Refereed paper for the Re-imagining Sociology Conference

Housing affordability and its implications for social policy

by

Dr. Sadasivam Karuppannan
School of Natural and Built Environments
University of South Australia
City East Campus
North Terrace
Adelaide, SA 5000
Email: Sadasivam.Karuppannan@unisa.edu.au
Housing affordability and its implications for social policy

Abstract: This paper explores changing socio-spatial structure of a contemporary city using longitudinal house price data and census based neighbourhood typologies. Adelaide metropolitan area is used as an example to analyse the changing housing profile of Adelaide; how that change maps onto neighbourhood types; and the extent to which neighbourhoods can be differentiated according to their trajectories, in terms of both price movements and housing affordability. The analysis is set in the context of debates about the magnitude of housing affordability, impact of changing housing consumption patterns and its relevance on housing and social policy. In one perspective it is about transforming wealth into housing and other associated infrastructure. Other perspectives include multiple sub-systems such as housing market, access to credit, and structure of towns and cities. This article explores these various features of housing systems, introducing new ways of thinking into the design and operation of housing systems and its prospects for the development social wellbeing.

Keywords: housing, affordability, public policy, inequality, stratification

Introduction

Australian cities have some of the lowest population densities in the world and highly dependent on private transport. Metropolitan planning strategies of major cities pursued so far have induced low density suburban developments which has been the characteristics of cities for decades. Structure of Australian cities differ from cities in developed countries in many respects: housing density, number of rooms per capita and average travel distances for work and recreation purposes. The demand for housing is not merely the function of population; household size and internal migration also influence housing demand (Hugo 2005; Mueller and Tighe 2007). Australia’s current population growth of 1.3 percent is among the highest in OECD countries and is equal to the overall rate of global population growth. The government of South Australia aims to raise the population to 2 million by 2050. Since bulk of the population growth is confined to Adelaide metropolitan area, it is likely that Adelaide has to accommodate at least about 0.5 million additional population.

Issues of housing and urban and regional policies are of key contemporary concern. Growing body of evidence suggest that housing in Australian cities and regions are undergoing some fundamental changes. Concentration of population in a small number of larger cities has been the characteristic since the beginning of European settlement (Beer and Forster 2002). Migration has continued to play a major role in population growth. Population of Adelaide as a ratio of population of South Australia has not changed during the last ten years. South Australia’s sluggish growth of population growth and inability to attract a bigger share of migrants is emerging as a major economic concern.

Population of South Australia has grown by about 40,000 from 1996 to 2001 which amounts to 0.76 percent growth per annum. Pattern of population growth within the state is uneven. Out of 125 Statistical Local Areas (SLA) 46 SLAs have recorded a
Population decline is not merely confined to regional areas. Within the Adelaide metropolitan area 14 SLAs have recorded a total loss of 4527 people. Such an internal shift in population has been confirmed by others studies (Badcock 2001; Beer 1998; Bunker and Houston 2003). Two notable regional areas that gained population are Roxby Downs (1144) and Victor Harbor (1907); growth in the former is mainly attributed to active mining industry, while the same in Victor Harbor is the consequence of its attractive coastal environment which attracts many retired people. The population change of SLAs in Adelaide metropolitan area and its surroundings is depicted in figure 1.

The city of Adelaide experienced a massive population gain of 1746 located at the geographical centre of the metropolitan area surrounded by inner city SLAs with marginal or negative population change. The pattern appears to conform with Forster’s (2006) ‘doughnut cities’ metaphor of low density inner city areas but with a city centre of high population growth. Attraction to city centre has been well documented by researchers (notably, Badcock 1997, 2001; Beer 1998; Beer and Forster 2002). It could be said that areas outside the 5 kilometre radius of the city depict some uniformity of population gain. However, it should be noted that no substantial land release have occurred in the middle suburbs between 1996 to 2001 and the population growth is mainly due to infill development and redevelopment of old housing. Population density of Adelaide metropolitan area is presented in figure 2.

Housing market
Historically Australia has high levels of home ownership. The demand for housing in the next few decades will have consolidation of densities in inner suburbs and some changes in the structure of housing in cities (Beer and Cooper 2007; Forster 2006). Value of new housing constructions exceeded 4 per cent of the country’s gross domestic product (Dowling 2005). The breakdown of housing stock in 2001 is compiled from ABS census of population and housing and presented in table 1. On an average the state as a whole had 30.62 dwelling units per 100 populations.

