

# 2016

# HOUSING AFFORDABILITY

A study for the Perth  
metropolitan area



Research and analysis conducted by:



Government of **Western Australia**  
**Housing Authority**

In association with industry experts:



And supported by:



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# 1. Introduction



Access to affordable housing is essential for the wellbeing of individuals, families and communities. Very low to moderate income earners<sup>1</sup> are most at risk of not being able to access affordable housing or own their own home. In this study, the Housing Authority shares its own internal research to shed a more detailed light on what is affordable to purchase in Perth's housing market. This includes where stock is located, its characteristics and who can afford it. It seeks to answer key questions about the type of affordable housing within an area – is it affordable, is it appropriate and is it available?

The information in this report is being used by the Housing Authority to inform the delivery of its commitments under the *State Affordable Housing Strategy 2010-2020* which has now been revised upwards to deliver 30,000 affordable housing opportunities by 2020<sup>2</sup>. The current focus on the Affordable Housing Strategy is consistent with the Housing Authority's role in providing housing to meet the needs of the community and support the economic development of Western Australia through the sale of land, the building and sale of houses, the provision of housing finance, the supply of rental properties and continuing partnerships with the community and private sectors.

Given the importance of affordable housing across all sectors, the Housing Authority invited the Real Estate Institute of WA (REIWA) as an industry expert and Shelter WA as a community advocate to provide commentary for the report. This can be found in Section 7.

<sup>1</sup> See Section 3.1 for household income category definitions.

<sup>2</sup> *Affordable Housing Strategy 2010-2020: Aiming Higher*



## 2. Executive Summary

This report presents analysis of residential property sales in the Perth Metropolitan Area from 2013 to 2015, looking at both established house and unit sales, and land sales for the construction of new houses. It examines both private market sales and sales undertaken by the Housing Authority.

The analysis shows that the majority of private housing sales in Perth were affordable only to higher income households. From 2013 to 2015 there were 110,799 house or units sold in the Perth Metropolitan Area and over 50% of these sales were affordable only to high income households. Less than 1% were considered affordable to very low income households, while around 8% were affordable to low income households.

The report analyses sales based on sub-regions of Perth as defined by REIWA. Housing sales in Perth were unequally distributed throughout sub-regions. The Central Sub-region had the highest number of private sales (42%), while the Peel region had the lowest, at just 7%. However, Peel had the highest proportion of sales affordable to very low or low income households (24%). In comparison, the Central region had the highest proportion of sales which were only affordable to high income households at just over 70% of sales.

The Perth housing market is heavily weighted towards larger properties, with over 80% of sold properties having three or more bedrooms. The exception to this is the Central subregion, where around one-third of sales had two bedrooms or less. This is likely due to the type of properties within the region and the region's proximity to the central business district.

The Housing Authority plays a role in increasing the amount of affordable housing stock available for sale, which was reflected in its dwelling sales program. Of the 1,230 properties sold by the Housing Authority and its development partners during 2013 to 2015, more than 50% were affordable to low income households. Further, a remaining 30% of properties were sold to moderate (lower) income households (earning \$68,561–\$85,700).

In line with results for the established market, over 50% of lot sales were only affordable to households on a high income. Only 12% of lot sales during the period analysed were affordable to households on a low income and none were considered affordable to very low income households. In comparison, almost a quarter of lot sales by the Housing Authority and its development partners were affordable to low income households.



## 3. Defining Housing Affordability

### 3.1 Household Income Category

In this report, income categories are defined using proportions of the Perth median household income. This is the standard definition used by many affordable housing providers. For the Perth Metropolitan area, the definitions for December quarter 2015 are calculated below.<sup>3</sup>

Very low income (<50% of median)	under \$42,850
Low income (50-80% of median)	\$42,851–\$68,560
Moderate income – lower (80-100% of median)	\$68,561–\$85,700
Moderate income – upper (100-120% of median)	\$85,701–\$102,840
High income (over 120% of median)	Over \$102,841
Estimated median income for Greater Perth	\$85,700

### 3.2 Affordability

For the purposes of this study, calculations have been undertaken to estimate an affordable house price for the Perth Metropolitan Area. These estimates are based on a number of assumptions which are outlined below. One of the main assumptions is the 30% rule. That is, for households to avoid housing stress, their mortgage repayments should not exceed 30% of their gross household income. Indicative affordability for the December quarter 2015 is shown below.<sup>4</sup>

Household Income Category	Gross Household Income	Affordable loan amount	Deposit	Affordable house price
Very low income	\$42,850	\$187,000	\$20,800 <sup>5</sup>	\$207,800
Low income	\$68,560	\$299,200	\$33,200	\$332,400
Moderate income – lower	\$85,700	\$374,000	\$41,600	\$415,600
Moderate income – upper	\$102,840	\$448,800	\$49,900	\$498,700
High income	Over \$102,840	Over \$448,800	Over \$49,900	Over \$498,700

#### Assumptions

Interest rate: 5.58% (RBA, average standard variable rate, December quarter 2015)

Deposit: 10%

Term of loan: 30 years

Percentage of income: 30%

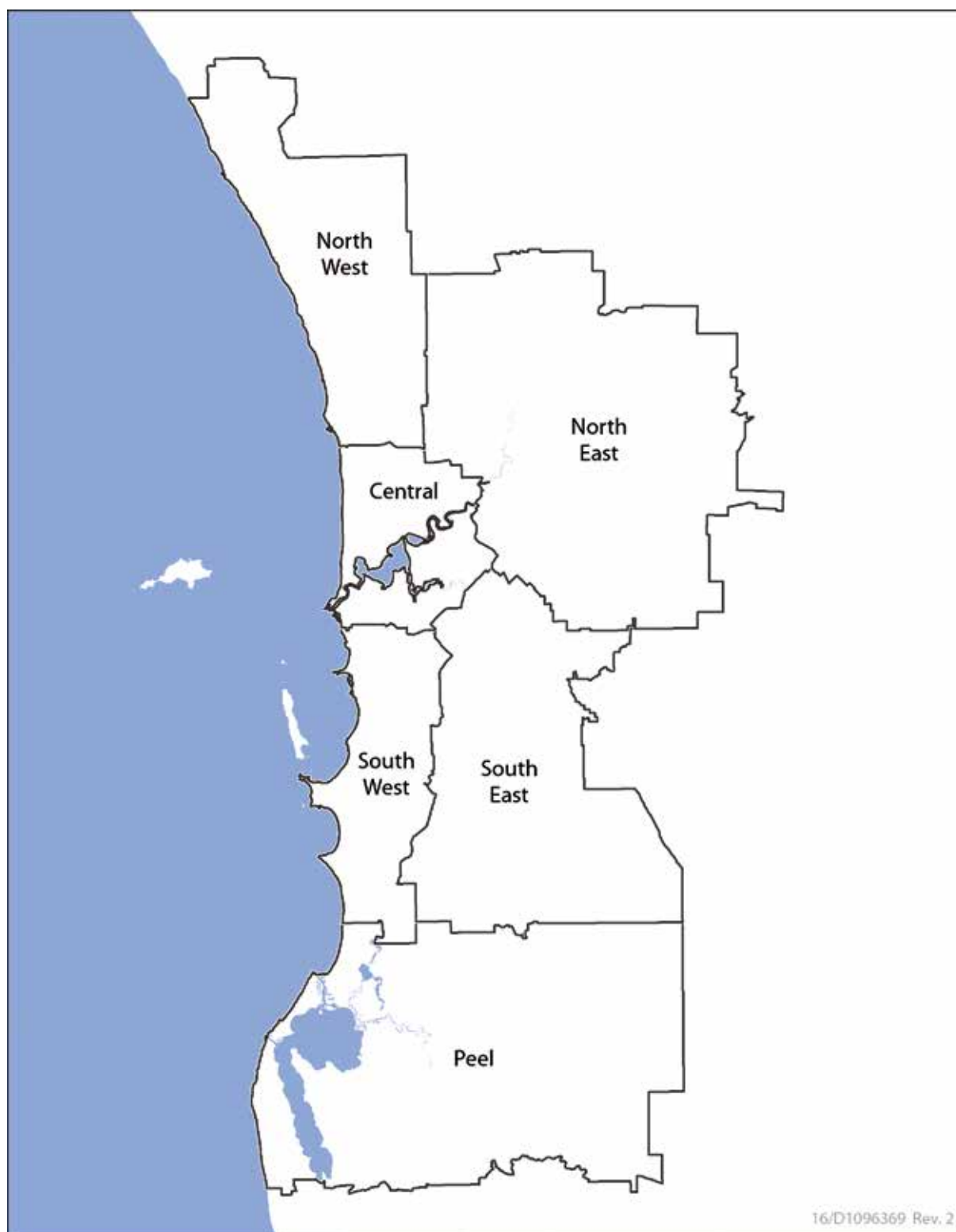
<sup>3</sup> Household income data is based on the median Perth income from the 2011 Census, adjusted using the ABS' Wage Price Index for 2013, 2014 and 2015. For further information, see the Explanatory Notes publication.

