

Tackling Housing Affordability on the Sunshine Coast

Presented by:
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Terms of Reference

- **Identify** reasons for a shortage of affordable housing in regional Australia
- **Relate** national causes of housing affordability to regional circumstances
- **Analyse** key factors affecting housing affordability on the Sunshine Coast
- **Assess** impacts of housing affordability on the Sunshine Coast
- **Propose** research and action priorities for further action

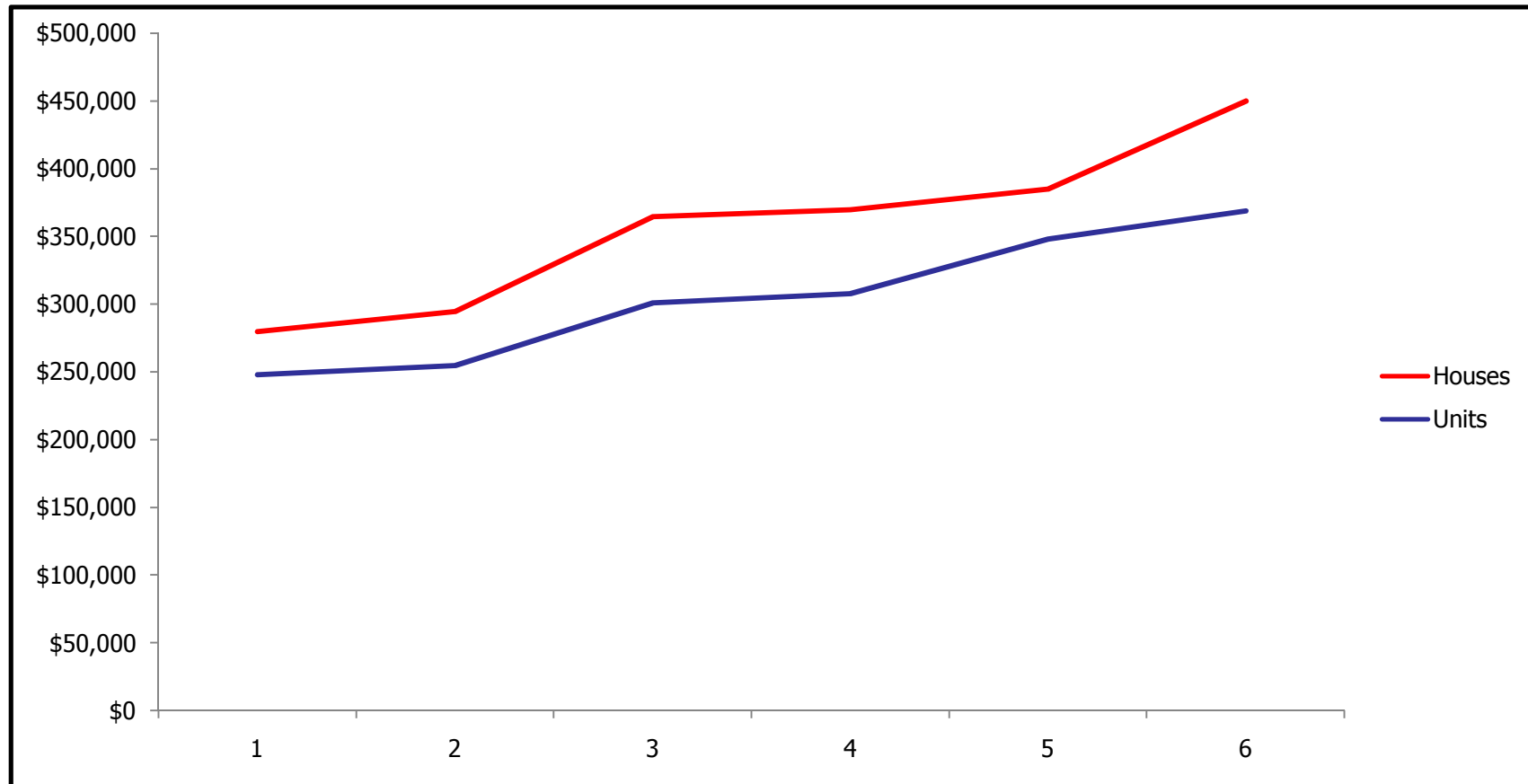
The central issue with housing affordability is a mismatch between the market cost of housing and what people can afford to pay.

It's the growing gap between the two that we have to address.

What's the situation on the Sunshine Coast?

