Senate Inquiry into Affordable Housing

Submission by

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Disclaimer: This submission is based on academic research by and reflects the economic policy views of Luc Borrowman, Lionel Frost and Gennadi Kazakevitch. These views may not correspond to those of Monash University and its Department of Economics.

Executive Summary

The submission elaborates on the need to reconsider the measurement of housing affordability to help develop better housing policies in Australia, and addresses several of the matters listed in the inquiry.

The measurement of housing affordability. Two approaches to measuring housing stress are discussed and compared in this submission: the ratio and residual ones. *The ratio stress measure* is based on the percentage of income that is spent on housing. A ratio of 30 per cent of income spent on housing is a common benchmark, beyond which a household may be classified as in ratio stress. *The weaknesses of the ratio approach are the absence of clear rationale for the 30 per cent benchmark, and the application of single measure across all housing situations (renter and homeowners), locations and household composition. We strongly suggest using the residual stress measure, which is based on the level of disposable income that remains after housing costs have been met.* This residual income is then compared to a poverty line or budget standard, which provides perspective to the residual income. If the level of residual income is below these levels the household is classified as being in residual stress. The residual affordability measure is adaptable to different household compositions and grounded in its society standard, and therefore allows for informed decisions on housing policies that specifically target the composition of households that are most vulnerable to housing stress.

a) The role of all levels of government in facilitating affordable home ownership and affordable private rental

i) The effect of policies designed to encourage home ownership and residential property investment. Without adequate private investment in residential construction, policies on the demand side that encourage higher levels of homeownership will tend to increase housing costs, by causing the demand for housing to grow faster than supply.

iii) The effect of policies designed to increase housing supply. Policies should be focused on the supply side and not simply increase demand side pressures. Government needs to introduce polices that encourages new development of properties in locations that are close to amenities. Infrastructure costs increase the cost of urban development and such infrastructure is lacking at the rural-urban interface. Increasing density close to existing infrastructure would reduce infrastructure costs per household and lower house prices.

iv) The operation, effect and future of the National Rental Affordability Scheme. By directing policy at lower income earners, this Scheme removes some of the burden of housing costs and allows households to plan for future housing more effectively. As the supply of rental properties increases, more affordable rents will make it easier for households to save the deposit required to buy a property. Renters are more likely to fall into stress than owner occupiers, hence polices should be predominantly directed at renters and not homeowners.

vi) The operation and effectiveness of rent and housing assistance programs. The rent assistance program is only available for those who are receiving other forms of Commonwealth assistance. In the current housing market households that are not receiving assistance may still require help with housing costs. The justification for continuing with housing assistance programs lies in their potential to increase housing supply and provide stability for households. A case can be made for extending these programs to reduce the incidence of residual stress and the impact of moving house on stress.

b) The impacts, including social implications, of public and social housing policies on housing affordability and the role of all levels of government in providing public and social housing. We propose a new measure for calculating the amount of rent charged for public and social

housing. This would be a composite measure, with the residual approach used to calculate the amount of rent that would be charged. This would ensure that low-income earners have sufficient disposable income for basic non-housing necessities.

d) The contribution of home ownership to retirement incomes. Older Australians are less likely to be in residual housing stress than younger Australians. Meanwhile, older Australians who remain in residual stress for three years struggle to move out of that situation in subsequent years. Particularly, large transaction costs associated with downsizing may encourage them to remain in a house for longer than they should, when downsizing could be more effective. *Exempting downsizing retirees from Stamp Duty would help them to release funds to support their incomes and to contribute to the supply of established housing for younger growing families.*

g) Planning and policies that will ensure that women, particularly vulnerable women, have access to secure, appropriate and adaptable accommodation. Women are more likely to be vulnerable to the life events associated with entering housing stress if they are a sole parent and/or their past participation in the labour force has been limited. Therefore, policies/programs especially targeting this category of population/households are needed.

h) Planning and policies that will ensure emergency and essential service workers have access to affordable housing close to where they work. There is a potential mismatch between jobs in essential services and housing location. This could be addressed by effective social and public housing policies, and more effective planning to provide high-density housing close to existing public transport infrastructure.

