



Analysis of Changes in the Cost of Housing in the ACT

April 2015

About ACTCOSS

The ACT Council of Social Service Inc. (ACTCOSS) is the peak representative body for not-for-profit community organisations, people living with disadvantage and low-income citizens of the Territory. Our vision is to live in a fair and equitable community that respects and values diversity, human rights and sustainability and promotes justice, equity, reconciliation and social inclusion. The membership of the Council includes the majority of community based service providers in the social welfare area, a range of community associations and networks, self-help and consumer groups and interested individuals.

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About ACT Shelter

ACT Shelter is an independent peak community organisation funded by the ACT Government to provide strategic advice and advocacy on housing policy issues that affect people on low to moderate incomes, and people with no income. Our role is to provide an informed voice on policy issues that impact on housing justice. This voice is informed by policy research, close collaboration, networking and consultation with community organisations and other stakeholders working on housing and associated issues. Using this information we promote housing justice and better housing outcomes for people on low incomes in all housing types – including social housing, private rental and home ownership.

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This document may be publicly distributed, including by placing a copy on our websites.

ACTCOSS and ACT Shelter acknowledge Canberra has been built on the land of the Ngunnawal people. We pay respects to their Elders and recognise the strength and resilience of Aboriginal and Torres Strait Islander peoples. We celebrate Aboriginal and Torres Strait Islander cultures and ongoing contribution to the ACT community.

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Outline of the Report

This report tracks the cost of housing, particularly for vulnerable and disadvantaged households in the Australian Capital Territory. Tracking changes in the costs of housing helps to illuminate the effects of cost of living pressures and changes for disadvantaged people, and will inform ACTCOSS advocacy on government policy, programs and market interventions that impact on costs of living for low income households.

This report uses the Australian Bureau of Statistics' Selected Living Cost Indexes (ABS 2014a), Consumer Price Index (ABS 2014d), ABS Housing and Occupancy Data (ABS 2013a-d) and ABS CPI figures for Canberra¹, comparing these with national and state/territory figures, as well as quantitative and qualitative data from a range of other sources.

CPI figures always relate to capital cities as state and territory CPI figures are not available through the Australian Bureau of Statistics (ABS), so all references to CPI throughout the report refer to Canberra, even though the population of Canberra is essentially the population of the ACT.² Where data is available for states and territories this report refers to the ACT, so throughout the report discussion alternates between the ACT and Canberra.

This report focuses on low income and disadvantaged households in the ACT – because these households have the least capacity to cope with rises in the cost of housing.

1 The CPI figures for housing are used in only a limited way in this report, as CPI data for housing includes utilities; and Household Expenditure (HES) data includes water and sewerage in its calculation of housing costs, and is not disaggregated for rental and house purchase price.

2 The Housing and Occupancy Costs data has identical population figures for Canberra and the ACT (2013a), while the 2011 Census Quick Stats data refers to the 'Remainder of ACT' and counts a population of 425 people.

Overview

Affordable, safe and secure housing is an essential requirement for families in order to participate socially and economically. Housing costs are significant, being the largest category of expenditure for most households in Australia. Overall data for housing costs for the ACT compare quite favourably with other jurisdictions, with the ACT having one of the lowest expenditures on housing in the country as a proportion of income. The Real Estate Institute of Australia recently described Canberra as the most affordable Australian city in which to own a home or rent (REIA/Adelaide Bank 2014). The situation in the ACT is complex because the average figures tend to paint a fairly positive picture for households overall, with any cost rises seen to be covered by the high average incomes in the ACT.