<sup>4</sup> These numbers were adjusted for 2013, 2014 and 2015. For further information, see the Explanatory Notes publication.

<sup>5</sup> A deposit of this amount is likely to be difficult for a very low income household to achieve, however households may be able to access products such as Keystart low deposit home loans.

### 3.3 Sub-regions

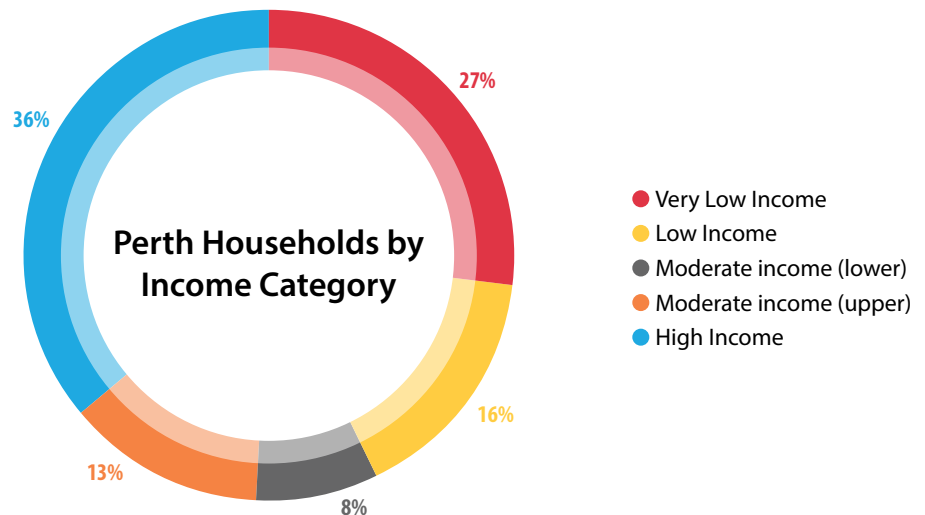
This report splits the Perth Metropolitan Area up into six sub-regions as defined by REIWA which are shown below.



### 3.4 Income groups

The 2011 Census is the most up-to-date data available on detailed household income groups within the community. Figure 1 shows the proportion of households in the Perth Metropolitan Area that fell into each of the income groups defined in Section 3.1. According to Figure 1, over 40% of households were in the very low to low income household categories at the time of the 2011 Census.

**Figure 1**



Sources: PriceFinder, Housing Authority

### 3.5 Data sources

This report analyses property sales records for houses, units and land in the Perth Metropolitan Area from 2013-2015. The data has been extracted from the private sector product “APM PriceFinder”, which uses Landgate data, sourced through REIWA. For Housing Authority house, unit and land sales (2013-2015), admin-by-product data has been used. This is because the Housing Authority has thousands of transactions within the Landgate data, of which only a small number were actual sale transactions. For more information on data and methodology, see the accompanying publication *Housing Affordability - Explanatory Notes*.

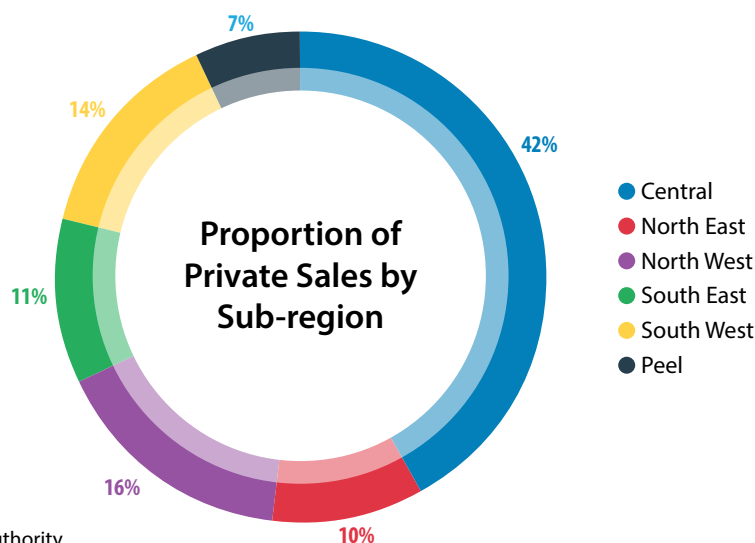


## 4. Analysis of results for the established housing market

### 4.1 Private Sales by Sub-region

This section gives an overview of the private housing market in the Perth Metropolitan Area and examines the proportion of private house and unit sales by each Perth Sub-Region (Figure 2).

**Figure 2**



Sources: PriceFinder, Housing Authority

There were 110,799 private sales of houses and units between 2013 and 2015. These sales were not equally distributed throughout the regions, as expected due to the distribution of stock throughout the regions. The Central sub-region had the highest number of private house and unit sales (46,561 or 42% of all Perth metropolitan sales). This was followed by the North West sub-region (18,083 or 16%) and the South West sub-region (15,535 or 14%).

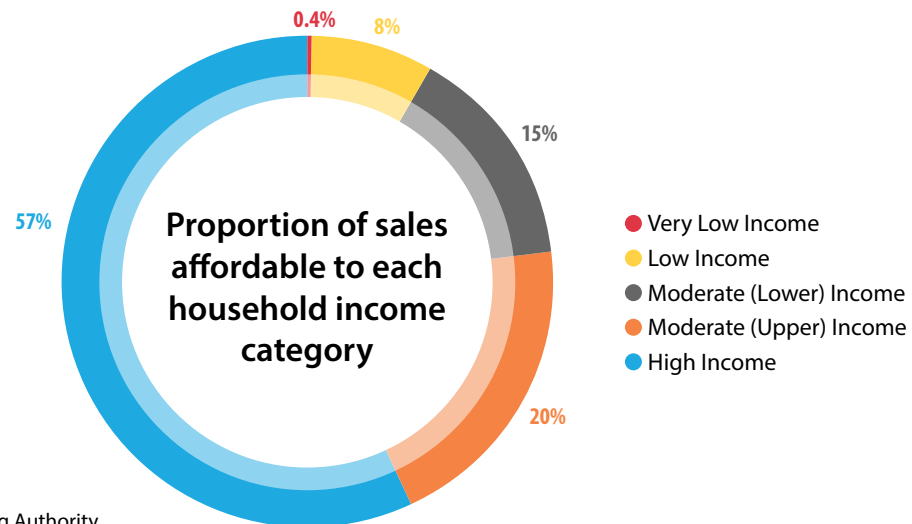
Both the North East and South East sub-regions contributed just over 10% of Perth metropolitan private house and unit sales, while the Peel sub-region had the lowest number of sales with 7,266 (or 7%).