m) The role and contribution of the community housing sector in delivering social and affordable renting housing. The Australian rental market does not provide the same level of protection to renters as in other Western countries. This particularly disadvantages long-term tenants. Those who are least able to afford the costs associated with moving are the ones forced to move most often. In these circumstances, there is a continued role for community housing in the rental housing market. This is particularly so for low-income households, households with special requirements, such as those with limited movement and older renters. *Those with special needs have a small pool of properties that meet their minimum requirement in the private rental market. Community housing may assist such households to find suitable accommodation. It may provide stability for such households by reducing the costs of moving.*

n) The need to increase the supply of accessible and adaptable housing, and housing that is culturally appropriate. Households headed by a person aged under 65 with no dependent children experience the longest period of stress compared to other household types. The large detached dwellings that are characteristic of the Australian housing stock are not suited to the type of household that is experiencing the longest period of stress. *New housing stock needs to reflect the changing nature of the population, in particular the rising share of aging and single-person households.*

o) The impact of not having a long-term, national affordable housing plan. *A national affordable housing plan is needed because the nature of the Australian renting experience has changed.* Renters now spend longer periods renting. A plan that addressed the needs of this section of the population would do so by making renting more stable, or increasing the supply of houses that increases opportunities for entering homeownership. An increase in supply of appropriately designed and suitably located housing, complemented by individual city plans that consider transport as well as housing costs, will help to meet the needs of a changing Australian population.

Measurement of housing affordability

Access to housing is a cornerstone of economic development and welfare. Once a household has secured adequate housing, further important life decisions can be made with more degrees of freedom. The development of effective housing policy depends on research into the housing situation (renting and homeownership) of different types of households. In our research we have aimed to redefine housing affordability through innovation in its measurement. Particularly, we have suggested quantifying the degree of housing affordability differentiated by different household characteristics. This may help the design of effective housing policies especially targeting the households that are most vulnerable to affordability stress.

Housing is a difficult product to classify as it is both a luxury and a necessity. Shelter is an object that everyone consumes as a basic human need. For many, housing is also an investment – a method of creating future wealth. The same house may be looked at as a necessity by one person and an investment by another. Furthermore, housing decisions by households should be considered not only from the perspective of shelter and investment, but also in relation to workplaces, educational institutions, health care, and other amenities, thus shaping transport and mobility patterns. Housing expenditure is influenced by many factors, including house prices, housing quality, income levels, the ability of households to borrow, public policies affecting housing markets, conditions affecting the supply of new or refurbished housing and the choices that people make about how much housing to consume relative to other goods. Quigley and Raphael (2004) confirmed a long established finding that lower income groups spend a higher percentage of incomes on housing than higher income groups do. Households in the lower quintile of income distribution also experienced much greater increases in rental costs as a proportion of income compared to those of relatively wealthier renter households. Increasing housing costs are driven by the price inelasticity of supply in the Australian housing market. Increased supply reduces the return on investment in terms of rental yield and prices. This is also true of the family home, which is often the largest investment a household will make; and households will resist any changes that might affect this value, such as new higher density housing nearby.

The issue of housing affordability is further complicated by the potential for housing stress to impact on broader aspects of society. For example, Bentley, Baker, and Mason (2011) found that those in housing stress may experience mental health issues that reduce the quality of human capital and rates of labour force participation. Labour market outcomes are an important element in the reduction of housing stress (Burke et al., 2007). Furthermore, people who are in chronic housing stress may be unable to own their own homes, thus excluding them from the potential benefits of housing stability, security and the ability to grow equity in the long term.

Two approaches to measuring housing stress are discussed and compared in this submission: the ratio and residual ones. The ratio approach is currently used widely by researchers and policy-makers to measure housing affordability, but does not capture the dynamics of housing stress for different compositions of households. Housing is the major item in many household budgets and for low income groups the financial situation after housing costs have been met is a pressing issue. Decisions on the relative consumption of housing and non-housing items may vary between households that are in stress and those that are not. The ratio approach does not reflect the complex nature of housing and in interrelated nature with other costs.

The ratio stress measure is based on the percentage of income that is spent on housing. A ratio of 30 per cent of income spent on housing is a common benchmark, beyond which a household may be classified as in ratio stress. The advantage of the ratio approach is its simplicity. The variables rely on a limited number of subjective assumptions. They are easy to explain and data enabling the computation of ratio measures is readily available over time. The weaknesses of ratio approach are the absence of clear rationale for the 30 per cent benchmark, and the application of single measure across all housing situations (renter and homeowners), location and household composition

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(Gabriel, Jacobs, Arthurson, Burke, & Yates, 2005). The ratio approach establishes only a weak link between housing affordability and the financial wellbeing of households (Rowley & Ong, 2012; Yates., 2007). It assumes that all households have the same ability to pay and does not consider non-housing costs (such as food, medical expenses and clothing) or issues of housing quality and over-crowding.

