

HOMELESSNESS & AFFORDABLE HOUSING



Alleviating homelessness.

OUTCOME 1	OUTCOME 2
Increased supply of quality affordable housing.	Interventions that prevent entry into or entrenchment in homelessness.

To access in-depth information about the other outcome in the Homelessness & Affordable Housing Impact Area, visit lmcf.org.au/our-impact/homelessness-affordable-housing

Challenge

Housing affordability.

One of the underlying causes of homelessness is housing affordability. Melbourne continues to be one of the most unaffordable housing markets in the world, recently ranked fourth overall, a rise from previous years.¹ Housing in Australia has become less affordable since the 1980s as the gap between people's income and housing prices has widened.² In 2001, the median dwelling cost 4.7 times the median annual household income in Melbourne.³ Today that figure is 9.7.⁴

These rising prices have led to greater inequality, with younger people and lower income households and individuals being 'locked out' of the market.⁵ It will now take 10.7 years for the median income household to save a 20 per cent deposit for a median home in Melbourne, based on households saving 15 per cent of their gross income.⁶ Rent has also risen faster than wages and larger portions of people's incomes are spent on housing, with less left for other basic expenses such as food and health.⁷

There are many reasons for the lack of housing affordability; record low interest rates, a long period of economic growth and increased urbanisation. The factors that can influence housing affordability include taxation, planning regulations, welfare, immigration and other policies. There is no clear indication of when the continual rise of housing prices will ease.⁸

Housing affordability stress.

Lower income households are particularly vulnerable to the lack of affordable housing.⁹ A simple definition of housing affordability stress is when the lowest 40 per cent of households by income pay more than 30 per cent of their income on housing.¹⁰ In the bottom 20 per cent of Australia's income distribution, 72 per cent of households experience housing affordability stress.¹¹

An increase in housing prices across all income levels is believed to create a downward push on low and very low income households. More people are likely to rent, yet lower income households are competing with people on higher incomes for scarce affordable rental housing¹² People are moving farther away from the city, with

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less access to public transport or employment opportunities.¹³ Renting is also deemed more precarious than home ownership, with less security and control over one's environment.¹⁴

For renters who derive their incomes from Centrelink benefits, only 4.9 per cent of new private lettings in Greater Melbourne are affordable to lower income households.¹⁵ This rental stress is even bleaker for those on certain Centrelink benefits such as Newstart Allowance (0.3 per cent) or a single parent with one child Parenting Payment (1.2 per cent).¹⁶ Location also significantly affects housing affordability, with only 1.1 per cent of rentals available for lower income households in inner Melbourne.¹⁷

Home ownership is a way to build personal and intergenerational wealth, with many tax incentives for investing in property. The retirement system is also designed with home ownership in mind, yet the rate of 55 to 64-year-olds who own their homes outright have fallen from 72 per cent in 1995-96 to 42 per cent in 2015-16.¹⁸ An increasing number of older people, and women in particular, are living in unstable housing.¹⁹ This rate is likely to get worse as the overall population ages.

Affordable housing.

On 1 June 2018, a new definition of affordable housing came into effect under the *Planning and Environment Act 1987 (Vic)*.²⁰ Affordable housing is housing for very low, low and moderate income households.²¹ These definitions include specific income levels per household.

The definition of affordable housing includes social housing, both public housing owned by government and community housing owned by not-for-profit agencies.²² These types of housing offer secure, long-term affordable housing for people on low incomes, yet the supply of this type of housing is at an all-time low.

Since the 1970s, construction of new public housing has dropped throughout Australia. As noted in a recent Victorian Parliament inquiry: 'continuous under-investment in public housing has failed to maintain public housing properties to an adequate level and has led to increasing, unmet demand for public housing.'²³

The Victorian Government has recently committed \$1 billion to the Social Housing Growth Fund, which is expected to contribute to 2,200 new homes over the next five years. There are roughly 82,000 people currently on the public housing waiting list.²⁴ The demand for affordable housing has never been higher.