There are, however, significant pockets of disadvantage in the ACT, and the fact remains that:

- ACT households have the second highest expenditure on housing compared with other jurisdictions – with housing costs \$63 per week above the national average.
- Low income households in the ACT, on average, spend more than double the proportion of their weekly household income on housing costs than households in the highest income quintile.
- The proportion of rental stock in the ACT that is affordable for someone on the minimum wage is lower than the national average.
- Rent prices are outstripping the generic inflation rate for Canberra (ACT), with rent prices, on average, having increased at a rate 66% higher than that for the generic CPI for the ACT. This is despite the fact that the last six quarters have seen no increase in rent prices.
- There are 9910 households in the ACT in housing stress (Tanton et al 2013), including 6879 rental households in housing stress (ABS 2013c).
- Increases in Commonwealth Rent Assistance and the indexation of income support payments have not kept up with the increase in rent costs in the ACT.
- Paying average private rental prices in Canberra, even at the low end, would put income support recipients in housing stress, and for some, extreme housing stress.
- The ACT has the second highest homelessness rate in the country at 50 per 10,000 (1785 people) (NT Shelter 2014).

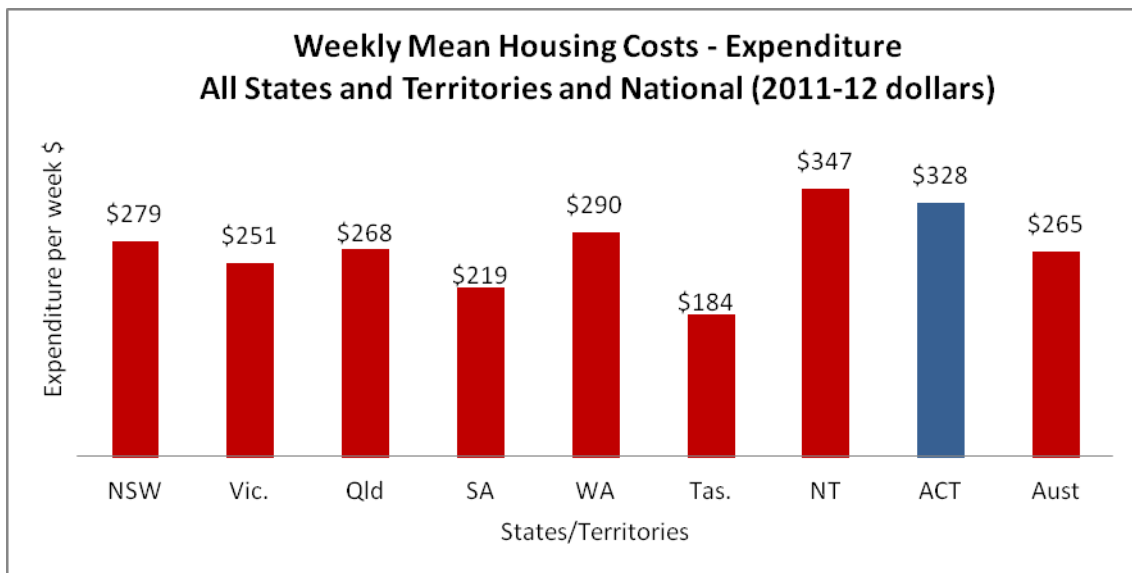
For many people, prices rises, or unexpected expenses can be covered by reducing spending on more discretionary items: eating out, for example. For low income households, however, who may have to spend nearly all of their income on essential items, there is limited discretionary income in their weekly budgets, so making any spending adjustments is not easy. When low income households experience pressure arising from housing costs, making ends meet is

particularly challenging, and many compromises have to be made about what not to spend money on, which can directly impact on health and wellbeing for household members (Hulse & Saugeres 2008) and also impacts on employment opportunities and social engagement and participation.

Expenditure on housing – Households in the ACT

The latest ABS Housing and Occupancy Costs figures available (ABS 2013b) show that households in the ACT spend \$328 on average on weekly housing expenditure, which is \$63 per week more than the national expenditure on housing (Figure 2). This high expenditure must be balanced against the fact that ACT households also have the highest average income levels in the country (\$2395), which is well above the next jurisdiction, the NT (\$2184), and nearly \$1000 per week more than Tasmania (\$1443).

Figure 2: Expenditure per week \$ (mean housing costs) – Comparison of states and territories³



Source: ABS (2013b).

On average, ACT households spend \$63 more per week on housing costs than the average Australian household.