The residual stress measure is based on the level of disposable income that remains after housing costs have been met. Depending on data quality, housing costs may include insurance, rates and upkeep, but often they include only direct costs, such as rent, mortgage repayments and utilities. This residual income is then compared to a poverty line or budget standard, which provides perspective to the residual income. If the level of residual income is below these levels the household is classified as being in residual stress.

The choice of measure will affect the results obtained from any policy modelling. Even though the residual measure requires more data and is more complex and time-consuming than the ratio one, we suggest using it because it makes the relationship between housing and non-housing expenditure explicit. It provides a richer body of information that better reflects changes in housing situations, household composition and age. It targets low income households effectively and is valuable for small area studies.

The residual method was created in response to disatisfaction with the ratio measure. When using the ratio measure, the benchmark percentage did not change for those on lower incomes, so people could spend less than the benchmark amount on housing and still be in poverty. The notion that a household can adequately meet its non-shelter needs if it has at least a certain percentage of income left after paying for housing implies that the lower the income of a household, the lower the amount it requires for non-shelter needs. The residual income standard is not universal; it is socially grounded in space and time. It offers a more precise and finely honed instrument for assessing housing needs and problems with its assumptions are clearly stated.

Changing the method of measuring affordability would result in revised housing subsidy formulas that would allocate subsidies in a more equitable and efficient way. Some households earn incomes that are insufficient to pay any rent or mortgage instalments, no matter what percentage of income those payments constitute. Residual methods could be used to refine residential mortgage underwriting by yielding more accurate assessments of risk. This highlights the difficulty in deciding the level to set housing budgets, thus actual housing costs or the income remaining after non-housing needs are met could be considered in calculating the affordability of housing. This could be used to set the amount required for housing assistance.

The residual income approach recognises that the distinctive physical attributes of housing compared to other necessities makes housing costs the largest and least flexible claim on after tax income for most households. Food items have low price variance and high supply elasticity, so any household could, in principle, could continue to meet the physical food standard despite reductions in income. Housing, by contrast is highly heterogeneous due to its indivisible, durable nature and location specific. Housing thus shows high price variance and low elasticity of supply, even within a given market (Stone, Burke, & Ralston, 2011).

Much of the lowest cost housing stock is occupied by higher income earners, forcing lower income earners to accept what they can get, thus sometimes appearing to over-consume (Yates & Wulff, 2000). The use of average housing costs or external measures does not reflect what a household might experience. Local housing markets may be more or less diverse, both in price and in quality, and this diversity is ignored by using average prices. Actual housing costs reflect the type of housing that can be obtained in the current market. The presence or absence of a low cost sector within local rental markets will always be an important determinant of the capacity of low-income households to locate a home they can afford to rent (Waite & Henman, 2005).

Affordability expresses the challenges each household faces in balancing the cost of actual or potential housing and non-housing expenditure, within the constraints of its income (Stone, 2006). Based on the assumption that people make purposive choices to maximise utility subject to budget constraints, each household will pay just what it can afford for housing. As with other resource allocation decisions, households will spend on housing to the point where the marginal benefit of doing so equals the marginal cost. Some households may live in undesirable conditions; others may have low incomes that give them few choices; but they all make the choice that is best for them within their constraints. One has to consider the interactions among incomes, housing costs and the cost of non-housing necessities. The residual income approach does not yield a simple rule of thumb ratio. Instead, it leads to a sliding scale, which recognizes that true affordability is sensitive to differences in household composition and income.

The idea of using an after-housing notion of notion was first raised by the Commission of Inquiry into Poverty (1975). It recognised that housing costs tend to make first claim on income, while also showing enormous variation compared to the basic cost of other necessities, associated with differences in situation and location.

Henman and Jones (2012) develop a theoretical framework using residual income and budget standards in an Australian context. This linking of poverty and living standards research may provide a better understanding of housing outcomes. It changes the scope of the problem from what is affordable to what type of living standard can be achieved once housing costs have been taken into consideration. Instead of focusing on the problem of housing costs and what is available the approach examines the situation for households once housing is treated as a fixed cost. Disposable residual income is compared to the appropriate budget standard for that household, with the focus thus more directed at outcomes rather than inputs.