Separate house is the dominant type of housing which accounts for nearly 70 percent of the housing stock. Its share in Adelaide metropolitan area and in the rest of the state is nearly the same. Semidetached housing is the second dominant type and it constitutes 12.3 percent in Adelaide and in the reminder of the state is about half of that of Adelaide metropolitan area. Flats, unit or apartment constitute 10 percent of dwellings in Adelaide metropolitan area and in the rest of the state it is a mere 3.1 percent. About one in sixteen dwelling units in Adelaide metropolitan area was unoccupied. About 22.1 percent of dwelling units in the metropolitan area consist of semidetached housing, flat, unit or apartments. Housing stock in Adelaide metropolitan area and the rest of the state is proportional to population in 2001.

A sizable number of housing stock is owned by the state housing agencies and public authorities; there were 44,698 state owned dwellings which account for 6.9 percent of
the total housing stock in the state. About 77 percent of such housing is located in the Adelaide metropolitan area. South Australia has the highest percentage of state owned dwellings in Australia. The number of state owned dwellings in all states and territories in Australia has been declining over the last three decades mainly due changing government priorities accompanied by a gradual decline in federal and state funding for public housing (Badcock 2001; Gabriel and Jacobs 2006).

**Housing supply**

Whole sector housing development and the various qualities of housing systems are closely linked. A housing system characterises relationships between demand and need on the one hand, and the supplies of savings, investment finance, land, and construction activity on the other. In one perspective it is about transforming wealth into built form dwellings and other associated infrastructure. Despite wide ranging debate on the need for an improved housing agenda in Australia, many questions remain unanswered.

Supply of housing is influenced by many factors: population growth, household formation, availability of land, associated infrastructure and services, and credit. Building approvals over a median term is a good measure of manifested demand reflect the level of realized housing supply. Table 2 provides a summary of planning approvals granted for the construction of housing in South Australia from June 2001 to July 2006 which roughly coincides with two inter-census period.

| Table 2 about here |

New houses account for the bulk of building approvals. It constitutes about 78 percent of total dwellings approved during the five years. New other dwellings include semidetached houses, flats, units and apartments. It is observed that approvals for new other residential buildings are nearly stable over the five years. Since 2003 number of approvals for new houses in South Australia has declined by about 10 percent. Approvals between 2004-05 and 2005-06 dropped from around 9200 units in 2001-01 to around 8300 units in 2005-06. However during the same period the number of approvals for new other residential buildings has increased steadily from 1,684 units in 2001-02 to 2863 units in 2005-06. Composition of dwelling types approved in the same period as shown in figures 3 and 4 varies substantially within South Australia.

Building approvals should be seen in the light of the housing boom which lasted until 2003 and the accompanied increase in house prices throughout Australia. It is widely argued that housing affordability has decreased and the cost of housing for low and middle income groups have come under severe housing stress (Bunker and Houston 2003; Cannon et al. 2006; Costello 2007; Gallin 2006; Passmore et al. 2005; Yu 2005). Average value of building approvals for new houses in South Australia has increased dramatically from $113,000 in 2001-02 to $158,000 in 2005-06. This rate of increase is unprecedented in the state.

| Figure 3 about here |

Median household income in Adelaide metropolitan area is substantially higher than regional areas with the exception of Roxby Downs known for mining. Approvals for detached dwellings in regional SLAs varies significantly. Separate housing approvals
in high income areas in the east and south of Adelaide city have already been developed and no significant land release occurred during this period. Separate housing approvals are more dispersed in outer areas.

[Figure 4 about here]

Approvals for other types of dwellings (flats, units or apartments) is mainly confined to inner and middle areas and in coastal areas. In high income areas only a small number of such dwellings have been approved. It can be argued that demand for the two types of dwellings is quite distinct and it appears to be sensitive to proximity to the city centre and economic status. High numbers of flats, units and apartments in the inner city areas suggest that redevelopment in established residential areas have continued during the housing boom. Figure 5 depict the distribution of housing approvals in Adelaide metropolitan area by Statistical Local Areas.

[Figure 5 about here]

Concentration of units, flats and apartments although smaller in number, it is dominant in already built-up areas and more pronounced in the city centre and attractive coastal areas. There seems to be preference towards inner city living. Similar patterns of a higher magnitude has taken place in other cities in Australia, in particular Melbourne (Fincher 2004; Fincher and Gooder 2007).

