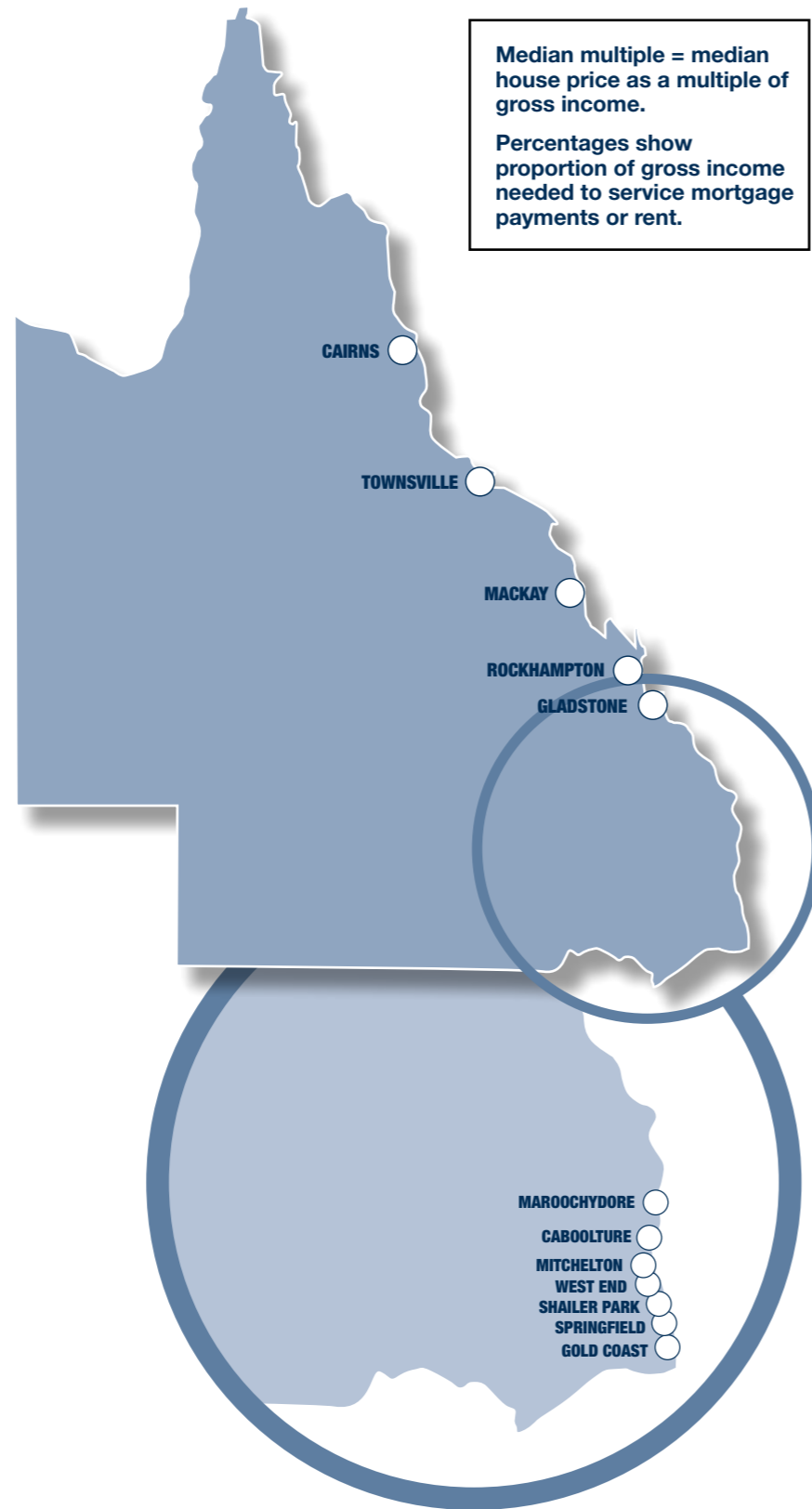
Their combined household income of over \$90,000 is however not enough to gain entry to seven of the twelve regions studied in terms of the median house price, and all but one of the regions when it comes to a new entry level home.

This household is excluded from Cairns, Mackay, Maroochydore, Mitchelton, West End, Shailer Park and the Gold Coast where the median house price is beyond reach. They can afford a new entry level home only in Caboolture.