Residual income was used in debating the use of affordability standards in an Australian context by Stone et al. (2011), who examined the use of budget standards and the difference in results that could occur when it was used in place of the ratio approach. At low incomes the ability to pay housing costs is lower than that specified in the ratio approach but at higher income the ability is greater. Where the crossover occurs depends on the household composition one is comparing, with larger families requiring more expenditure on non-housing goods. Burke, Stone, and Ralston (2011); Stone et al. (2011) used this approach to examine the maximum mortgage repayment that a household type could afford given its income. This was compared to the figure derived through the ratio measure. The aim was to explain how households are still able to purchase housing even though payments are much higher than the 30 per cent ratio. The use of budget standards also shows that at low incomes many households would have no income remaining to spend on housing, which necessitates different policy advice for setting housing costs.

Budget standards were first published by Saunders (1998) for the Department of Social Security. At the same time Henman (1998a) examined the impact of durables and the cost of children on the budget standards. The different compositions of households, such as the ages of children and the age and job status of parents were taken into account. Detailed breakdown of the cost of each household composition, differences in lifecycle and the location of the household in different cities were included. This allowed the budget standards to capture a large proportion of the data sets given the household composition available. Two budget levels are used: (1) if 50 per cent of Australian households owned a specific good or used a specific service, then that good or service was included in the "modest but adequate" budget; and (2) a "low cost" budget with a benchmark of 75 per cent. In other words, the items that are owned by 50 per cent of the population are seen as a reflection of a "modest but adequate" living standard; whereas the "low cost" living standard is defined by ownership or use by 75 per cent of the population.

Budget standards are flexible and may be customised to incorporate alternative assumptions (Saunders, 1998). They may include alternative prices and lifetimes for items such as household

durables (Henman, 1998b). This approach involves making clear statements about the assumptions used, thus removing uncertainty about the construction of the measure.

Norms of consumption vary from country to country and region to region. Budget standards are relative measures to compare the standing of households in particular countries or regions. This is a different approach from those that use poverty level measures, in which the price of a basic basket of goods that one needs to consume to be able to survive is calculated. The budget standard approach is based on what people choose to consume and how much income that requires, while poverty level approaches measure how much income people require to being able to consume the required basket.

Summarising all of the above, the difference between the ratio and residual approaches is how they define the normative level of adequacy for non-shelter items. The ratio approach defines it as a fraction of income, 70 per cent, which is considered to be the minimum share of income that must be available after housing costs in order to avoid hardship in meeting non-shelter needs (Stone et al., 2011). The residual income approach defines the normative level of adequacy for non-shelter items as a monetary amount that is independent of income but very dependent upon household composition and the non-housing cost of living as a function of time and place.

The residual approach identifies the type of households that are vulnerable to housing stress, due to low income, high housing costs, or both. Household income may be so low that it does not cover non-housing costs, even with zero housing costs. Household income may cover non-housing costs but not housing costs. Middle- to high-income households may move into housing stress due to high housing costs (Gabriel et al., 2005).

Residual income, the amount of income remaining after housing, is compared against the budget standard for that household composition. The budget standard that is been used has had the housing component removed as the actual housing costs are been used; what remains is all of the other components that are required. This makes the affordability measure adaptable to different household compositions and grounded in its society standard. The residual income will demonstrate one of three situations every household can be found in: falling below the low cost budget, between low cost and moderate budget, or above the moderate budget. Aggregating households into socio-economic groups, the most vulnerable to falling below low cost budget will help to design more targeted and effective housing policies.

a) The role of all levels of government in facilitating affordable home ownership and affordable private rental, including:

      i) The effect of policies designed to encourage home ownership and residential property investment.

      iii) The effect of policies designed to increase housing supply.

Without adequate private investment in residential construction, policies that encourage higher levels of homeownership will tend to increase housing costs, as the demand for housing grows faster than supply. The limited supply of housing means that negative gearing will favour investors over owner occupiers. If an investor and an owner occupier have the same income, the former will be able to spend more on a property due to the returns from rent and negative gearing. Households that buy their residences do not have this advantage. Currently negative gearing is available to investors of any property and reduces their taxable income by the amount spent on the loans for their investment property. For Australians in the highest tax bracket this can result in an almost 50 per cent return on the expenditure in their tax return. The benefit that is received from negative

gearing is larger the higher the taxable income. The housing market requires private investment, and new supply is the most pressing need.