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Our Response

The commitment of Lord Mayor's Charitable Foundation to affordable housing responds directly to [the issue of homelessness](#). The Foundation recognises that the lack of affordable housing is one of the primary causes of homelessness. We also know that long-term affordable housing is integral to the Housing First model – rapidly rehousing people in stable permanent or longer-term homes – as part of best practice to end chronic homelessness.

Lord Mayor's Charitable Foundation is one of the few foundations that fund the construction of affordable housing. We support innovative affordable housing developments, including ones that create and test emerging financial models of affordable housing. We help build replicable models that can demonstrate solutions when scaled. We also are interested in supporting solutions that add value to the community and a high-quality of living for the residents. As a recognition of the Foundation's response to homelessness, we have a particular focus on providing quality affordable housing for young people and older women.

We support research that identifies the salient features of quality affordable housing, including access to amenities, transport, schools and employment. We are also looking at alternatives to traditional housing to assess their affordability. We have a commitment to creating sustainable homes, including [increased energy efficiency and climate resilience for vulnerable households](#). We are also supporting research to help understand what residents need to create a lasting home.

We aim to provide education to the public to increase the supply of affordable housing and shift public perception on social housing. We support and encourage QIMBY, Quality In My Back Yard as an alternative to NIMBY or Not In My Back Yard. We believe that quality affordable housing and affordable housing residents bring prosperity to communities and value to Victoria generally.

Housing affordability is an issue affecting all Australians, yet the nature of the great Australian dream is changing. The Foundation is actively involved in this conversation.

The Foundation's support is focused on:

- **Strategic and creative responses to increasing affordable housing, including demonstrating innovative financial models.**
- **Affordable housing developments that are innovative and can be used as prototypes.**
- **Community awareness to increase public support for affordable housing developments.**

The Foundation will consider other activities that address this outcome.

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Endnotes

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- ³ Dr Kate Raynor et al, *Housing affordability in Victoria: Research Paper* Parliament of Victoria (December 2017) https://msd.unimelb.edu.au/_data/assets/pdf_file/0007/2650858/APO-Housing-affordability-in-Victoria.pdf
- ⁴ Demographia, *15th Annual Demographia International Housing Affordability Survey: 2019* (2019) <http://www.demographia.com/dhi.pdf>. Another frequently used measure of housing affordability is CoreLogic, *Housing Affordability Report: June quarter 2018* (September 2018) https://www.corelogic.com.au/sites/default/files/2018-09/CoreLogic%20Housing%20Affordability%20Report_Sep%202018.pdf?utm_source=Newsletter&utm_medium=Email&utm_campaign=PPulseReport_20180910 For a general discuss on measuring housing affordability, see Australian Housing and Urban Research Institute (AHURI), *Understanding the 30:40 indicator of housing affordability stress* (23 May 2019) <https://www.ahuri.edu.au/policy/ahuri-briefs/3040-indicator>
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- ⁸ Michael Janda, 'House price falls may be ending, but do not expect another boom' *The Age* (19 July 2019) <https://www.abc.net.au/news/2019-07-19/house-price-falls-are-ending-but-dont-expect-another-boom/11298992>
- ⁹ Steven Rowley et al, 'Housing affordability has improved slightly, but people on lower incomes will continue to struggle' *The Conversation* (31 May 2019) <https://theconversation.com/housing-affordability-has-improved-slightly-but-people-on-lower-incomes-will-continue-to-struggle-117898>
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- ¹⁴ John Daley et al, *Housing affordability: re-imagining the Australian dream* Grattan Institute, (2018) <https://grattan.edu.au/wp-content/uploads/2018/03/901-Housing-affordability.pdf> 4.2.2.
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¹⁸ Ibid, 4.2.3. Note: rates are based on analysis of ABS data.

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