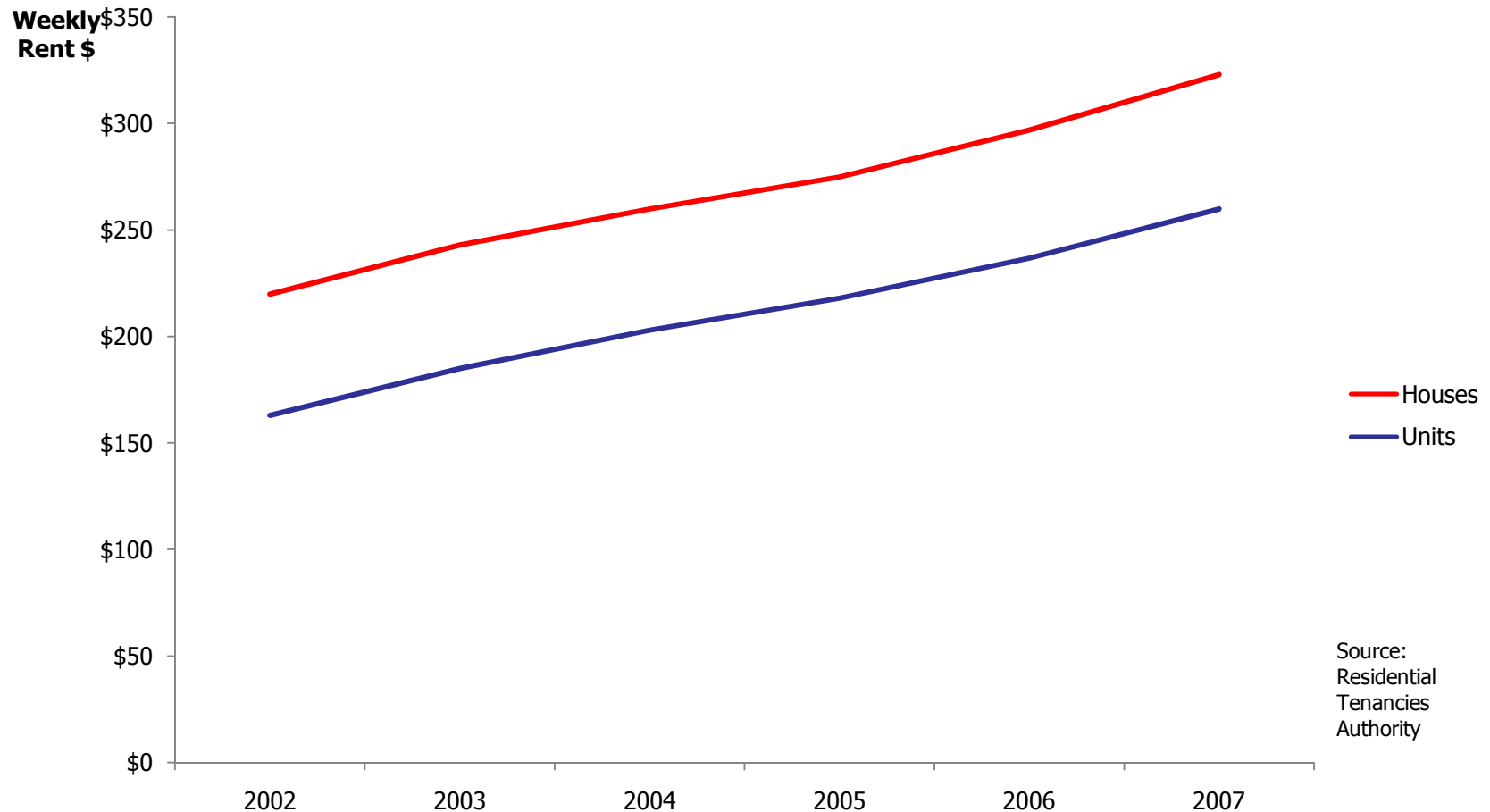
- House & unit price changes
- Rental price changes
- Incomes - changes in Average Weekly Earnings

Rising house and unit prices on the Sunshine Coast



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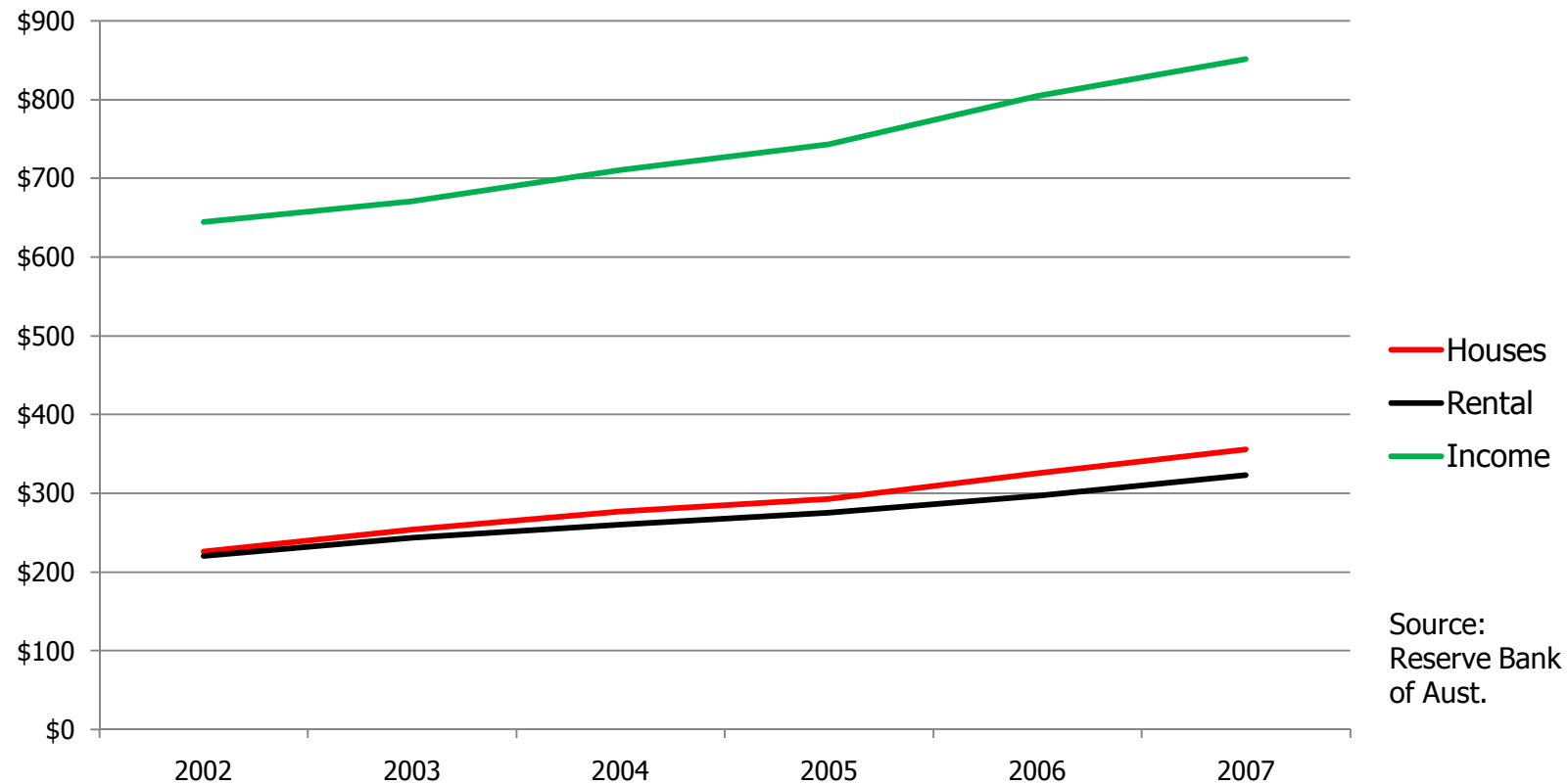
Rising cost of renting on the Sunshine Coast