Negative gearing should only be applied to new supply for limited number of years, to provide incentives for investment in new housing, which may be riskier than other forms of housing investment. If such a modification is not possible and new supply remains limited, then investors will only benefit from negative gearing through increased demand and reduced affordability. Without this modification, there is a case for negative gearing to be completely phased out.

Most of the new housing stock is produced on the urban fringe, due to the availability of greenfield sites and the cost of in-filling close to city centres (Kelly, Weidmann, & Walsh, 2011). Supply-side constraints in the housing market, due to complex planning processes and a shift towards user funding of infrastructure, have increased the private cost of development. Hsieh, Norman, and Orsmond (2012) estimate that in 2010 government charges (excluding GST) levied on developers amounted to around $60,000 per greenfield dwelling in Sydney, and between $20-30,000 per greenfield dwelling in other cities. The cost of fringe land was about 10 per cent of the median house price in Sydney in the first half of the 1950s, and this rose to 30 per cent in the second half of the 1960s. By the second half of the 2000s, the figure had risen to over 40 per cent (Stapledon, 2012).

Urban land costs are the key driver of increasing housing costs. Land price gradients – the decline in land prices as distance from the City centre increases – may cause residential sorting (Wood, Berry, Taylor, & Nygaard, 2008; Yates, 2011). The inability of lower-income households to gain a foot on the property ladder other than at the edge of the metropolitan area, or compete in the private rental market in inner-city locations, may exacerbate spatial income inequality (Wood et al., 2008). These price gradients within urban areas are consistent with urban economic theory, which suggests that higher residential land values in central locations arise from increases in access costs from the periphery, such a transport costs and commuting time (Yates, 2011).

Increases in Sydney's housing stock between 1996-2006 were largely the result of infill development, using vacant land and redeveloping sites to increase densities in both the inner city, established suburbs and peripheral estates (Flood & Baker, 2010). By contrast, Melbourne continued its strong outward expansion and continued to grow more rapidly than Sydney. The problems associated with further expansion of Melbourne's fringe suggest that policies to increase densities close to existing services are warranted. Policies should be focused on the supply side and not simply increase demand side pressures.

Government needs to introduce polices that encourages new development of properties in locations that are close to amenities. Infrastructure costs increases the cost of urban development but such infrastructure is lacking at the rural-urban interface. Increasing density close to existing infrastructure would reduce infrastructure costs per household and lower housing prices. Increased incentives for investment in new supply and the removal of policies that influence demand, by allowing only new housing to be negatively geared and abolishing Stamp Duty would change incentives for investors in the housing market. If people aged over 65 did not have to pay Stamp Duty when downsizing by buying a smaller property, the supply of family homes would increase.

iv) *The operation, effect and future of the National Rental Affordability Scheme*

The National Rental Affordability Scheme encourages increased supply in the housing market. The Scheme, which commenced in 2008, seeks to address the shortage of affordable rental housing by offering financial incentives to persons or entities such as the business sector and

community organizations to build and rent dwellings to low and moderate income households at a rate that is at least 20 per cent below the market value rent. *Any policy that encourages an increase in supply will have positive implications for housing affordability.* By directing the policy at lower income earners, the Scheme removes some of the burden of housing costs and allows households to plan for future housing more effectively. As the supply of rental properties increases, more affordable rents will make it easier for households to save the deposit required to buy a property. Increased residual income releases resources that households may choose to put towards a deposit. When the supply of rental properties increases, landlords will have to ensure a better standard of property to attract tenants. Current low vacancy rates favour landlords, who can insist on short leases that reduce housing stability for tenants.

In our research the stability of housing is identified as a key factor in housing affordability. When an individual moves house, there is a strong likelihood that he or she will experience residual stress when compared to the rest of the sample. Policies that increase housing stability would reduce the costs that household incur in moving and allow them to develop reserves against further uncertainty. Renters are also more likely to fall into stress than owner occupiers, hence polices should be directed at renters and not homeowners. Of the renters who fall into residual stress 15 per cent will continue to be so in three years' time, compared to 5 per cent of homeowners.

vi)   The operation and effectiveness of rent and housing assistance programs.