## 4.2 Private Sales by Household Income Category

Section 4.2 examines sales affordable to each category of household income in the Perth Metropolitan Area. Figure 3 below shows the proportion of private sales affordable to each of the household income categories defined in Section 3.

**Figure 3**



Sources: PriceFinder, Housing Authority

The analysis shows that very few sales in the Perth market were affordable to those on very low or low incomes. Of the total sales in the private market between 2013 and 2015, only 466 or 0.4% were affordable to households on a very low income. However, detailed analysis of the data showed that many of these sales were for retirement villages or short-stay holiday accommodation, meaning they were not genuinely affordable for most households.<sup>6</sup> Only 8,500 or 8% of total private sales were affordable to households on a low income.

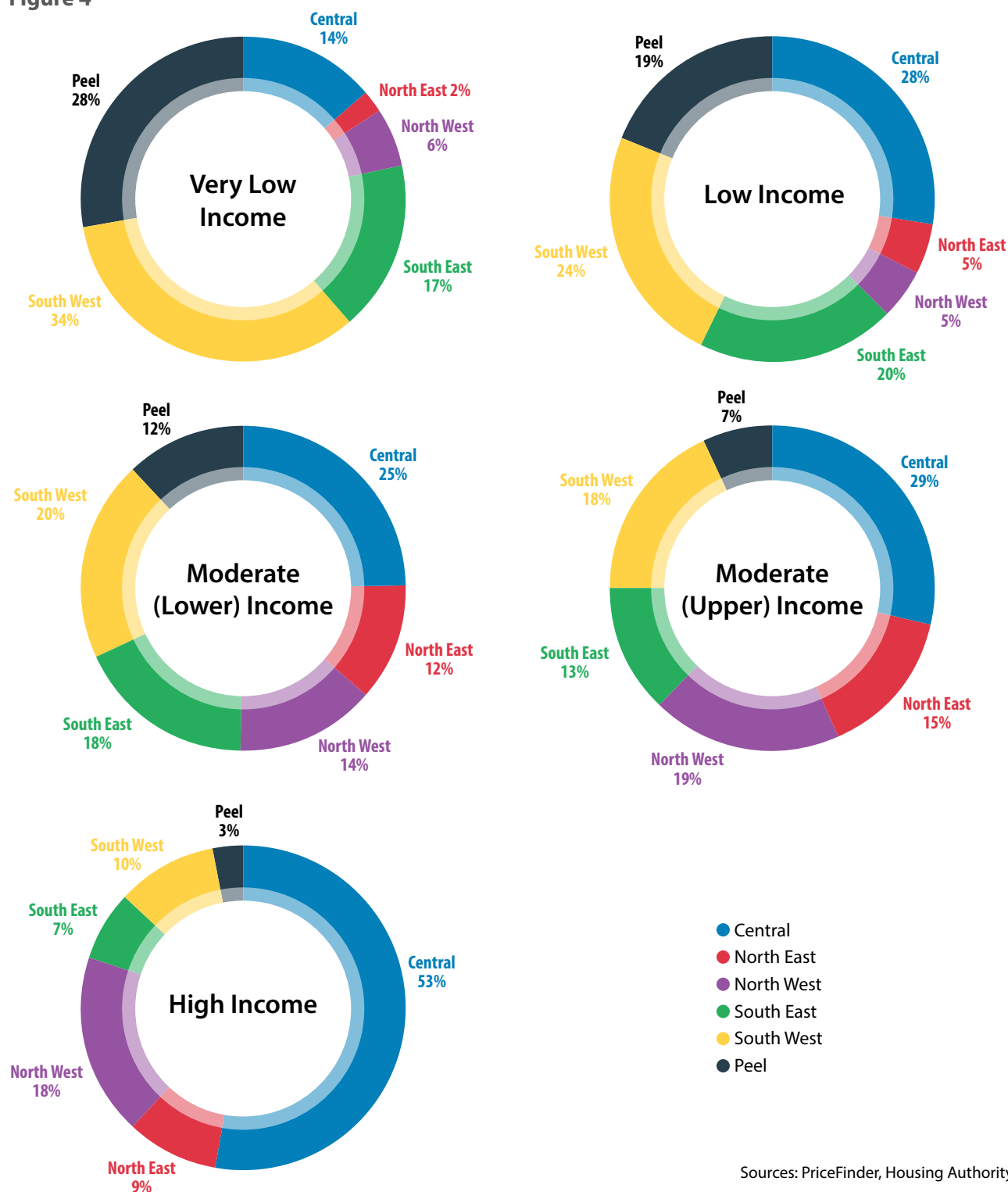
Sales in the Perth market were heavily weighted towards prices affordable to higher income groups. Of all the private sales of houses and units between 2013 and 2015, 63,011 or 57% were only affordable to households on a high income. A total of 38,822 (35%) private sales were affordable to the moderate income categories, 16,784 (15%) to the lower moderate category and 22,038 (20%) to the upper moderate category.

<sup>6</sup> It was not possible to remove these transactions from the data.

## 4.3 Private Sales by Each Household Income Category (by Region)

Section 4.3 examines each household income category, and identifies where sales affordable to each category were located.