The figure of \$328 per week constitutes 13.7% of average weekly household expenditure, which is the equal second lowest proportion of expenditure in the country and slightly below the national average of 14%. The higher housing costs when seen in the light of the higher income levels, may on one level seem fair and acceptable. However, it is important to acknowledge that these figures are averages and do not reflect the reality of housing costs for all households in

³ Throughout this summary analysis the Figures are numbered according to the Figure numbers in the 'In-depth Analysis of Housing Costs' full report on pp 18-57.

the ACT, particularly low income households, many of whom pay far more than 13.7% of their weekly income in housing costs and face very real pressures because of this. In addition, the income figures do not reflect the reality for all households in the ACT.

Expenditure by income quintiles

While higher income households clearly spend much more on housing than lower income households, lower income households in the ACT actually spend a greater proportion of their income on housing than well off households (fourth and highest quintiles). **In fact, households in the second and third deciles of equivalised household income (24%) spend more than double the rate of households in the highest quintile (11%).**

This means that any increase in housing costs (CPI) will have a disproportionate impact on low income households, who will be forced to pay an even greater proportion of their weekly income on housing – and have little or no room to move in terms of their weekly budgets. The following two figures (20a and 20b) show housing expenditure and the percentage of equivalised household disposable income, by income quintiles for the ACT.

Figures 20a and 20b: ACT housing expenditure and % of income, by income quintiles 2011-12

Figure 20a

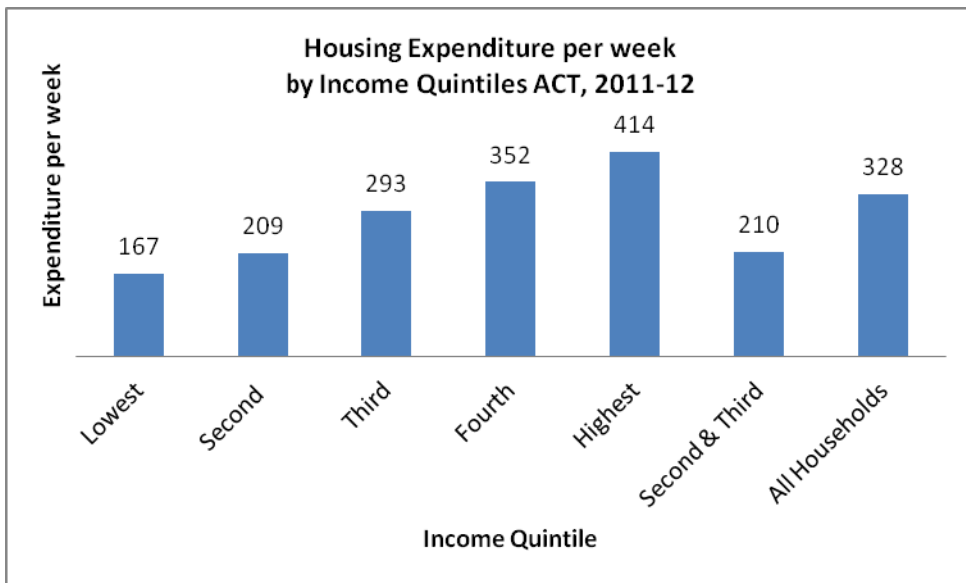
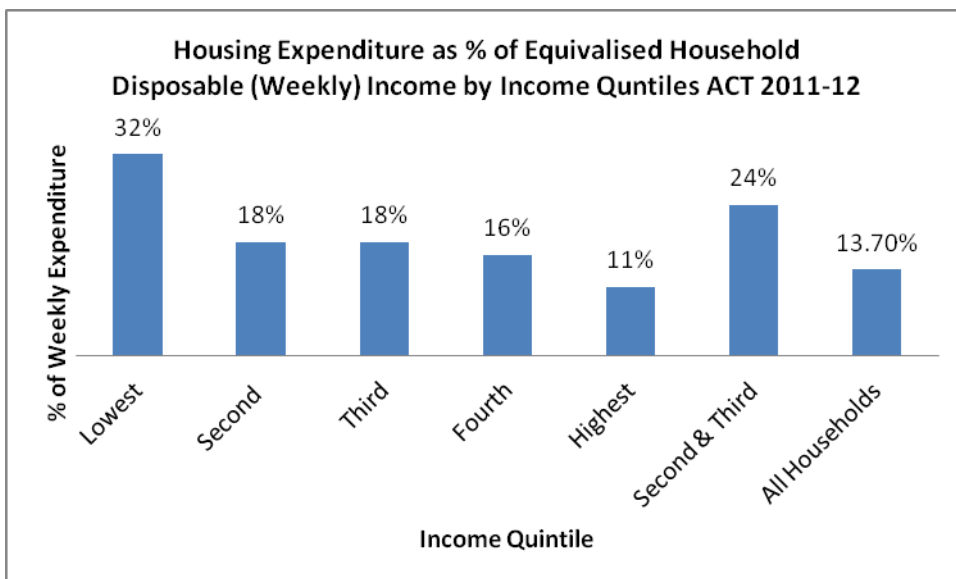