So even on over \$90,000 per annum this household's housing choice is restricted to less half the locations studied.

Home unit affordability is good in seven areas but not affordable in four areas.

House and unit rental is affordable in all locations studied.



MEDIAN MULTIPLE

## Purchasing IN QUEENSLAND

## Renting IN QUEENSLAND

	MEDIAN MULTIPLE	HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	3.2	30%	18%	32%	16%	12%
TOWNSVILLE	3.0	28%	23%	34%	15%	12%
MACKAY	3.8	35%	24%	36%	19%	14%
ROCKHAMPTON	2.4	22%	20%	36%	14%	9%
GLADSTONE	2.7	25%	16%	30%	15%	11%
MAROOCHYDORE	4.2	37%	31%	35%	17%	13%
CABOOLTURE	3.0	26%	24%	27%	13%	10%
MITCHELTON	3.7	35%	30%	N/A	16%	13%
WEST END	5.6	52%	31%	N/A	20%	22%
SHAILER PARK	4.1	36%	18%	38%	16%	12%
SPRINGFIELD	3.1	28%	N/A	38%	14%	10%
GOLD COAST	4.2	39%	30%	36%	19%	16%



### Police Officer (single income family)

Annual gross income \$44,111

A single income household where the bread winner is a full time police officer in their late twenties can expect an award income of around \$44,111 – excluding regional allowances, overtime etc. This family unit assumes a young mother with young children who is not earning a paid income. No allowance is made for child payments etc.

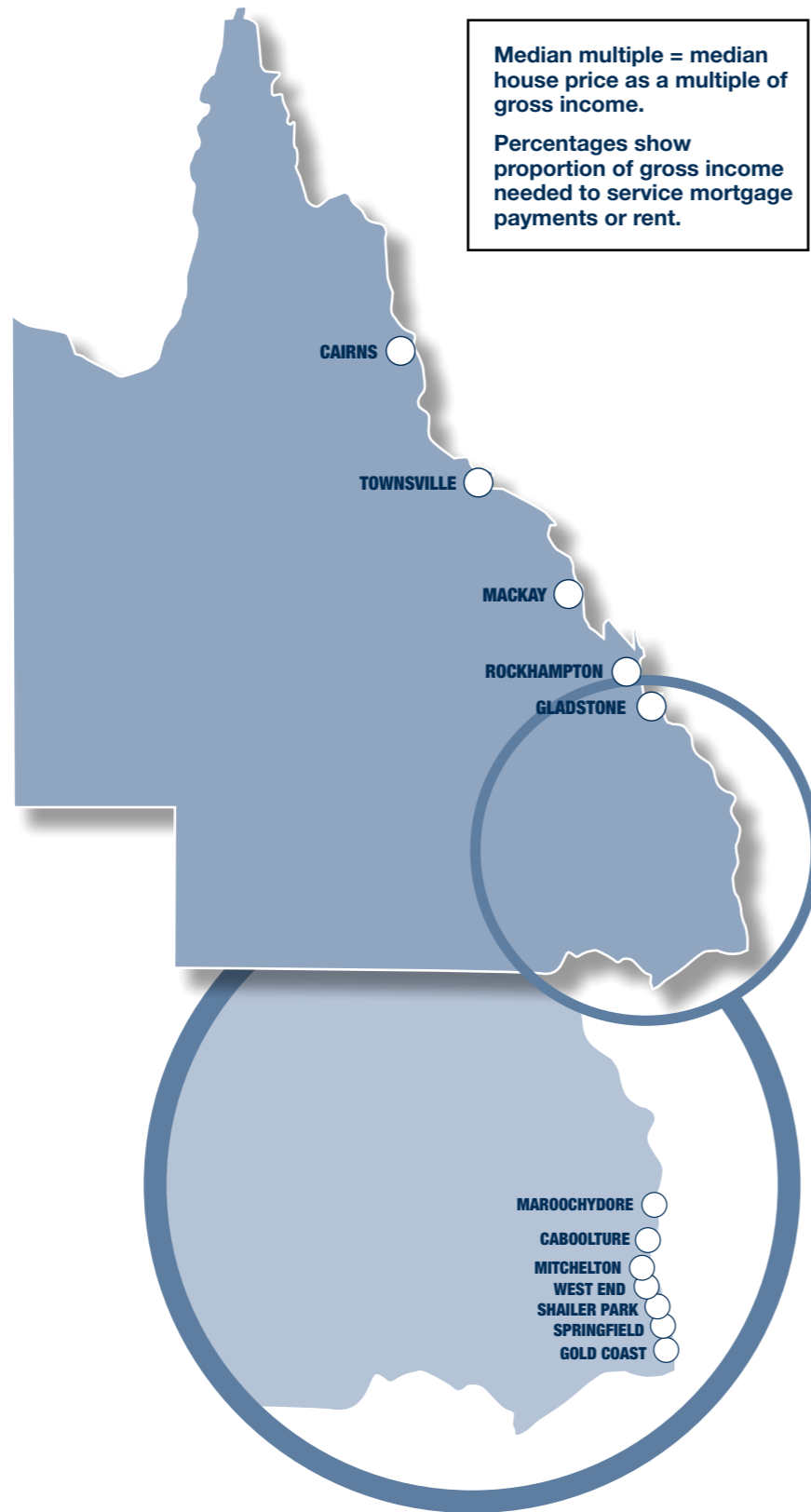
The housing choice for this family is restricted entirely to renting. There are no home ownership possibilities based on the median price scenarios or the entry level new housing price anywhere in the state.