**Figure 4**



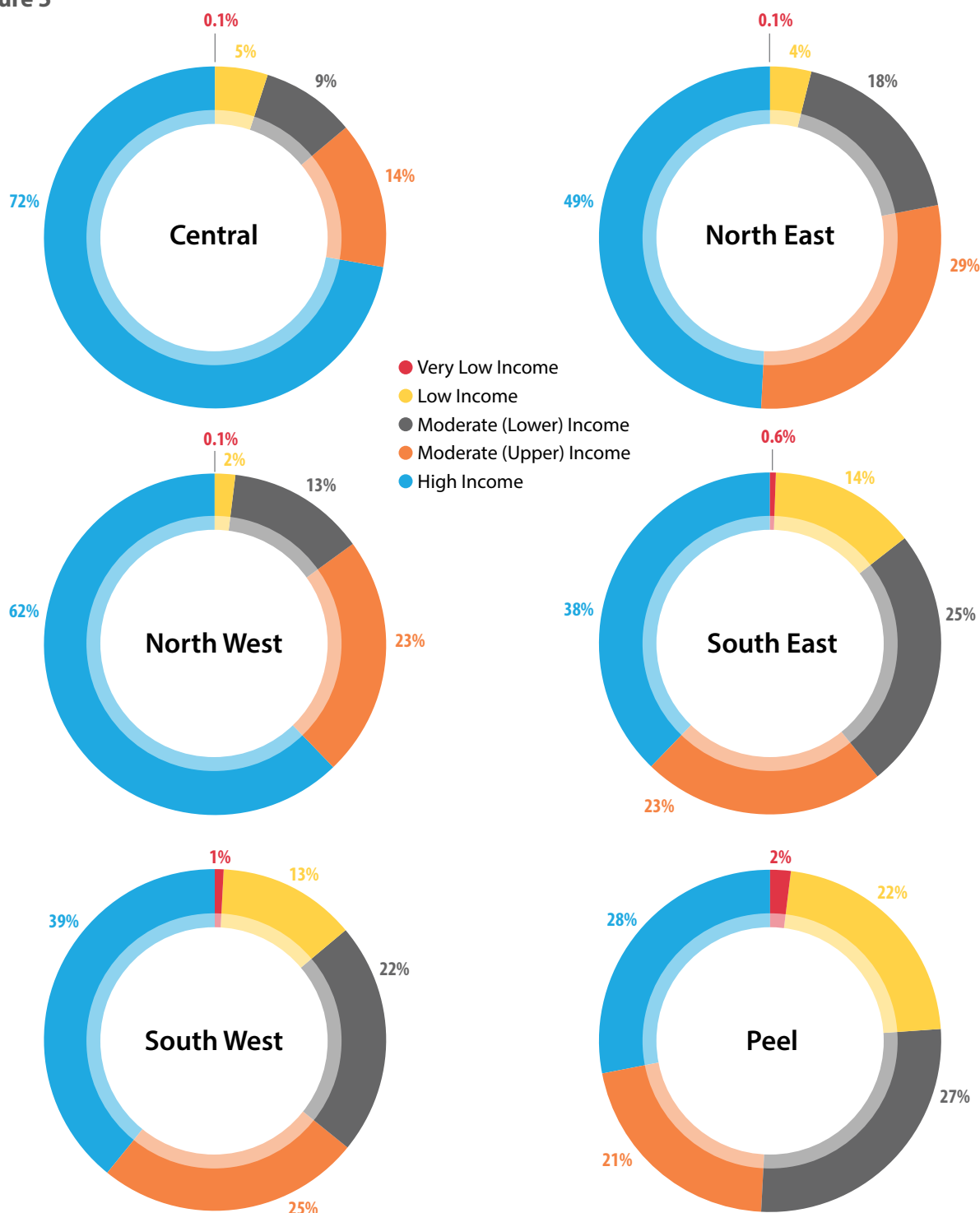
Sales that were affordable for very low and low household incomes were concentrated in the southern regions. For very low income households, 34% of affordable sales were in the South West sub-region, followed by 28% in Peel.

For sales affordable to high income households, over 50% were in the Central sub-region (33,602 sales). The low income group also had the highest number of sales in the Central sub-region (2,374 sales or 28%). This reflects the size of the subregion and the diversity of the housing stock in the area. The lowest proportion of sales only affordable to high income households was in Peel (3% or 2,035 sales).

#### 4.4 Private Sales by Region (by Household Income Category)

This section examines private sales by each Perth Sub-region. Of the sales in each region it looks at the proportion affordable to each household income category. This is shown in Figure 5 below.

**Figure 5**



Sources: PriceFinder, Housing Authority

The Peel sub-region had the highest proportion of sales affordable to very low or low income households with 1,729 or 24% of all its sales being affordable to these income categories. The highest suburbs for sales were: Mandurah (433); Greenfields (329); Halls Head (152) and Dudley Park (151). The Peel sub-region had the lowest proportion of sales which were only affordable to high income households.

The North West sub-region had the lowest proportion of sales affordable to very low or low income households with 423 or 2% of its sales being affordable to these income categories. Over 25% of these sales were in the suburbs of Girrawheen (81) or Merriwa (33).

The Central sub-region had the highest proportion of sales which were only affordable to high income households with 33,602 or 72% of its sales affordable to this income category. Suburbs with the highest number of sales included: Dianella (860); Scarborough (832); Morley (782); and Como (631).

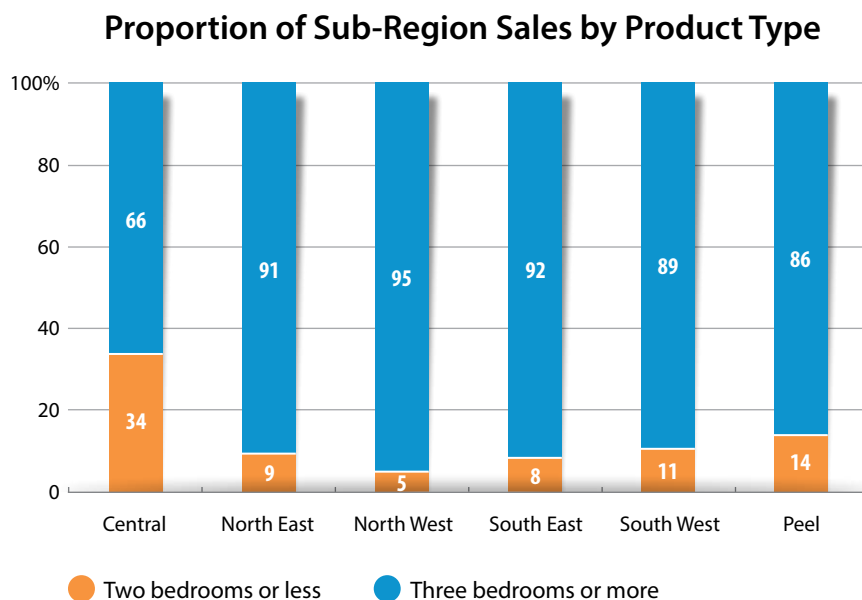
## 4.5 Private Sales by Product Type

This section analyses private sales by product type. This is to take into account the 'appropriateness' aspect of housing affordability. For the purposes of this report, sales were categorised into those that were two bedrooms or less – viewed as appropriate for singles, couples and small families; and three bedrooms or more – viewed as appropriate for larger families and households.

The data shows that Perth housing sales between 2013 and 2015 were heavily weighted towards larger properties, reflecting the Perth dwelling stock. Of the 110,799 private sales between 2013 and 2015, 89,543 (80%) had three bedrooms or more.

The proportion of sales by product type varies considerably by sub-region (Figure 6). Within the Central Sub-region there was a much higher proportion of two-bedroom or less dwelling sales, while the other Sub-regions were heavily weighted towards larger properties. This is due to the region's central location where higher density dwellings are more typical.

**Figure 6**

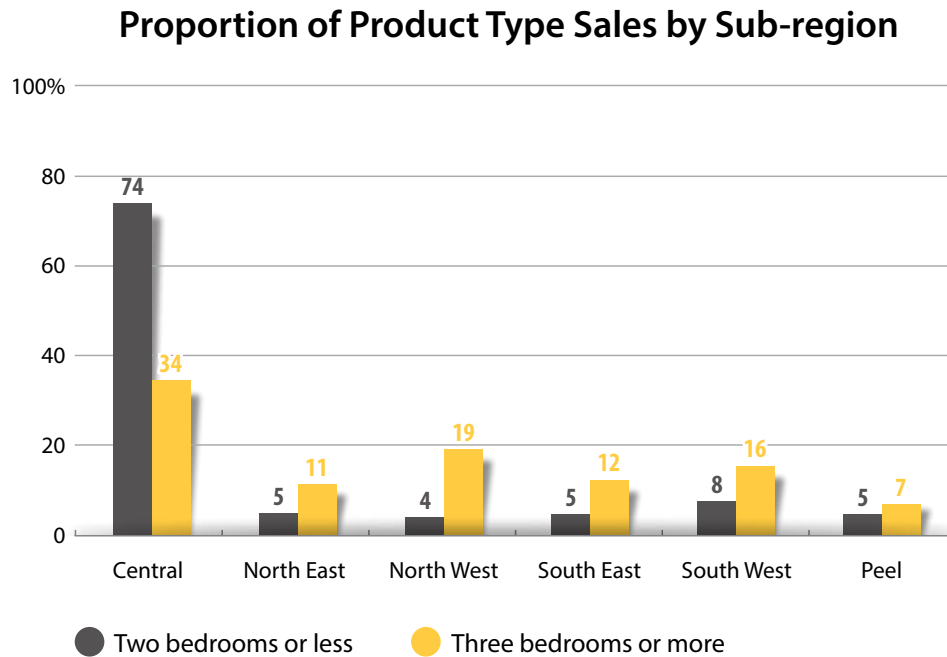


Sources: PriceFinder, Housing Authority

Figure 7 shows the proportion of each product type across sub-regions. The Central sub-region had the highest number of sales in the 2 bedroom or less category, 15,676 (or 74%) out of the 21,256 sales across the Perth Metropolitan Area.