The current rent assistance program pays the maximum amount of support for many of the individuals in their program. Rent assistance is a non-taxable income supplement payment added to the pension, allowance or benefit of eligible income support customers who rent in the private rental market. Rent assistance increases household budget lines, allowing landlords to charge higher minimum rents than they would if rents were determined by a competitive market. Rent assistance thus acts as a price (in this case rent) floor, which would have the opposite effect to rent control (a price ceiling). Rent controlled housing may lead to excess demand and a mismatch of housing units to households, with rationed housing not being allocated to the consumers whose marginal valuation of it is highest (Arnott, 1995; Glaeser & Luttmer, 2003). Rental floors are more likely to lead to investors being willing to increase the supply of rental properties, which would improve outcomes for households.

The rent assistance program is only available for those who are receiving other forms of Commonwealth assistance. In the current housing market households that are not receiving assistance may still require help with housing costs. A standalone rent assistance program is based on the difference between what an affordable rent (the amount remaining for housing once a basic basket of non-housing goods is considered) is and what is charged.

The justification for continuing with housing assistance programs lies in their potential to increase housing supply and provide stability for households. A case can be made for extending these programs to reduce the incidence of residual stress and reduce the impact of moving on households.

b) The impacts, including social implications, of public and social housing policies on housing affordability and the role of all levels of government in providing public and social housing

We propose a new measure for calculating the amount of rent charged for public and social housing. This would be a composite measure, with the residual approach used for the amount of

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rent that would be charged. It is calculated by subtracting non-housing expenditure for each household composition from disposable income. As income levels rise, a point is reached at which the residual measure produces a higher rent than the ratio approach. At and beyond this point the ratio method should apply, with rent charged on the basis of a percentage of income. This would ensure that low-income earners have sufficient disposable income for basic non-housing necessities.

There is little point in providing income support to low-income households and then taking back a certain percentage of it in rent. The cost of basic non-housing goods does not fall as incomes fall. The current measure does not consider the amount of income that a household requires to have a basic quality of life after paying rent.

d) The contribution of home ownership to retirement incomes

Our research has demonstrated that older Australians are less likely to be in residual housing stress than younger Australians. This is driven by the length of working lives and the housing cost advantages of having paid off a mortgage. Home ownership is a form of saving that allows households to draw on home equity if their situation changes. Households that are able to enter and remain in home ownership are much better off in older age than those who rent. This is further encouraged by the family home being exempt from means testing for the aged pension. However, older Australians who remain in residual stress for three years struggle to move out of that situation in subsequent years. There are obstacles that make it difficult for older people to improve their financial situation. Working options and the ability to rebuild funds are limited. Health and work status are important indicators of the ability of a person to escape residual stress, and these are likely to be sensitive to a person's age. *The large transaction costs associated with downsizing may encourage households to remain in a house for longer than they should, when downsizing could be more effective. Therefore, exempting downsizing retirees from Stamp Duties would help them to release some of the funds for supporting their incomes and contribute to the supply of established housing for younger growing families.*

g) Planning and policies that will ensure that women, particularly vulnerable women, have access to secure, appropriate and adaptable accommodation

The HILDA survey data that our research is based on is at the household level and has not yet identified respondents on the basis of gender. However, the following general observations may be made. *Women are more likely to be vulnerable to the life events associated with entering housing stress if they are a sole parent and/or their past participation in the labour force has been limited.* Gender differences in labour market outcomes are likely to manifest in gender differences in housing affordability outcomes (Blau, Ferber & Winkler, 2014). Further research into the development of effective policies to improve housing affordability for vulnerable women, and the households they head, is warranted.

h) Planning and policies that will ensure emergency and essential service workers have access to affordable housing close to where they work.

The spatial segmentation of housing markets is likely to impact on emergency and essential services workers because they operate in monopsonistic labour markets that usually work inefficiently (Nowak & Preston, 2001). Such workers are likely to be disproportionately represented in the low-income 'battler' group that dominates the high-density housing market in Sydney (Randolph & Tice, 2013). These workers tend to live in suburbs that were established between the 1920s and 1970s (Randolph & Freestone, 2012). In Melbourne, such workers are less likely to live in high-density housing, and more likely to live in peripheral estates. With public transport systems that are highly centralised, Australian cities lack the ability to provide cross-metropolitan travel for employment- and non-employment-related trips (Gleeson, Dodson, & Spiller, 2010). *There is a potential mismatch between jobs in essential services and housing location that could be addressed by effective social and public housing policies, and more effective planning to provide high-density housing close to existing public transport infrastructure.*

m) The role and contribution of the community housing sector in delivering social and affordable renting housing.