It is important to examine housing market trends in terms of house price, number of sales, affordability and availability of credit for housing in broader perspectives (Guhathakurta and Stimson 2007; Mueller and Tighe 2007). Housing affordability and housing cost has become a major policy issue since the onset of the last property boom and substantial increase in property prices throughout Australia. Similar booms have occurred elsewhere, notably in the UK, United States and Europe (Dusansky and Koc 2007; Gallin 2006; Michayluk et al. 2006; Passmore et al. 2005).

House price throughout Australia has escalated drastically during the recent property boom. Though it is a national phenomenon, its effect is more acute in major cities. Figure 6 depicts the number of sales of established houses in major Australian cities during the period 2002-2006. Housing sale in eight large cities peaked in the middle of 2003 and since then gradually declined. In order to make a comparative assessment of housing sales the figures are normalized to sales per 1000 population.

[Figure 6 about here]

The above trend poses serious questions to policy makers and households alike, especially households with lesser resources and income. The rate of increase is astonishing; in Hobart and Adelaide median price has nearly doubled while in Sydney and Melbourne the net change is roughly the same as the price differentials in Adelaide and Melbourne. Perth and Darwin are distinct and defy the general trend observed in other cities. It should be kept in mind that the above figures do not necessarily inform who is left out of the market, especially those among the low and middle income groups.
How did households and wider community cope with growing house prices and how were their housing needs met? It is necessary to have a closer look at housing market to evaluate if it is uniform within a city or if it plays out differently to various income groups. The following section deals with house prices in Adelaide metropolitan area in some detail towards answering that question.

**House sale price in Adelaide**

Number of house sale is in all suburbs in Adelaide is presented in figure 7. Suburbs are relatively smaller entities than SLAs and house sale data and socio-economic data information are available at this scale and so it is chosen to be the unit of analysis. Every city has its own character and a unique configuration of rich and poor areas. It is essential to keep in mind the current housing structure of Adelaide to evaluate house price change.

[Figure 7 about here]

Figure 8 depicts 2001 position of median weekly household income compiled from ABS census 2001 and Figure 9 presents unemployment rate over Adelaide. High income areas typically have low rate of unemployment. Number of sales and median sale price of houses transacted during 2004 to 2006 and have been analysed to give a present trend in house price which address housing affordability issues. The data is presented at suburb level. The median sale price information does not provide the lowest and highest sale price in each suburb. Rather it provides a comparative picture of price levels over the three year period.

[Figure 8 about here]  
[Figure 9 about here]

Housing market was more buoyant in outer suburbs than in inner and middle suburbs which happen to be the expensive suburbs. The reader should be reminded that above figures do not represent actual numbers. In general, sales in southern and north eastern suburbs witnessed higher rate of sales. In order to provide a price structure of sale prices in Adelaide, prices in all suburbs were normalised to median price of Adelaide suburb. Adelaide suburb as a standard to compare other suburbs has two advantages. It is the commercial core of the city roughly at the geographic centre of the city and one of the oldest suburbs. Sale price index of all suburbs is presented in Figure 10.

[Figure 10 about here]

The sale price index to some extent reinforces the existing household income differentials with few noticeable changes. Eastern and southern suburbs in the inner city continue to be the expensive areas in Adelaide. However, prices in some of the coastal suburbs have escalated up and are comparable to expensive eastern suburbs. Least expensive suburbs in the north and south continue to be the least expensive areas within metropolitan Adelaide. The above merely compare all suburbs within Adelaide and it does not provide where prices have escalated or remained otherwise. In order to gain an insight into the increase in price during the three year period the
difference between maximum and minimum median sale price over the three year period is computed and presented in Figure 11.

It should be noted that the information consist of sale prices from 2004 to 2006, well after the property boom in general has cooled down in many parts of Australia, most notably in Sydney and Melbourne, whereas in Adelaide the boom has continued much longer. It is worth noting that prices in a substantial number of suburbs have increased from 10 to 15 percent over the period of three years. This is on the top of the boom price that took place until 2003. The city of Adelaide itself witnessed a massive increase in price of nearly 50 percent. Same is the case with few coastal and inner suburbs.

Prices in expensive inner and eastern suburbs have increased drastically, suggesting that the housing market for expensive properties seems to be growing while price in low and middle range suburbs have began to stabilise. The market in richer suburbs depicts a stark contrast to other suburbs in Adelaide. Increase in price in newly developing suburbs located in south and northeast are also substantial.