**Figure 7**

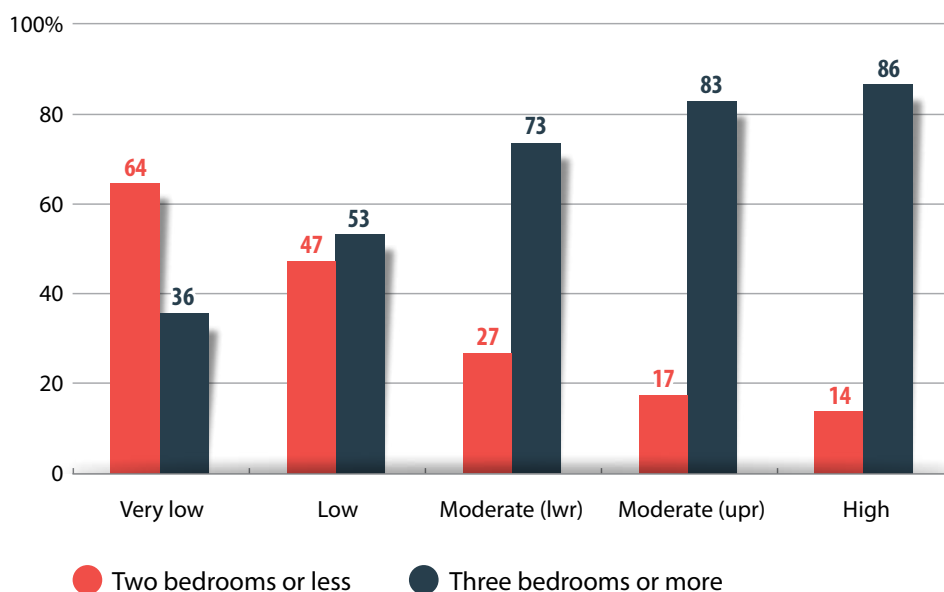


Sources: PriceFinder, Housing Authority

The report also looks at the proportion of product sales affordable to each household income category (Figure 8). For the lower income categories, there were more sales in the smaller product category. Of the 466 sales affordable to households on a very low income, 300 or 64% had two bedrooms or less (meaning they were unsuitable for larger families). Of the 8,500 sales affordable to households on a low income, 3,997 or 47% had two bedrooms or less.

**Figure 8**

### Proportion of Product Type Sales Affordable to Each Income Category



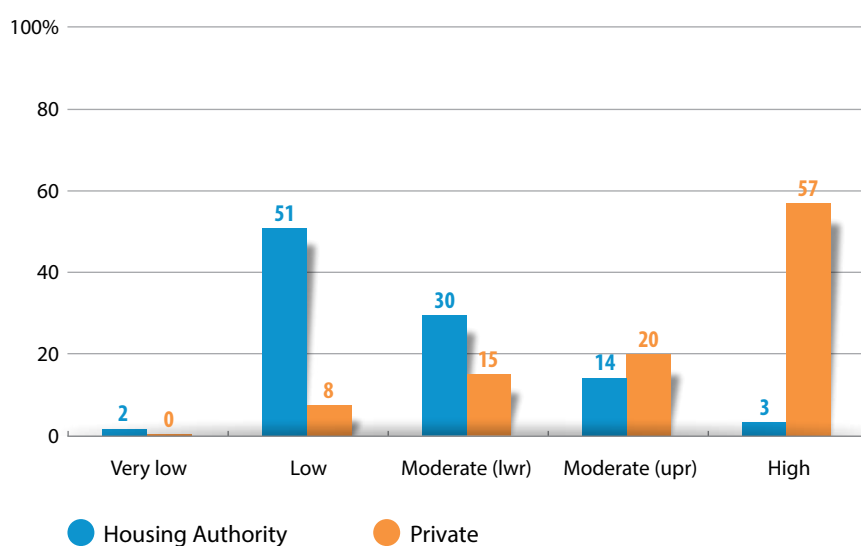
Sources: PriceFinder, Housing Authority

## 4.6 Housing Authority Sales

This report analyses sales made by the Housing Authority and its development partners separately from private sales. This is because the Housing Authority has thousands of transactions within Landgate's data, of which only a small number were reportable sales. To ensure accuracy, the Housing Authority's own sales data was used for this section. Figure 9 shows sales by the Housing Authority and its development partners were strongly weighted towards being affordable to lower income households compared to the private market. There were 1,230 sales of houses and units by the Housing Authority and its development partners between 2012 and 2015.

**Figure 9**

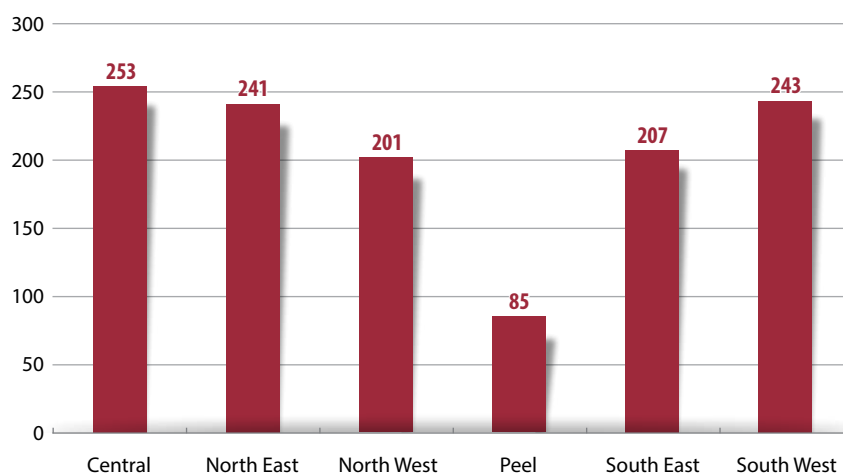
### Proportion of Sales Affordable to Each Household Income Category



Sources: PriceFinder, Housing Authority

**Figure 10**

### Housing Authority Sales by Sub-region



Sources: PriceFinder, Housing Authority

For sales by the Housing Authority and its development partners (Figure 10), all sub-regions were evenly represented (with between 201 and 253 sales), except Peel which had only 85 sales. This reflects the fact that the Peel sub-region is already providing more affordable product than other sub-regions.

## 5. Analysis of results for newly constructed housing

Consumers wishing to purchase a house have a choice between purchasing an established house or unit, or building a new home. The new home market is made up of land only or house and land package purchases. Both of these are generally reported through Landgate's data as land purchases. In order to consider this market as part of Perth's affordability options, this section looks at sales of land at different affordable land price points.