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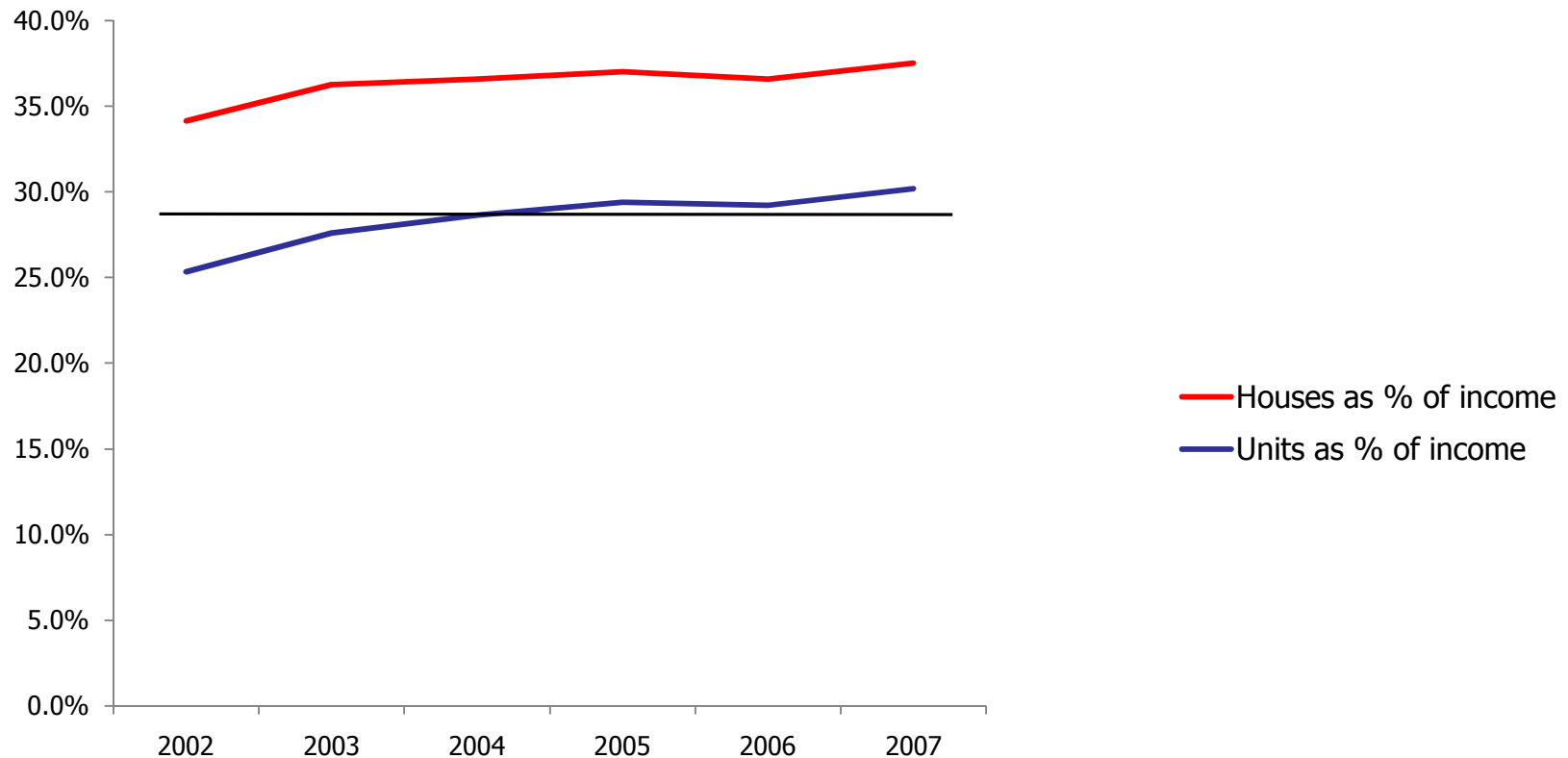


And incomes barely keeping pace



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House and rent payments as percentage of weekly income on the Sunshine Coast