Not only are detached houses beyond their reach, but even the purchase of a home unit – possibly not suited to a young family – is beyond the affordability measures.

Renting a detached house is an affordable option in only three locations – Rockhampton, Caboolture and Springfield.

Rental of a home unit is affordable in most locations with the exception of West End and the Gold Coast.

The option for this family would be for the mother to return to the workforce or for the father to work extensive overtime, if possible. Even then, housing choices would remain heavily restricted.



MEDIAN MULTIPLE

# Purchasing

IN QUEENSLAND

# Renting

IN QUEENSLAND

		HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	7.0	62%	37%	67%	34%	24%
TOWNSVILLE	6.7	59%	48%	70%	32%	25%
MACKAY	8.4	74%	50%	76%	40%	28%
ROCKHAMPTON	5.3	46%	41%	75%	29%	19%
GLADSTONE	5.8	51%	33%	62%	31%	22%
MAROOCHYDORE	8.7	77%	64%	72%	35%	28%
CABOOLTURE	6.2	55%	51%	56%	28%	21%
MITCHELTON	8.2	72%	62%	N/A	33%	27%
WEST END	12.2	108%	64%	N/A	42%	45%
SHAILER PARK	8.6	76%	37%	79%	33%	25%
SPRINGFIELD	6.7	59%	N/A	79%	29%	20%
GOLD COAST	9.2	81%	62%	76%	40%	34%



## Ambulance Officer and Nurse

Combined gross annual income \$82,680

This household assumes two full time incomes – an ambulance officer on \$40,456 per annum and a nurse on \$42,224 per annum, before overtime or other allowances. No allowance is made for any child payments etc.