An affordable house and land price is calculated within Section 3.2. To separate the affordable land component, an expected proportion of land expenditure is derived using UDIA and ABS data<sup>7</sup>. For the very low income category, land affordability is manually set. This is because the minimum build price for a basic home in WA is estimated at around \$150,000. When the affordable land price defined below is combined with the assumed price of building a dwelling, the affordability price points (for land and build) are the same as those for the established price points defined in Section 3.2.

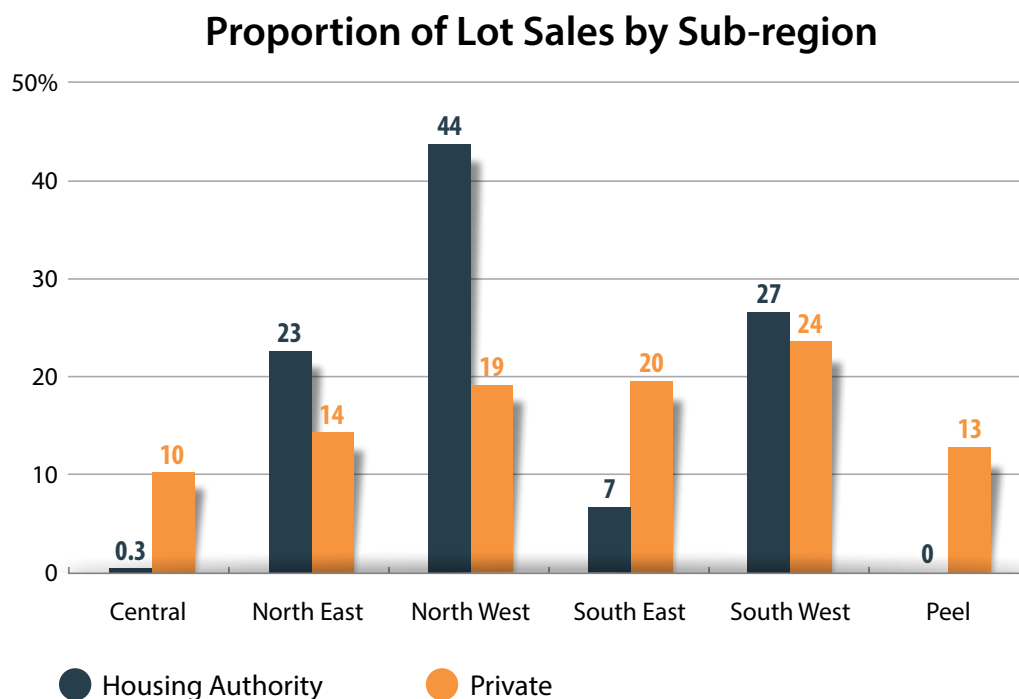
Household income category	Affordable land purchase category 2015	Assumed cost of building dwelling	Total house and land cost
Very Low Income Household	\$57,800	\$150,000	\$207,800
Low Income Household	Up to \$175,500	\$156,900	\$332,400
Moderate Income Household (lower)	Up to \$219,400	\$196,200	\$415,600
Moderate Income Household (upper)	Up to \$263,300	\$235,400	\$498,700
High Income Household	Over \$263,300	Over \$235,400	Over \$498,700

<sup>7</sup> See publication: Housing Affordability - Explanatory Notes

## 5.1 Lot Sales by Region

Section 5.1 analyses the proportion of lot sales by each sub-region (Figure 11). There were 22,996 lot sales in the private market between 2013 and 2015, and a further 4,384 Housing Authority lot sales within that time period.

**Figure 11**



Sources: PriceFinder, Housing Authority

There were 5,423 private lot sales in the South West sub-region (or 24%), 1,593 of these sales were in the suburb of Baldivis.

Only 2,376 private lot sales were in the Central sub-region (10%). Bayswater had the highest number of sales (97), followed by Gwelup (89) and Morley (82).

There were 1,920 Housing Authority lot sales in the North West sub-region (44%), reflecting the Housing Authority's large land holdings in Banksia Grove (962 sales) and Butler (755 sales).

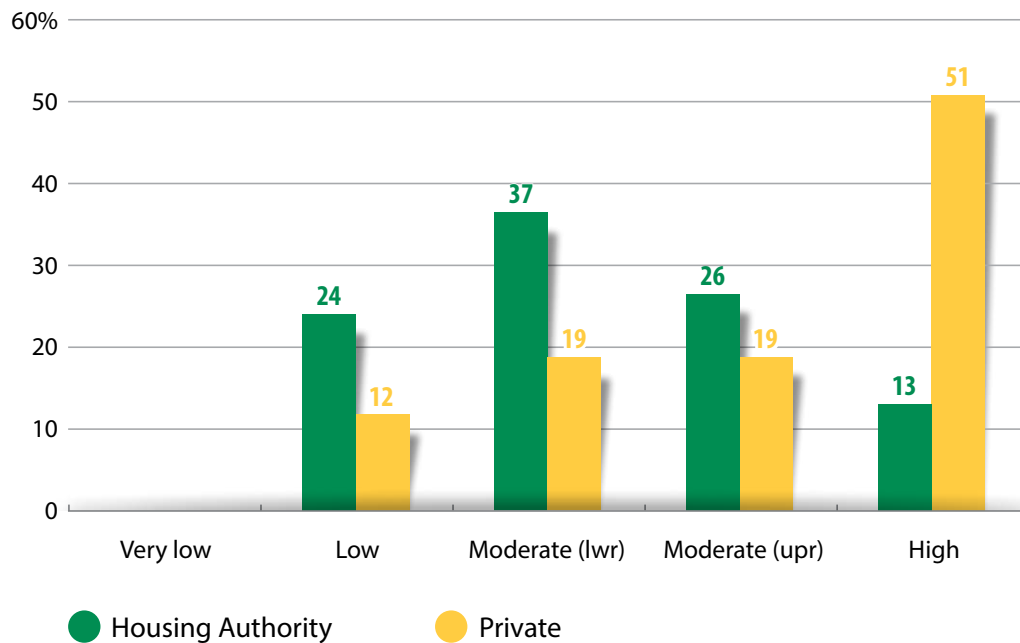


## 5.2 Lot Sales by Household Income Category

This section looks at lot sales, both in the private market and by the Housing Authority, and shows what proportion were affordable to each household income category. As with the established market, private lot sales were heavily concentrated in the higher income groups (Figure 12).

**Figure 12**

### Proportion of Lot Sales Affordable to Each Income Category



Sources: PriceFinder, Housing Authority

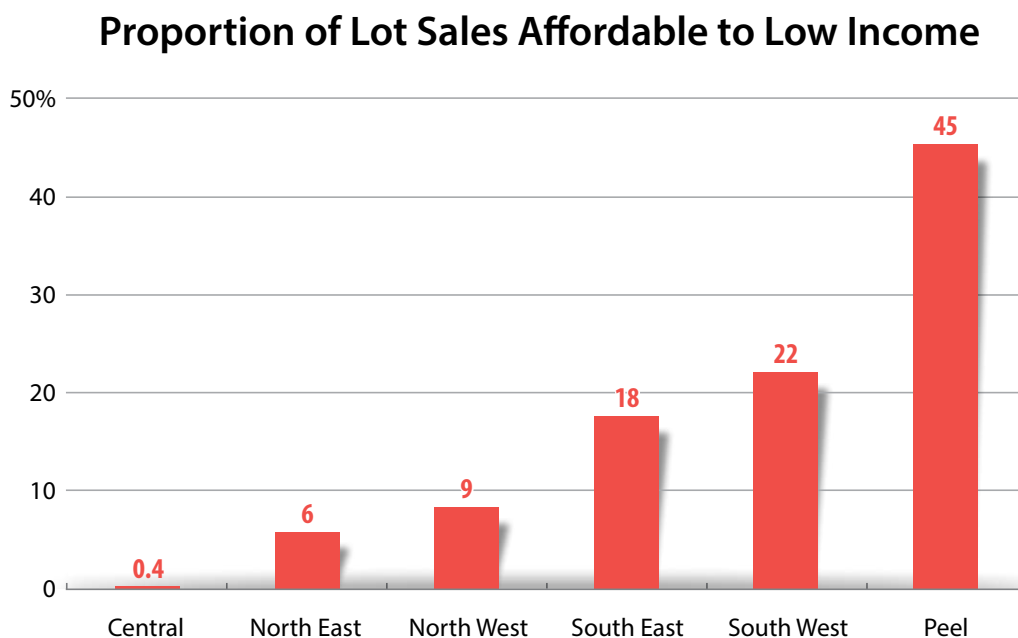
There were 2,703 (or 12%) private lot sales affordable to households on a low income, while 1,052 (or 24%) Housing Authority lot sales were affordable to this income category.