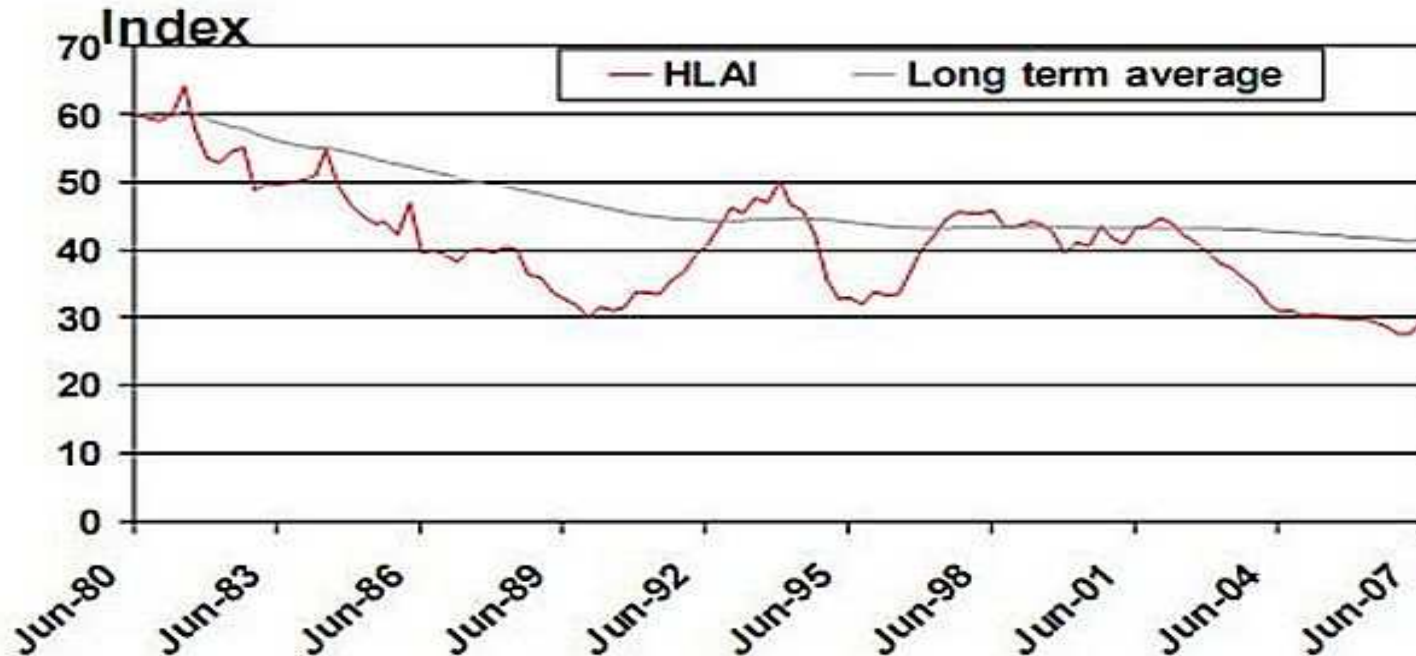


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How does this translate into housing affordability?

Home loan affordability against long term average in Queensland



Source:
Westpac
Property

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 University of the
Sunshine Coast
Queensland, Australia

 INVESTA

Housing Affordability for Key Workers on the Sunshine Coast

Primary school teacher and
administrative assistant \$91,797

Police Officer (single income
family) \$44,111

Ambulance Officer and Nurse
\$82,680

Public Servant
\$62,544

Electrician and Shop Assistant
\$51,412

Child Care Worker
\$30,440

Source: Property Council of Australia, 2007



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Complex set of reasons for lack of affordability

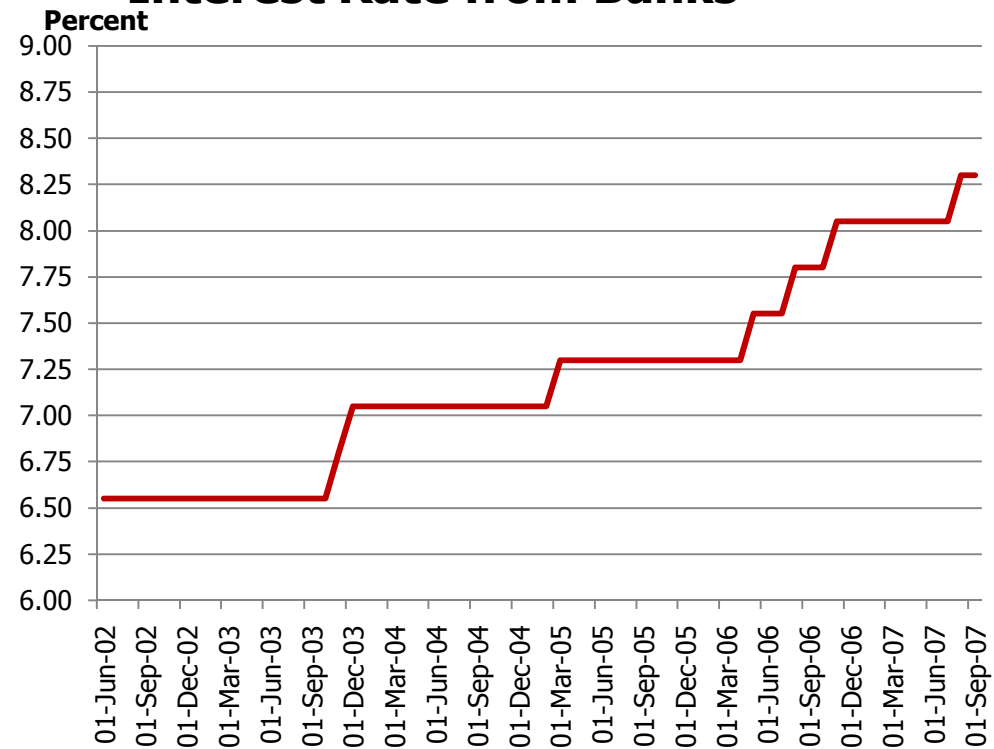
- Supply Factors - restricting supply & keeping prices up
- Demand Factors - pushing prices up
- Factors effecting ability to pay