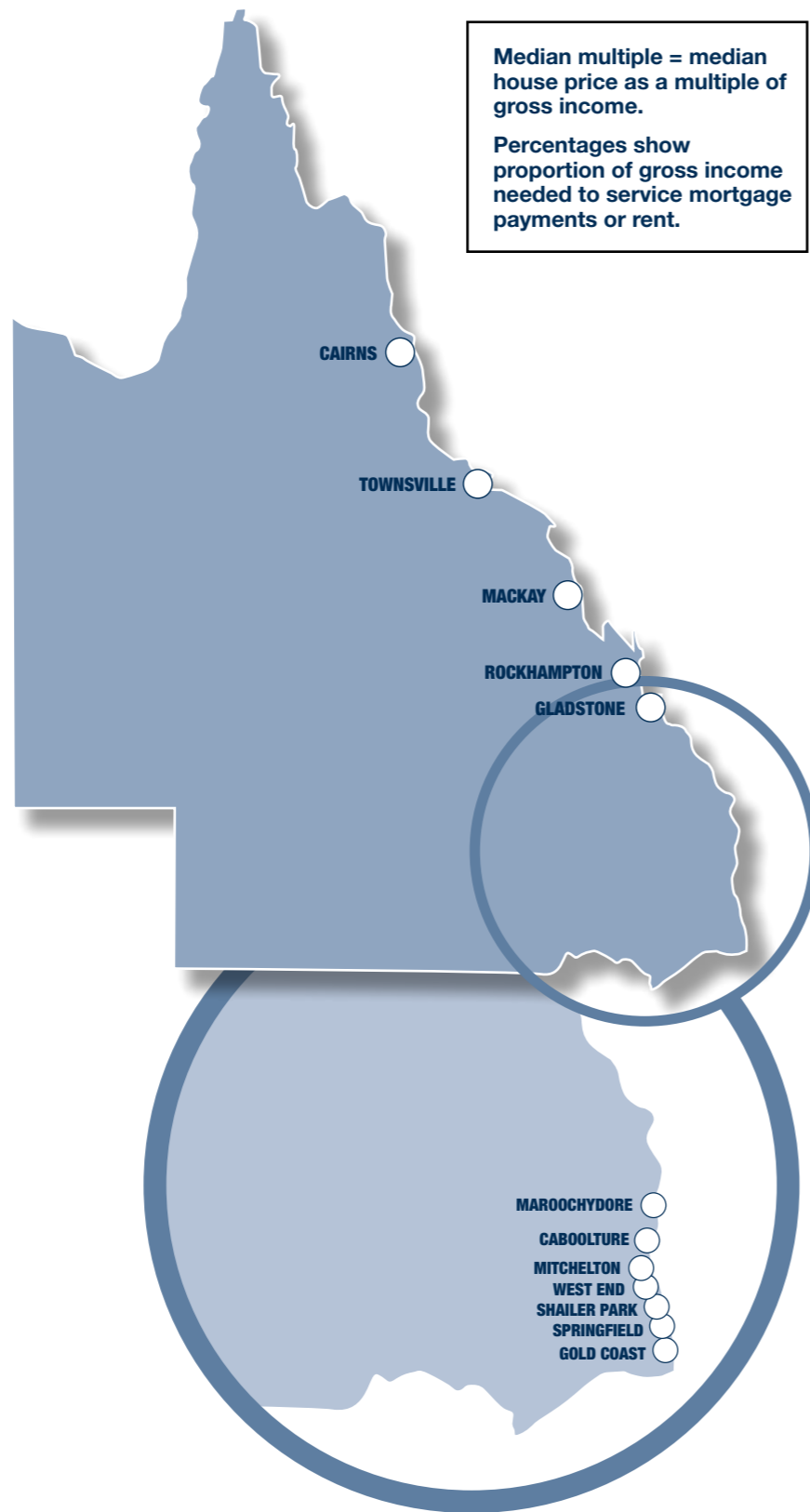
This household are the second highest income earners of the groups studied, with a combined annual gross income of close to \$83,000.

However, even with that level of income, their options for purchasing a detached house at the median house price are limited to only three locations: Rockhampton, Gladstone and Caboolture. All other locations are beyond their reach.

The possibility of purchasing a new, entry level detached home is beyond their reach in all locations studied.

Purchasing a home unit is affordable in the majority of locations with the exception of Maroochydore, Mitchelton, West End and the Gold Coast.

This family can afford to rent a detached house or home unit in all of the locations studied.



MEDIAN  
MULTIPLE

# Purchasing

IN QUEENSLAND

# Renting

IN QUEENSLAND

		HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	3.7	33%	20%	36%	18%	13%
TOWNSVILLE	3.5	31%	26%	37%	17%	13%
MACKAY	4.5	39%	27%	40%	21%	15%
ROCKHAMPTON	2.8	25%	22%	40%	15%	10%
GLADSTONE	3.1	27%	18%	33%	16%	12%
MAROOCHYDORE	4.7	41%	34%	38%	19%	15%
CABOOLTURE	3.3	29%	27%	30%	15%	11%
MITCHELTON	4.4	38%	33%	N/A	18%	14%
WEST END	6.5	57%	34%	N/A	23%	24%
SHAILER PARK	4.6	40%	20%	42%	18%	13%
SPRINGFIELD	3.6	32%	N/A	42%	15%	11%
GOLD COAST	4.9	43%	33%	40%	21%	18%