Figure 20b

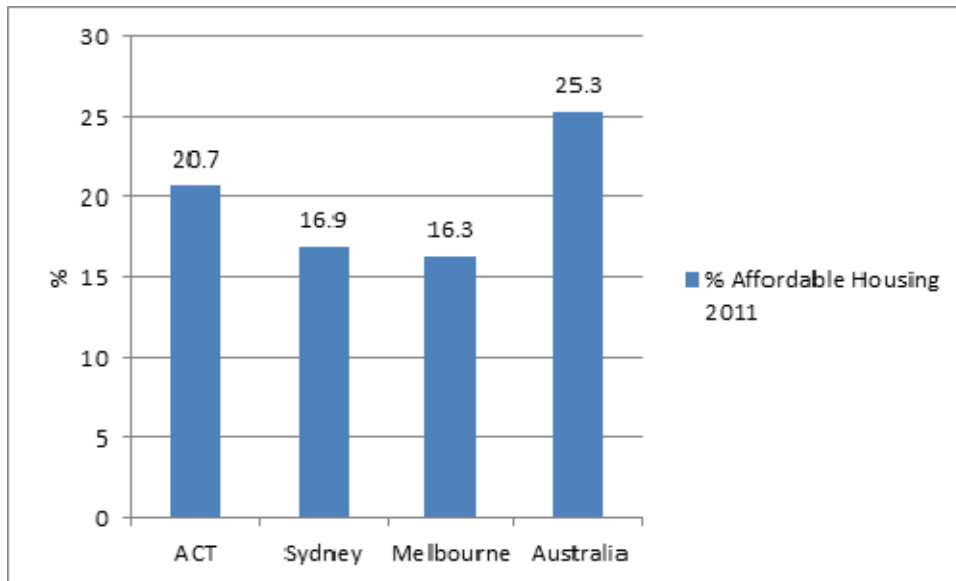


Source: ABS (2013b). *In ABS the figure of 13.7% has been rounded up to 14% (see note under Figure 10).

Housing affordability

One measure of housing disadvantage is to examine how affordable rent is in the ACT for a person on a low income. Figure 12 (below) shows the proportion of rental stock in the ACT that is affordable on the minimum wage, and highlights that just over 20% of the total housing stock is affordable, compared to 25% nationwide. The affordability rate in the ACT, however, was higher than the rates in Sydney and Melbourne (Tanton et al 2013).

Figure 12: Percentage of affordable rental housing in 2011 – Canberra and comparison