**Conclusion**

The precise nature of the housing market is difficult to predict. Low interest rates, high employment levels and vibrant economy have enabled people easy access to easy finance. This has not resulted in improved housing prospects for all regions in the state and also within the city the housing boom have impaired housing affordability for the average household. How for planners and policy makers will take into account these empirical evidences and housing market trends in the process of provision for housing in adequate quantity at affordable price is uncertain. Urban development is a slow process and long term strategic plans do not necessarily have policies and programs to effectively deal with such issues but the policies must have built in mechanisms capable of altering markets towards better results. Unless the government intervene into the immediate issue of arresting prices, if not many all but at least for a sizable number households at low income levels, housing will remain as dream. Housing prices physically divides people into rich and poor communities at the neighbourhood level, representing a substantial social injustice, and the difference between rich and poor places is growing. Strategic advantage of affordable housing in Adelaide to attract investment and people to live and work is eroding. A deliberate attempt on the part of policy makers is required to contain the housing market to maintain that advantage in the future.

**Reference**


Table 1. Distribution of dwellings by dwelling types, 2001

<table>
<thead>
<tr>
<th>Dwelling Type</th>
<th>Adelaide Metropolitan Area</th>
<th>%</th>
<th>Rest of South Australia</th>
<th>%</th>
<th>Total: South Australia</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Separate house</td>
<td>328,095</td>
<td>70.8</td>
<td>126,356</td>
<td>69.4</td>
<td>454,451</td>
<td>70.4</td>
</tr>
<tr>
<td>Total semi detached</td>
<td>57,191</td>
<td>12.3</td>
<td>10,819</td>
<td>5.9</td>
<td>68,010</td>
<td>10.5</td>
</tr>
<tr>
<td>Total flat, unit or apartment</td>
<td>45,498</td>
<td>9.8</td>
<td>5,635</td>
<td>3.1</td>
<td>51,133</td>
<td>7.9</td>
</tr>
<tr>
<td>Total other dwelling</td>
<td>2,212</td>
<td>0.5</td>
<td>4,538</td>
<td>2.5</td>
<td>6,750</td>
<td>1.0</td>
</tr>
<tr>
<td>Not stated</td>
<td>2,511</td>
<td>0.5</td>
<td>1,161</td>
<td>0.6</td>
<td>3,672</td>
<td>0.6</td>
</tr>
<tr>
<td>Unoccupied</td>
<td>28,225</td>
<td>6.1</td>
<td>33,677</td>
<td>18.5</td>
<td>61,902</td>
<td>9.6</td>
</tr>
<tr>
<td>Total</td>
<td>463,732</td>
<td>100.0</td>
<td>182,186</td>
<td>100.0</td>
<td>645,918</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Compiled from ABS Census 2001
Table 2. Number of building approvals in South Australia, 2001-2006

<table>
<thead>
<tr>
<th>Year (June - July)</th>
<th>Number of Dwellings</th>
<th>Value of Approval ($'000)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>New houses</td>
<td>New other residential building</td>
<td>Total dwellings (a)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2001-02</td>
<td>9,195</td>
<td>1,684</td>
<td>10,936</td>
</tr>
<tr>
<td>2002-03</td>
<td>8,642</td>
<td>1,993</td>
<td>10,878</td>
</tr>
<tr>
<td>2003-04</td>
<td>9,038</td>
<td>2,305</td>
<td>11,521</td>
</tr>
<tr>
<td>2004-05</td>
<td>8,347</td>
<td>2,454</td>
<td>10,891</td>
</tr>
<tr>
<td>2005-06</td>
<td>8,281</td>
<td>2,863</td>
<td>11,144</td>
</tr>
<tr>
<td>Total</td>
<td>43,503</td>
<td>11,299</td>
<td>55,597</td>
</tr>
</tbody>
</table>

(a) Includes conversions and dwelling units approved as part of alterations and additions or the construction of non-residential building.
(b) Includes conversions.
Source: (ABS 2001-06)
Figure 1. Population change in Adelaide metropolitan area, 1996–2001
Figure 2. Population density, Adelaide metropolitan area, 2001
Figure 3. Building approvals for new separate houses, 2001-02 to 2005-06
Figure 4. Building approvals for flats, units and apartments, 2001-02 to 2005-06
Figure 5. Building approval by dwelling types, Adelaide metropolitan area, 2001-02 to 2005-06
Figure 6. Number of established houses sold in major cities, 2002-2006
Source: ABS, 6416.0 House Price Indexes: Eight Capital Cities
Figure 7. Number of sales as percentage of total dwelling units in suburbs
Figure 8. Median weekly household income, 2001
Figure 9. Unemployment rate, 2001
Figure 10. House sale price index, 2004-2006
Figure 11. Percent change in median house sale price, 2004-06