Over 50% (11,667) of private lot sales were only affordable to households on a high income. This compares to only 13% (or 572) of the Housing Authority lot sales which were affordable to this income category.

### 5.3 Lot Sales by Household Income Category (by Region)

This section looks at the proportion of lot sales that were affordable to low income households in each sub-region (Figure 13). Overall, there were 2,703 private land lot sales affordable to low income households. The Peel region contributed the largest proportion of these sales, at 45% or 1,220 sales.

**Figure 13**

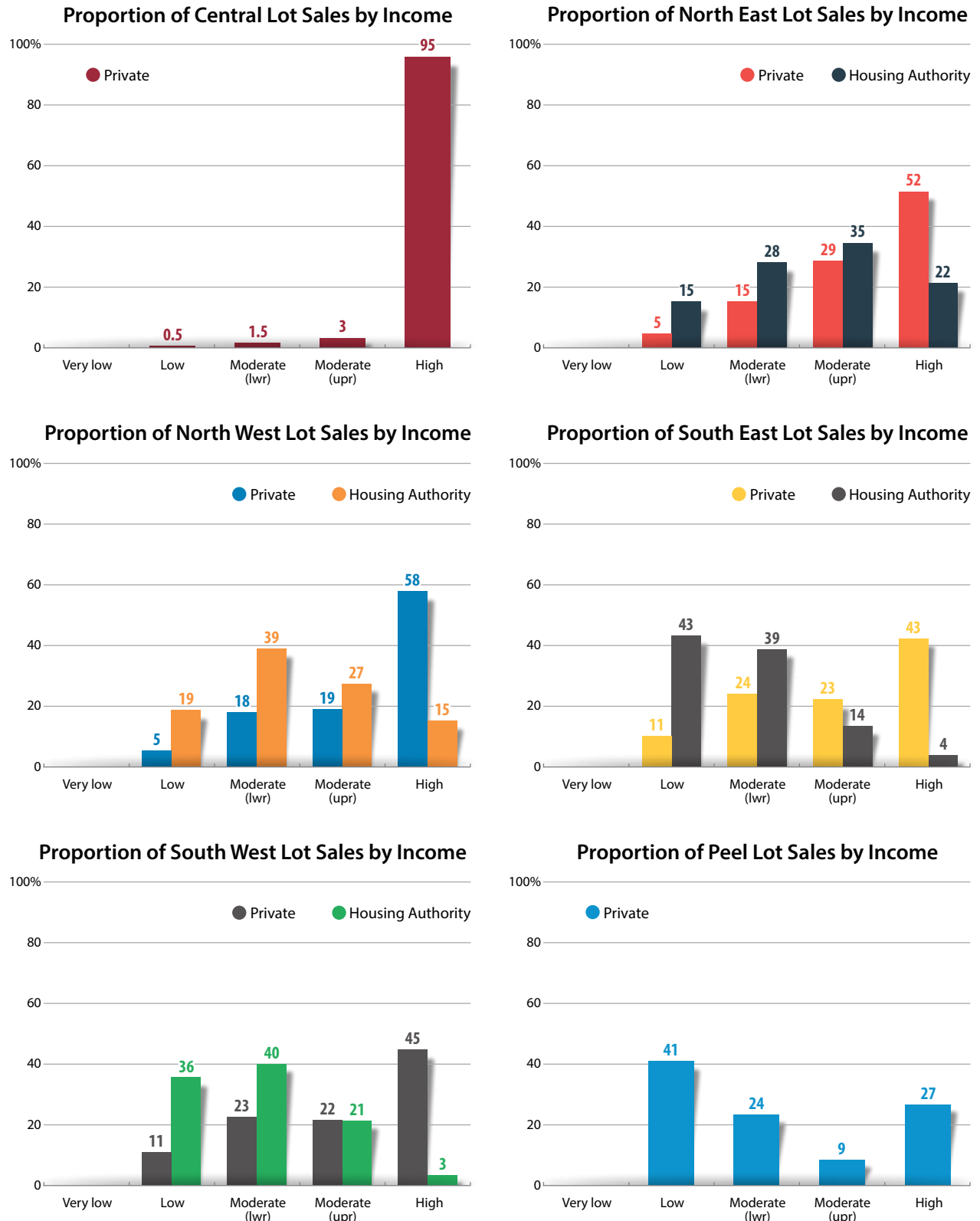


Sources: PriceFinder, Housing Authority

## 5.4 Lot Sales by Region (by Household Income Category)

Section 5.4 looks at lot sales for each region, and shows the proportion of sales, both in the private market and and by the Housing Authority and its development partners, that are affordable to each household income group.

**Figure 14**



Sources: PriceFinder, Housing Authority

\*Central and Peel Housing Authority sales were excluded due to small counts.

Most sub-regions had a similar distribution of private sales across income categories. The exceptions to this were the Central and Peel regions. In the Central sub-region, 2,376 or 95% of private lot sales were only affordable to high income households. This is likely due to the fact most land closer to the Perth CBD is infill development, which tends to be more expensive than greenfield developments in outer suburbs. The sub-region of Peel shows its diversity in land values, with a large number of private lots sold that were affordable to low income households (41%), while the second highest sales category is only affordable to high income households (27%).

Lots sales by the Housing Authority and its development partners show a very different distribution to the private market, with more sales in the low and moderate income (lower) categories. 1,052 lot sales by the Housing Authority and its development partners were affordable to low income households during the period analysed. The South West sub-region had the highest proportion of sales in this income category, with 414 sales (or 39%). These sales were mainly found in Golden Bay (224 sales) and Wellard (144 sales).