The Australian rental market does not have the same level of protection of renters that other Western countries do. In Victoria, rents can be increased every six months, with no limit on the amount; rent increases in Germany are capped at 20 per cent every three years. Sixty days is the standard amount of notice required for a tenant to vacate in Victoria; the notice requirements in Germany vary according to how long the tenant has lived there, with up to nine months' notice required if the tenant has lived in the property for more than eight years (Shaw, 2014).

These differences highlight aspects of the rental market that are to the disadvantage of long-term tenants. A rapid increase in rents, short leases and notice periods impact on the stability of housing for the most vulnerable households. Those who are least able to afford the costs associated with moving are the ones forced to move most often. Our research identifies moving as a strong predictor of whether an individual will experience housing stress. Of those moving, around 15 per cent are forced to move and close to 25 percent of those falling into stress had moved in the past year. This lack of stability and uncertainty also reduces the quality of the rental stock as tenants will not invest in a property if they believe that they are not likely to remain there for long.

In these circumstances, there is a continued role for community housing in the rental housing market. This is particularly so for low-income households, households with special requirements, such as those with limited movement and older renters. Lower-income groups are the section of the rental market that is least able to cope with the cost of moving and least likely to become homeowners. Repeated moving reduces their ability to cope with these burdens, eats into savings and depletes stocks of social capital that have been built up in a current location.

Those with special needs have a smaller pool of properties that meet their minimum requirement in the private rental market. Community housing may assist such households to find suitable accommodation. It may provide stability for such households by reducing the costs of moving.

Community housing may also be to the advantage of older individuals who have not been able to obtain homeownership. Our research shows that if a household headed by a person aged over 65 falls into housing stress and does not escape this within two years, the likelihood of it being chronically stressed increases. Renters experience longer periods of stress than any other type of

households. Thus if an individual is over 65, renting and does not escape in the first two of year, some form of external assistance is likely to be required to do so. Community housing may assist low-income earns, those with special needs and older residents who are in stress by providing access to secure housing that gives them stability and helps them to create a buffer against uncertainty. The longer an individual is out of stress the less likely he or she is to change states (i.e. to fall into housing affordability stress),

n) The need to increase the supply of accessible and adaptable housing, and housing that is culturally appropriate.

Households headed by a person aged under than 65 with no dependent children experience the longest period of stress compared to other household composition. The large detached dwellings that are characteristic of the Australian housing stock are not suited to the household composition that is experiencing the longest period of stress. Furthermore, continual growth at the fringe of the capital cities is not sustainable. Public transport access to the peripheral housing is limited and estates may have fewer amenities than established suburbs. In deciding where to live, households factor in transport as well as housing costs, because the availability and effectiveness of public transport drops as houses are located further from the city centre. This increases household dependence on cars, which have high fixed costs, reducing the affordability of new peripheral housing for those on lower incomes. *New housing stock needs to reflect the changing nature of the population, in particular the rising share of aging and single-person households.*

o) The impact of not having a long-term, national affordable housing plan.

A national affordable housing plan is needed because the nature of the Australian renting experience has changed. Renters now spend longer periods renting. A plan that addressed the needs of this section of the population would do so by making renting more stable, or increasing the supply of houses that increases opportunities for entering homeownership. Australia's lack of protection for renters has resulted in an unstable situation in which long-term renters have no option but to move or pay increasing housing costs.

Households that are in stress are likely to make trade-offs between necessities. For example, investment in education may be cut back, making it more likely that household members will fall into stress in the future. Renters are more likely to fall into stress and once there, they are likely to remain their longer than other sections of the population. Haffner and Boumeester (2010) found a growing income gap between renters and homeowners in the Netherlands, with higher-income renters moving to home ownership and low-income ones either entering or staying in the rental market.

An increase in supply of appropriately designed and suitably located housing will help to meet the needs of a changing Australian population. Streamlined planning and development processes would increase returns for developers. The issue of housing cannot be looked at in isolation. Government policies such as the National Rental Affordability Scheme are likely to increase housing supply, but these should be complemented by individual city plans that consider transport as well as housing costs. A long-term, national affordable housing plan would also consider access to educational facilities. If the elasticity of housing supply increased, the negative impact of housing stress would be checked and the market would work more efficiently and respond better to changes in demand.

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