Supply Factors - Restricting Supply & Keeping Prices Up

- Interest rates
- Raw land supply
- Uneconomic ROI on low income housing investment
- Local Government development charges
- Government taxes & charges

Rising Interest Rates

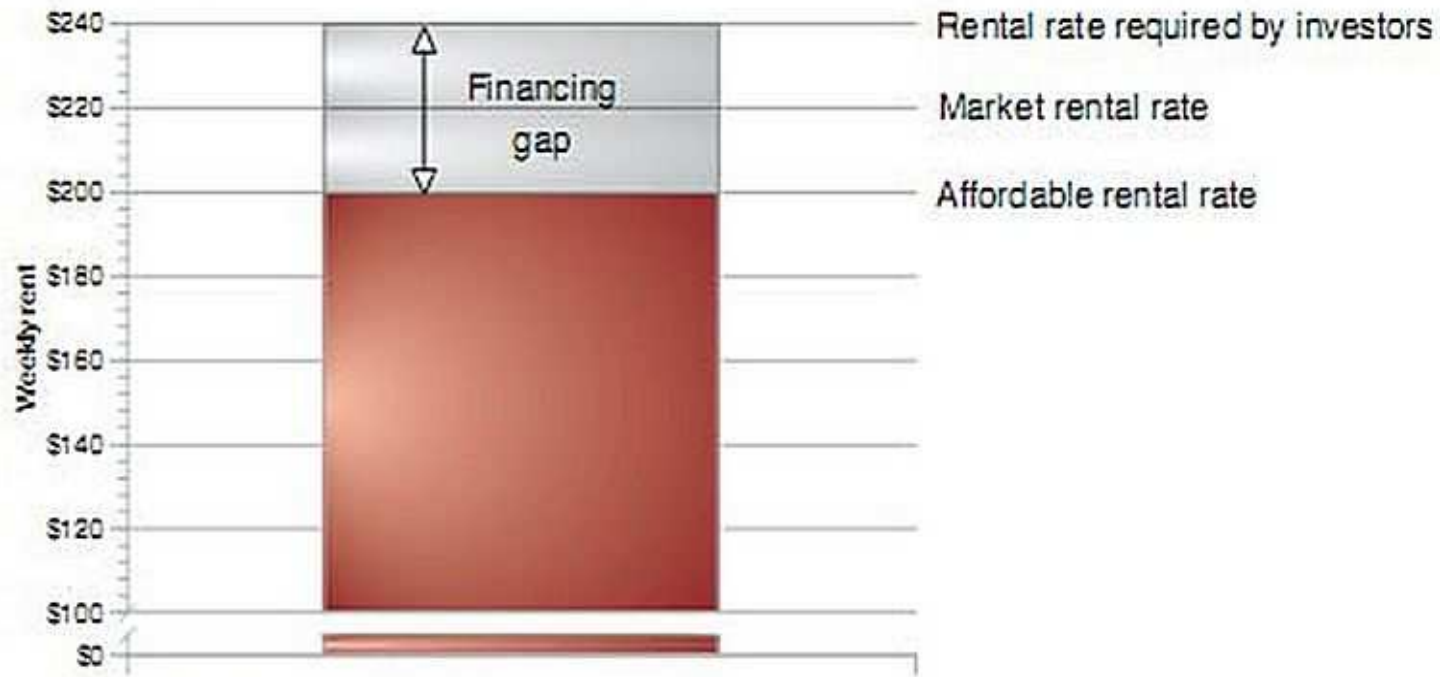
Standard Variable Housing Interest Rate from Banks



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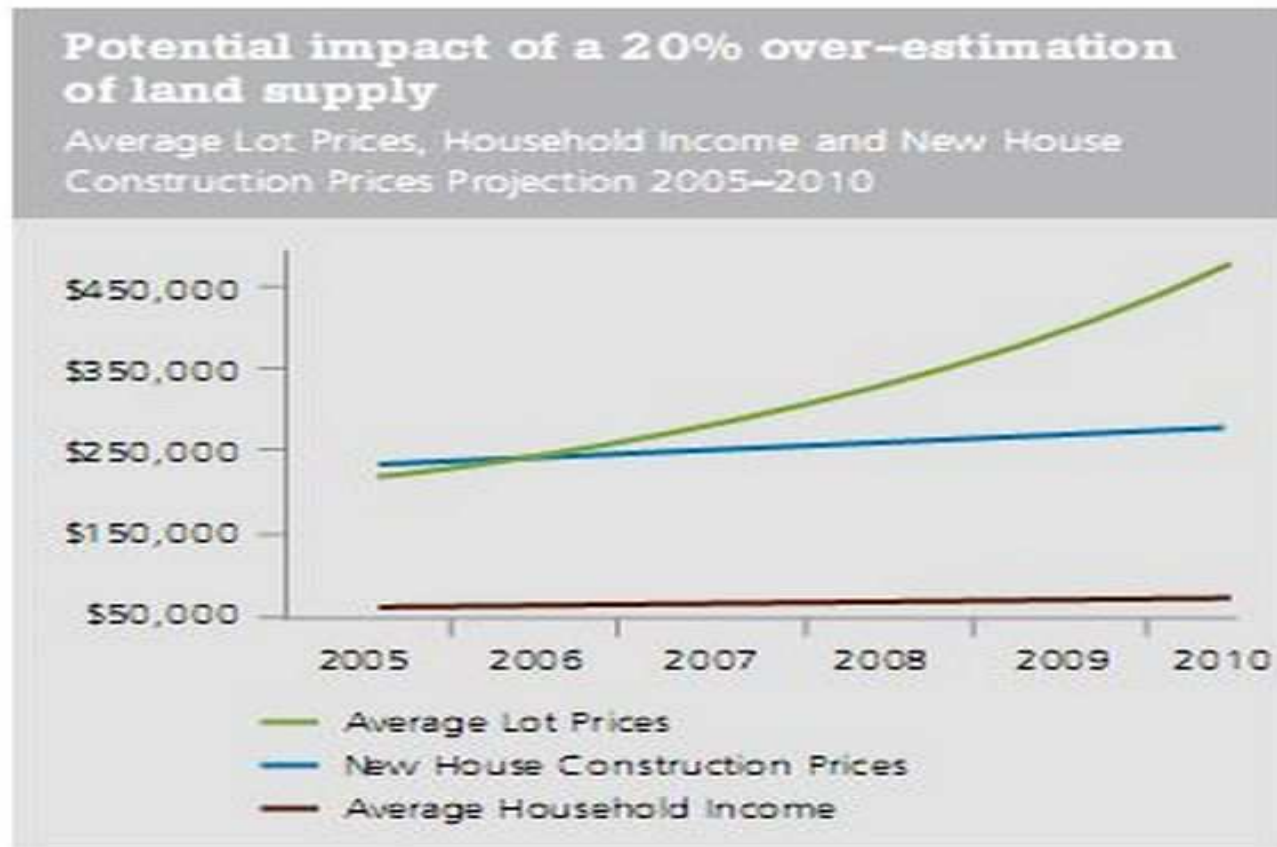
Low rate of return on affordable housing