## Public Servant

Annual gross income \$62,544

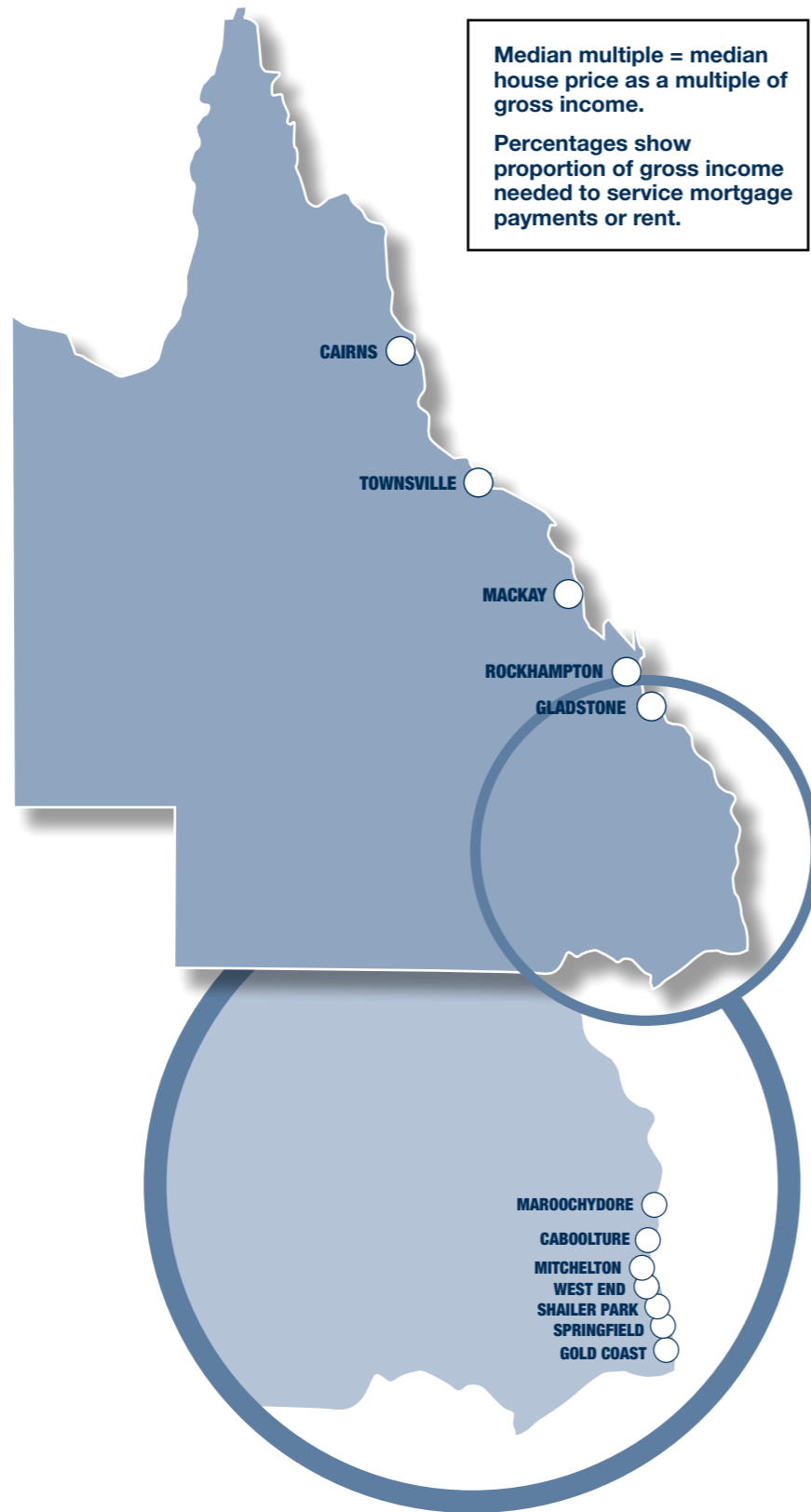
This household assumes a sole person public servant in their late twenties on a gross annual income of \$62,544.

The option of home ownership at the median house price is beyond reach for this person anywhere in Queensland, even with a gross income of over \$62,000 per annum.

A median priced home unit is affordable in only four locations throughout the state – Cairns, Rockhampton, Gladstone, and Shailer Park.

A new, entry level detached house is completely beyond reach in the locations studied.