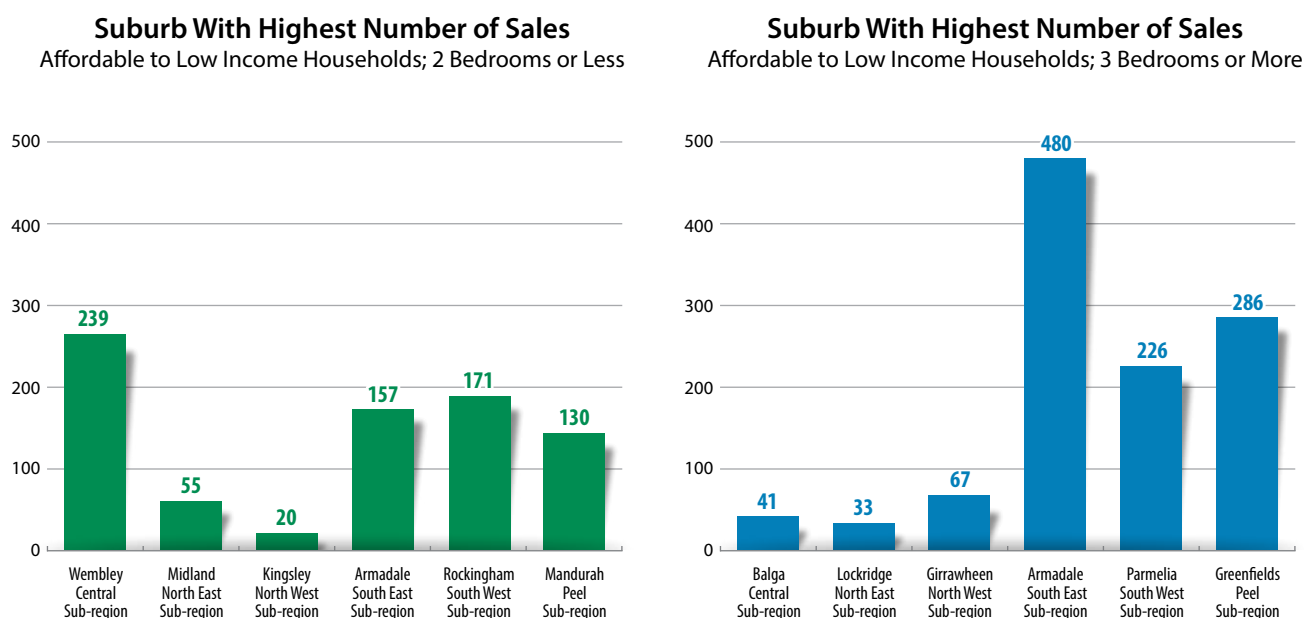
There were 291 lot sales by the Housing Authority and its development partners within the South East sub-region. Of these, 126 (or 43%) were affordable to low income households. All of these were in the suburb of Brookdale.





## 6. Low Income Households Suburb Analysis

Section 6 analyses sales affordable to low income households, broken up into product type. Figure 15 and Figure 16 show the suburb with the highest number of sales for each sub-region.



Sources: PriceFinder, Housing Authority

Overall, the suburb with the highest number of two bedrooms or less sales affordable to low income households was Wembley, with 239 sales. These sales were for two bedrooms or less dwellings within medium to high-rise properties. These sales had a median price of \$277,500 and a median build year of 1971.

For the three bedrooms or more category, the suburb of Armadale had the highest number of private house and unit sales affordable to low income households. There were 480 sales for Armadale in this category, these were mainly older-style houses or duplexes. These sales had a median price of \$298,000 and a median build year of 1978.

More detailed suburb analysis is available in the accompanying sub-regional reports.

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## 7. Concluding Remarks

This report highlights the challenges for low to moderate income earners entering the housing market. While 43% of households in Perth are considered very low or low income, only 8% of established dwelling sales between 2013 and 2015 were affordable to these income groups. This report shows that housing affordability for lower income households is an issue throughout most of the Perth Metropolitan Area. The lack of diversity of Perth's housing stock is also highlighted, with over 80% of sales being for larger properties.

Sales undertaken by the Housing Authority and its development partners were more affordable to lower income households, and the findings of this report will help inform the Housing Authority's future house and land sales programs.

Further detailed results of the analysis will be released in separate reports on each sub-region. A report on Perth rental market affordability is also being prepared.

### 7.1 Comment from Shelter WA

Shelter WA welcomes the Housing Authority's study on housing affordability within the Perth Metropolitan Area. The study highlights the diverse range of housing options for households at different income levels across Perth sub-regions.

The population of Perth and Peel is poised to increase to 3.5 million by 2050. Ensuring there is availability of affordable housing is critical to the quality of life of current and future generations of residents in Western Australia.

Access to affordable and appropriate home ownership benefits both the Government and the community. Affordable housing allows parents to provide stability for their children to grow and thrive; it enables workers to access jobs with minimal commute times; and it provides households with more disposable income. Access to affordable housing results in healthier communities and savings to government.

Affordable housing also provides people with greater economic security as they age, lessening the need for government and community support. If housing is affordable for low and moderate income households, fewer people will require financial assistance or emergency relief, which translates into savings in government expenditure which can be spent on addressing other public needs.

This study highlights the limited housing options for very low and low income households, which is consistent with Shelter WA's research into housing affordability in Western Australia. Many low income households include people working in a range of occupations such as community services, child care, aged care, retail and hospitality. These are important roles that contribute to the economy and the well-being of the community. Western Australians who are working and unable to purchase affordable housing can be vulnerable in the rental market, facing housing insecurity and unable to save towards their own home because of high rental costs.

Households on very low incomes, including people in receipt of income support payments such as a Disability Support Pension and Aged Pension, are confronted with even fewer options for home purchase. Such payments alone are insufficient for someone to access home ownership in most of the Perth sub-regions.

Location is a critical component of affordability. The cost of transportation, repairs and maintenance, utilities, and time spent commuting add to the overall cost of housing. This report found that for someone on a low income, affordable options included small units in older buildings close to the CBD,

as well as newer, two bedroom units further away (32 - 70kms) from the city centre. Options for families, requiring three or more bedrooms, were concentrated in outer suburbs in older-style houses or duplexes. This report will be a valuable tool for the public to make informed decisions about the affordability, location and type of dwelling most suitable to their household's needs and budget.

## 7.2 Comment from REIWA

The Real Estate Institute of Western Australia (REIWA) acknowledges that housing affordability is a critical issue confronting Western Australia and is pleased to support the research conducted by the Housing Authority presented in this report.

Housing affordability is an issue that impacts both the established residential market and the private rental market. In the current market conditions where prices in both markets are easing, this presents an opportunity for West Australians to find appropriate and more affordable housing to meet their needs in the short term. However, the lack of housing diversity in WA constrains choice among West Australian households. With an ageing population and an increase in the number of smaller households, it will be important to have appropriate and affordable options for downsizing and resizing.

The median house price in the Perth Metropolitan Region for the March 2016 quarter softened to \$530,000. According to the Adelaide Bank/REIA Housing Affordability Report (March quarter 2016), WA saw an improvement in housing affordability in terms of loan repayment obligations as a proportion of income to 23.2 per cent from 24 per cent in the December 2015 quarter. In addition, WA remains the only market with a buoyant first home buyer segment at 20.2 per cent. The average loan to first home buyers in WA declined by 3.8 per cent to \$323,133 in the March 2016 quarter.

Two of the key policy issues on which REIWA consistently advocates include housing affordability and the need for housing diversity. In the lead up to the Federal Election 2016, REIWA campaigned for negative gearing to be retained as surveys of the WA community found that property investment helped them to secure their future through building wealth and saving for retirement. Good planning policies such as infill development targets and affordable housing strategies will help to improve and increase the supply of diverse, appropriate and affordable housing for everyone including tenants.

Housing costs are a significant impediment to housing affordability and this includes the impost of transfer duty. Whilst exemptions to transfer duty exist for first home buyers up to \$430,000, many trade-up buyers struggle to find the surplus funds to cover the transfer duty impost upfront. So, buyers are forced to borrow this amount in addition to the loan amount, therefore amortizing the transfer duty cost across the life of their mortgage.

Transfer duty is still a hindrance on affordability. It also impacts the ability for households to make appropriate housing decisions in accordance with their lifestyle choices, changing needs or economic reasons like employment. REIWA will continue to support government policies to address housing affordability and choice.