FINANCING GAP FOR A PROPERTY WITH MARKET WEEKLY RENT OF \$220



Source: The Allen Consulting Group

If there's not enough land ...



Source: UDIA, Report of an Industry Inquiry into Affordable Home Ownership in Queensland, 2007

Add government charges

Government Costs: Typical House & Land Package – Sunshine Coast (Maroochy)	
Land cost to purchaser	\$229,000
House Construction and Purchase Costs	<u>\$177,500</u>
Average (adjusted) Purchasing Cost	\$406,500
Actual land and house costs	\$313,159
Aggregate Government Charges	<u>\$93,341</u>
Average (adjusted) cost to Purchaser	\$406,500

Breakdown of Charges	
Local Government (Rates, Infrastructure Charges etc)	\$24,300
State Government (Land Tax, Transfer Duty etc)	\$17,975
Federal Government (GST, Company Tax)	<u>\$51,066</u>
Total	\$93,341

Source: Matusik Property Insights, UrbisHD, UDIA (Qld) 2006

Consisting of ...

Aggregate Government Charges

(Based on Average New Detached House & Land Prices)

	Gold Coast	Sunshine Coast (Maroochy)	Ipswich	Redland	Brisbane	Queensland
Stamp Duty on Land Acquisition	\$2,662	\$2,212	\$1,606	\$2,824	\$2,632	\$2,343
Council and Water Rates	\$415	\$600	\$457	\$614	\$596	\$531
Land Tax	\$1,925	\$1,313	\$686	\$3,250	\$2,071	\$1,843
Council Application Fees	\$776	\$300	\$871	\$843	\$795	\$708
Consultant Fees to meet Legislative Requirements	\$596	\$5,000	\$5,151	\$35,533	\$5,519	\$4,912
Infrastructure Charges	\$15,333	\$13,000	\$15,107	\$14,194	\$14,409	\$14,409
Recent BCA compliance requirements	\$6,600	\$7,200	\$6,600	\$7,200	\$6,900	\$6,900
Recent Council compliance requirements	\$4,950	\$5,400	\$4,950	\$5,400	\$5,175	\$5,740
Stamp Duty on Purchase for Owner Occupation	\$6,487	\$6,500	\$3,188	\$7,150	\$6,596	\$5,870
Company Tax	\$12,850	\$14,703	\$5,773	\$3,624	\$10,056	\$8,950
GST	\$37,365	\$36,363	\$26,818	\$35,454	\$38,323	\$34,107
Other	\$0	\$750	\$0	\$0	\$0	\$0
Total	\$89,959	\$93,341	\$71,208	\$116,087	\$93,073	\$86,313

Table 10

Matusik Property Insights, Urbis/HD, UD/A (Qld)

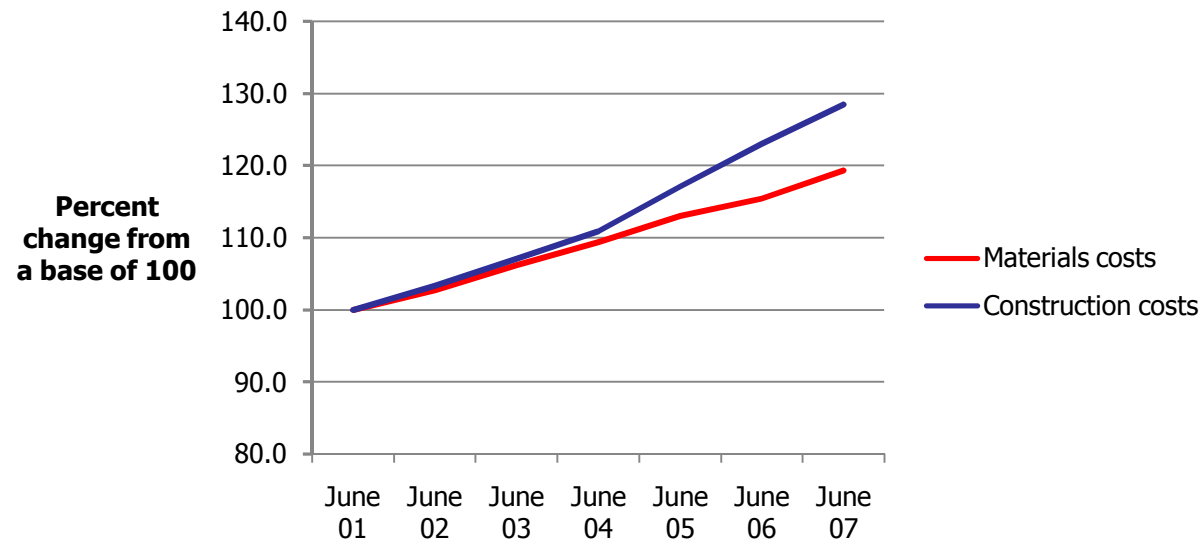
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Demand Factors – Pushing Prices Up