Rental options however are generally positive with most locations being affordable for either a detached house or home unit. The exception is West End where neither a detached house or home unit are affordable at median rent levels.



MEDIAN MULTIPLE

# Purchasing

IN QUEENSLAND

# Renting

IN QUEENSLAND

		HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	5.0	44%	26%	47%	24%	17%
TOWNSVILLE	4.7	41%	34%	49%	22%	17%
MACKAY	5.9	52%	35%	53%	28%	20%
ROCKHAMPTON	3.7	33%	29%	53%	20%	13%
GLADSTONE	4.1	36%	23%	43%	22%	16%
MAROOCHYDORE	6.2	54%	45%	51%	25%	20%
CABOOLTURE	4.4	39%	36%	40%	20%	15%
MITCHELTON	5.8	51%	44%	N/A	23%	19%
WEST END	8.6	76%	45%	N/A	30%	32%
SHAILER PARK	6.1	53%	26%	56%	23%	17%
SPRINGFIELD	4.7	42%	N/A	56%	20%	14%
GOLD COAST	6.5	57%	44%	53%	28%	24%





## Electrician and Shop Assistant

Combined gross annual income \$51,412

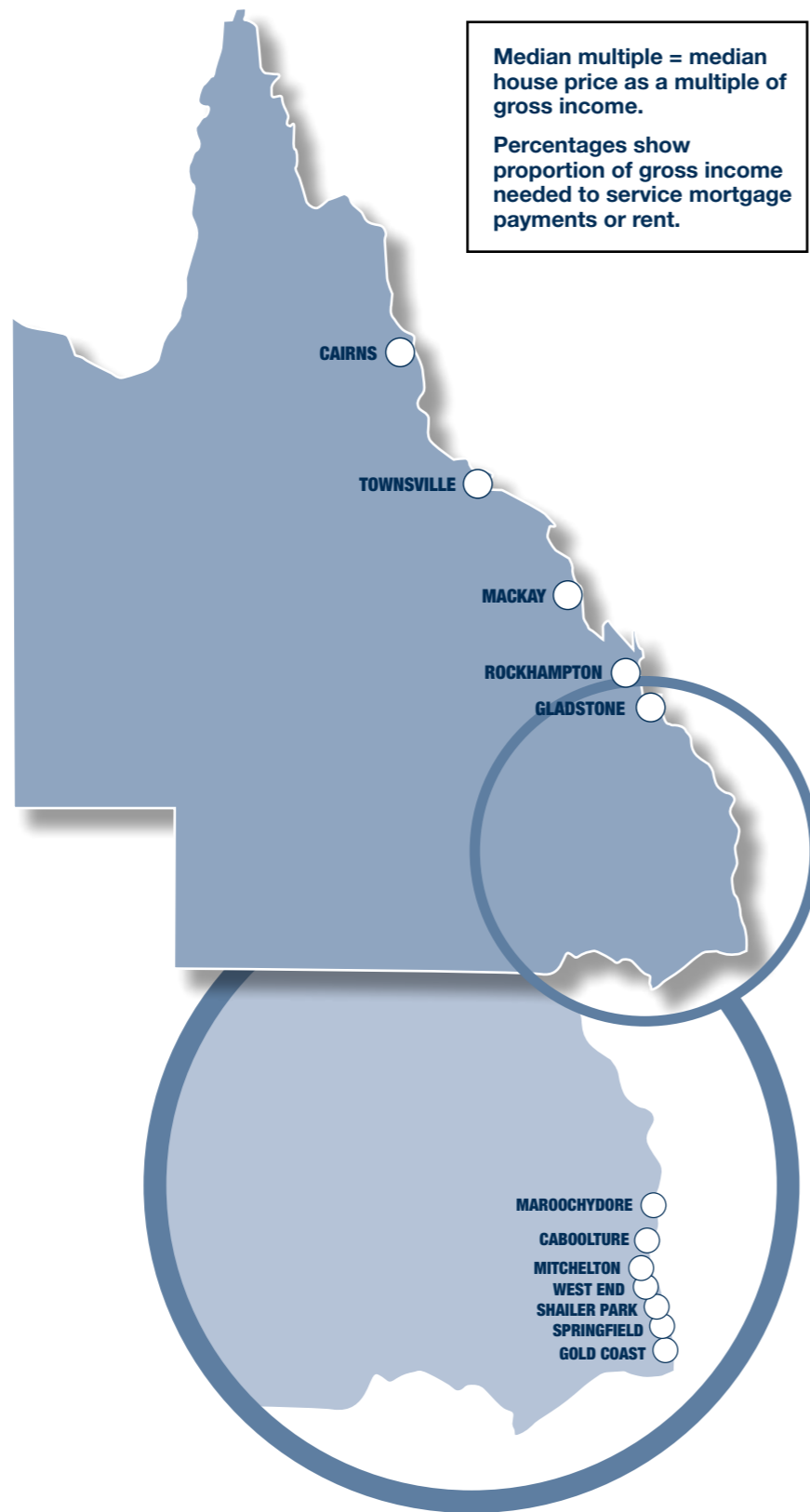
This family unit assumes a full time award wage earning electrician on \$36,010 per annum, with a partner who is working part time as a shop assistant and earning \$15,402 per annum gross. Their combined annual income is \$51,412 before any overtime or allowances.