- Building costs
- Public housing not picking up the slack
- Negative gearing effect on investment properties
- Displacement from house buying into rental

Building costs rising steadily

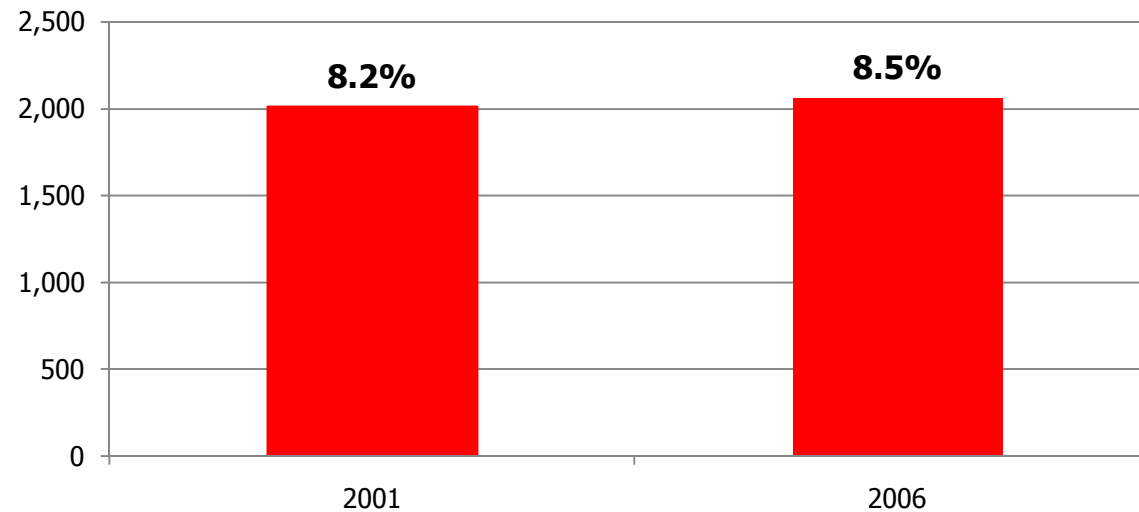
Changes in Building Costs 2001-2007



Source: ABS, House Price Indexes, June 2007, Cat No. 6416.0

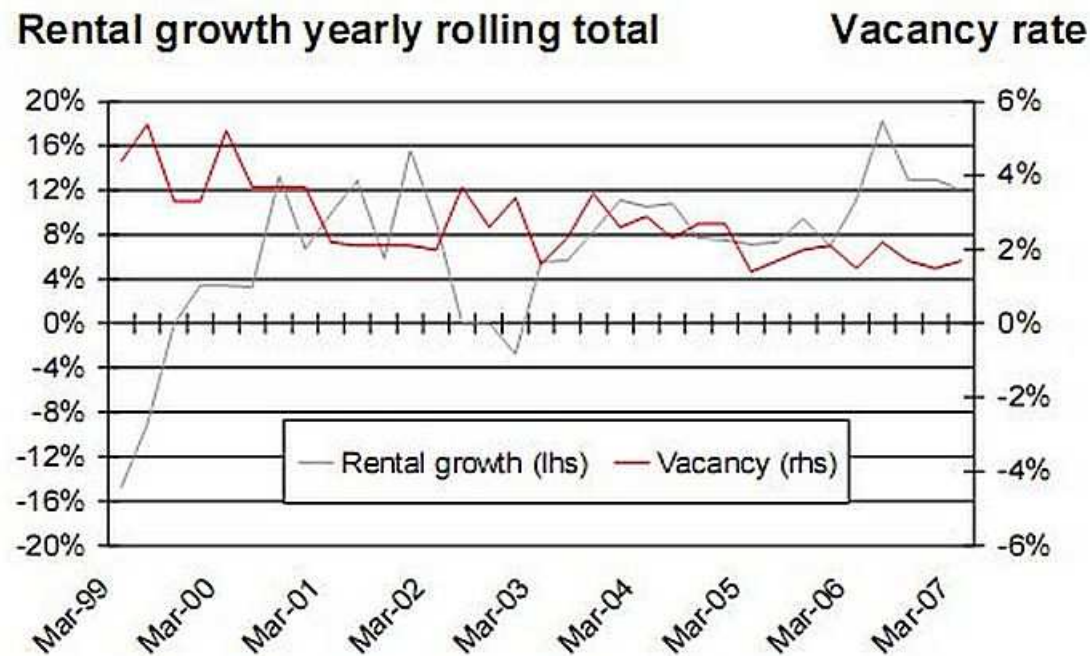
Public Housing not picking up the slack

**Public Housing Dwellings
Sunshine Coast**



Rental vacancy rates falling

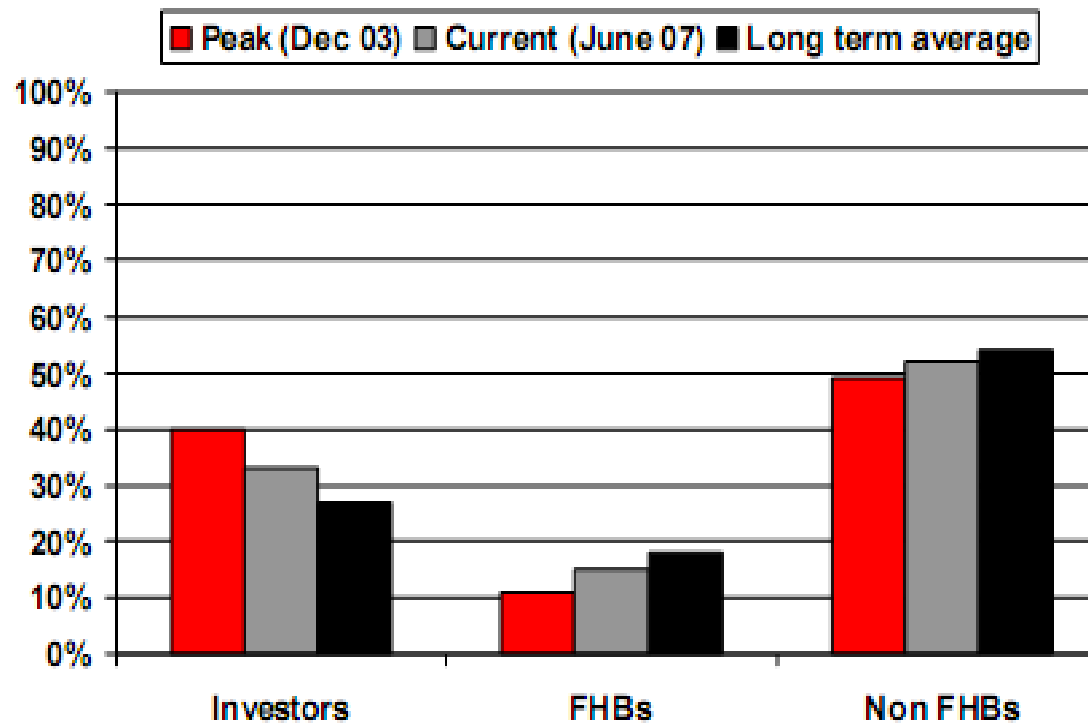
Rental growth (2 bedroom other dwellings) and vacancy



Source: Westpac and REIA

Negative gearing impacts

Proportional market breakdown - QLD



Source: Westpac Brisbane Residential Market Review, August 2007

Factors effecting ability to pay

- Interest rate changes
- Changing labour markets
- Little tax relief for housing associations

If interest rates go up, then ...

Repayments at standard variable rate						
Date	9-Oct-04	2-Mar-05	3-May-06	2-Aug-06	8-Nov-06	8-Aug-07
Increase		0.25%	0.25%	0.25%	0.25%	0.25%
Rate	7.05%	7.30%	7.55%	7.80%	8.05%	8.30%
\$1,000	\$7.10	\$7.26	\$7.42	\$7.59	\$7.75	\$7.92
\$50,000	\$355	\$363	\$371	\$379	\$388	\$396
\$100,000	\$710	\$726	\$742	\$759	\$775	\$792
\$150,000	\$1,065	\$1,089	\$1,113	\$1,138	\$1,163	\$1,188
\$200,000	\$1,420	\$1,452	\$1,484	\$1,517	\$1,550	\$1,584
\$247,455 (avg)	\$1,757	\$1,797	\$1,837	\$1,877	\$1,918	\$1,959
\$250,000	\$1,775	\$1,815	\$1,856	\$1,897	\$1,938	\$1,979
\$300,000	\$2,130	\$2,178	\$2,227	\$2,276	\$2,325	\$2,375
\$350,000	\$2,485	\$2,541	\$2,598	\$2,655	\$2,713	\$2,771
\$400,000	\$2,840	\$2,904	\$2,969	\$3,034	\$3,101	\$3,167
\$450,000	\$3,195	\$3,267	\$3,340	\$3,414	\$3,488	\$3,563
\$500,000	\$3,550	\$3,630	\$3,711	\$3,793	\$3,876	\$3,959

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Changes in labour markets: more people working full-time, but also more working part-time on the Sunshine Coast