This household, with one full time and one part time income, is denied affordable home ownership for the median house price is all locations studied throughout Queensland.

The option of ownership for a home unit is little better, with only one location – Gladstone – shown as affordable.

This family cannot afford a new, entry level home in any of the locations studied.

Renting a detached house is unaffordable in four of the eleven locations studied, while renting a home unit is affordable in all locations but one – West End.



MEDIAN MULTIPLE

# Purchasing

IN QUEENSLAND

# Renting

IN QUEENSLAND

	MEDIAN MULTIPLE	HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	6.0	53%	32%	57%	29%	21%
TOWNSVILLE	5.7	50%	41%	60%	27%	21%
MACKAY	7.2	63%	43%	65%	34%	24%
ROCKHAMPTON	4.5	40%	35%	64%	25%	16%
GLADSTONE	5.0	44%	29%	53%	26%	19%
MAROOCHYDORE	7.5	66%	55%	62%	30%	24%
CABOOLTURE	5.3	47%	43%	48%	24%	18%
MITCHELTON	7.0	62%	53%	N/A	28%	23%
WEST END	10.5	92%	55%	N/A	36%	38%
SHAILER PARK	7.4	65%	32%	68%	28%	21%
SPRINGFIELD	5.8	51%	N/A	68%	25%	17%
GOLD COAST	7.9	69%	53%	65%	34%	29%