	Employed Worked full-time	Employed Worked part-time	Employed but not working	Unemployed Looking for full-time work	Unemployed Looking for part-time work
1996	51.9%	28.4%	4.2%	12.8%	2.6%
2001	50.7%	31.6%	6.1%	8.4%	3.2%
2006	55.1%	33.3%	5.8%	3.5%	2.3%

Source: ABS 2006 Census, Cat. No. 2068.0

One dimensional responses won't address the complexity

- There is no one single cause of unaffordability; likewise there cannot be a single solution
- Housing affordability **has** to be attacked on a number of fronts simultaneously
- So what can be done?

Some National Responses

- A new CSHA to increase the supply of public housing
- A National Affordable Rental Incentive scheme to attract private investment funds
- Support for growth of competent NFP housing associations similar to that occurring in Europe

Some State Government Responses

- Looking at the impact of some of their own taxes and possibility of concessions
- Some discounted public land that can be used in partnership with developers
- Planning system that encourages partnerships between local government and developers

and some more local responses

- New designs for low cost homes that are smaller and less expensive - ADAPTUS
- Looking to reduce the cost of infrastructure charges in return for % of affordable homes
- Support for strong NFP housing associations like your own SC housing company
- Small parcels of land that could be used for disability housing and other special groups

Working together is the key

- Needs a collaborative effort; hence the need for local coalitions to form
- Suggest someone to take the lead following this conference

Who has to play a role in helping to find solutions?

- Wide range of players can make a contribution
 - Federal government
 - State government
 - Local governments
 - Developers
 - Not for profits
 - Financial institutions
- Some things the residential development industry can do
 - Working on the house and land cost structure
 - Initiatives by Investa