## Child Care Worker

Annual gross income \$30,440

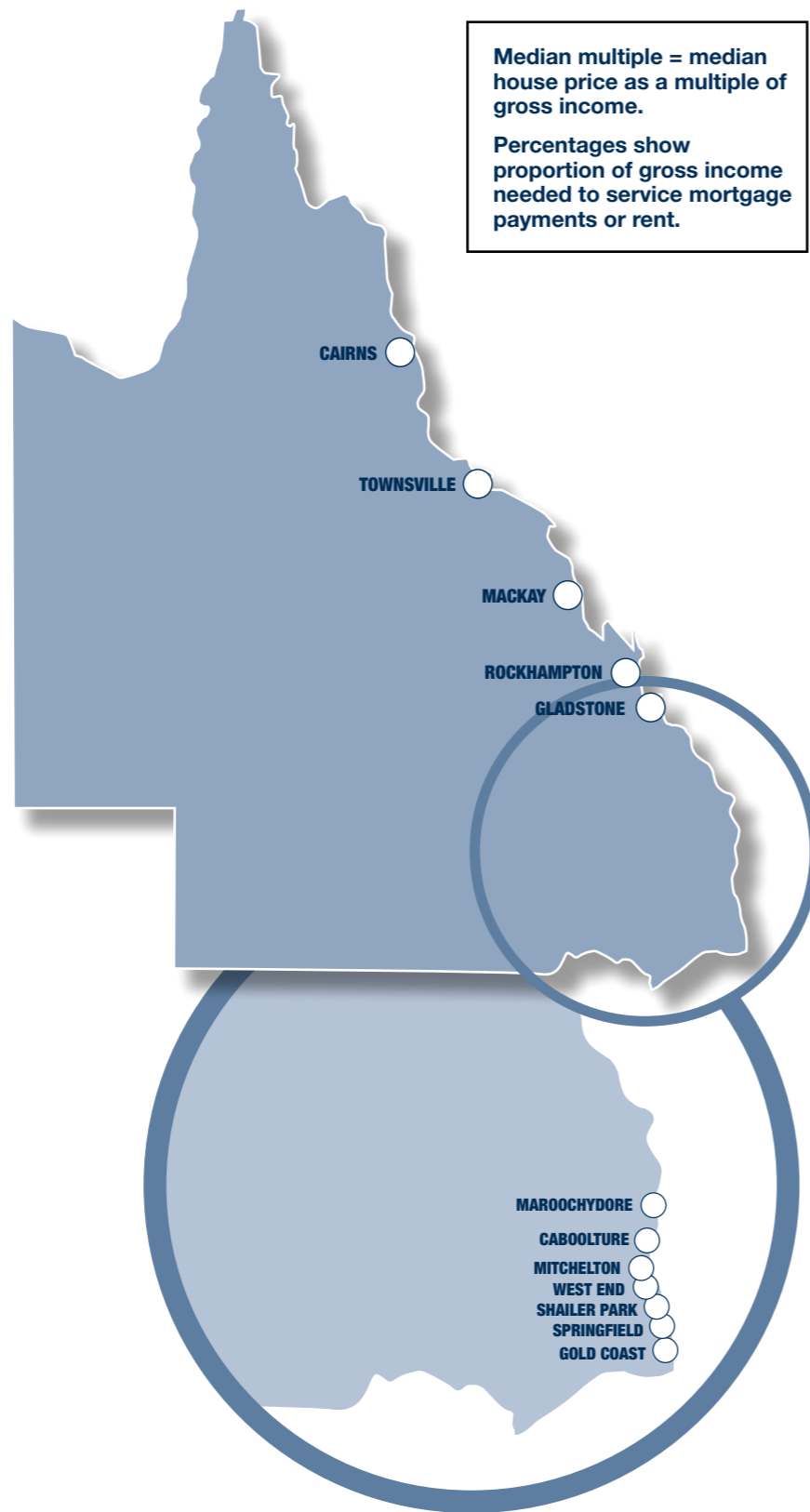
A single income full time child care worker in their late twenties earns around \$30,440 per annum, excluding other allowances or overtime.

There is almost no chance at all that a single child care worker earning full time wages of around \$30,000 per annum could remotely afford home ownership in any of the locations studied throughout Queensland.

Indeed, in several locations, mortgage repayments would exceed their gross annual income.

Even renting a property is limited to only two choices in terms of the affordability measure of the twelve regions studied: this person could afford to rent a home unit in Rockhampton or in Springfield.

With so few housing choices, the options are either a share-house or to stay with their parents, if that is possible given the location of their work.



MEDIAN MULTIPLE

# Purchasing

IN QUEENSLAND

# Renting

IN QUEENSLAND

		HOUSE	UNIT	NEW	HOUSE	UNIT
CAIRNS	10.2	90%	54%	97%	49%	35%
TOWNSVILLE	9.6	85%	69%	101%	46%	36%
MACKAY	12.2	107%	72%	110%	58%	41%
ROCKHAMPTON	7.6	67%	59%	108%	42%	27%
GLADSTONE	8.4	74%	48%	89%	44%	32%
MAROOCHYDORE	12.6	111%	92%	104%	51%	40%
CABOOLTURE	9.0	79%	73%	81%	40%	31%
MITCHELTON	11.8	104%	90%	N/A	48%	38%
WEST END	17.7	156%	93%	N/A	61%	65%
SHAILER PARK	12.5	110%	54%	114%	48%	36%
SPRINGFIELD	9.7	86%	N/A	114%	42%	29%
GOLD COAST	13.3	117%	90%	110%	58%	50%



The Residential Development Council is a national policy division of the Property Council of Australia. The leadership of the Residential Development Council represent the most senior management of Australia's leading residential housing development companies.

The purpose of the Residential Development Council, established in 2005 at the behest of industry, is to advance understanding of issues surrounding the efficient and sustainable delivery of housing options for Australians, and to promote public policy solutions to the many challenges which threaten to undermine housing affordability.

For further information, please visit the Property Council of Australia website [www.propertyoz.com.au](http://www.propertyoz.com.au)



***“WHY are Australian families being priced out of the housing market?”***

***and WHAT needs to be done about it?***

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