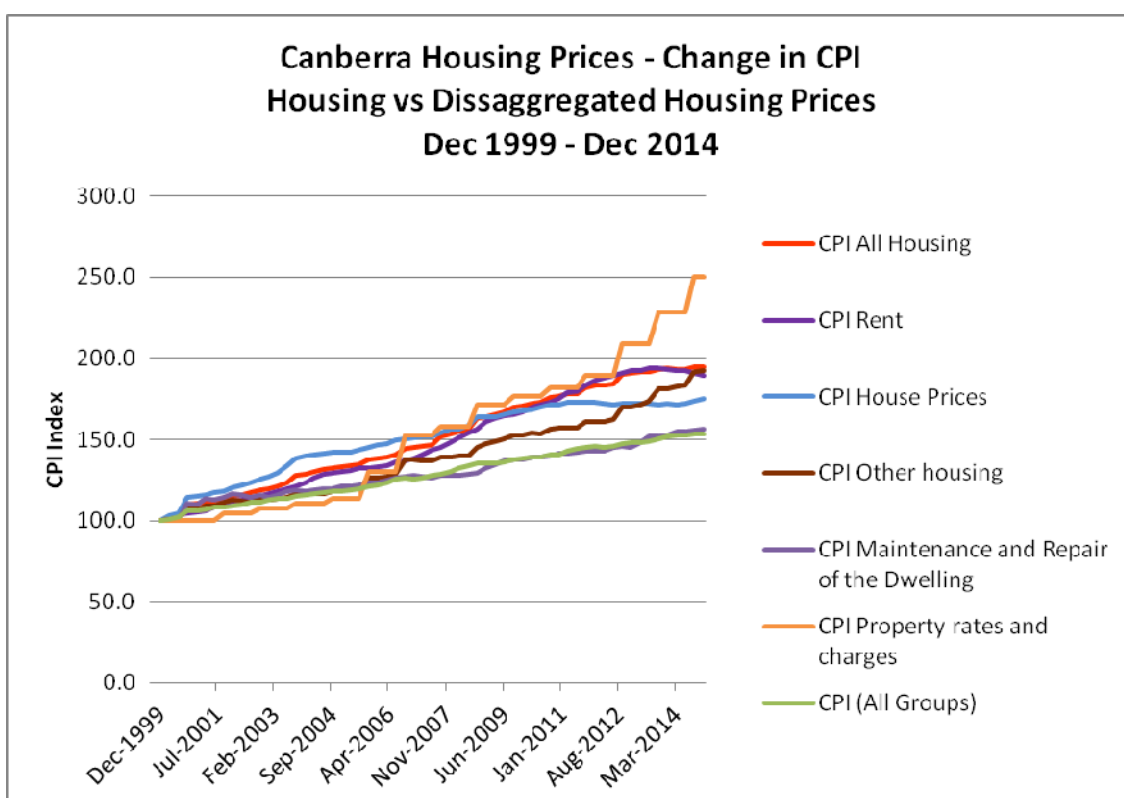


Source: Tanton et al (2013), Figure 12 Affordable Housing in 2011 – original source 2011 Census Data.

Changes in CPI – Summary of housing cost movements

As well as examining actual weekly costs of housing in terms of affordability, the rate at which prices increase can have a significant impact on households. The CPI for all housing in Canberra over the last year only rose by 0.7%, which was below the 1.2% increase in CPI for all groups (ABS 2013d), and below the national CPI for all housing of 2.4%. However, the individual components which make up this overall figure moved quite differently. Purchase prices of new houses rose by 1.8%, while rents fell 1.8%, and property rates and charges increased by 9.5%, while maintenance and repair of dwelling changed -2.8%. The CPI 'All Housing' figure also includes utilities, so any change in CPI can be due to a number of component parts of housing, rather than by housing more narrowly defined. The changes in the prices of the different components of housing costs for Canberra over a longer period (15 years) are shown in Figure 5 (below).

Figure 5: Housing prices and CPI – Canberra, Dec 1999 – Dec 2014



Source: ABS (2014d).

Over the last 15 years in Canberra, all the components of housing prices⁴, have increased more than the generic CPI (All Groups) – and therefore have increased at a faster rate than the incomes of the many people whose incomes are pegged to CPI, or those whose incomes have risen at a rate slower than the generic CPI level.⁵

Rent and mortgage repayments constitute the two largest components of weekly household expenditure on housing⁶, and therefore have been the main drivers of the CPI housing increase during this time, with rent prices rising at a faster rate (89.3%) than the price of new houses (75.3 %).

More recently, however, there has been a slowing in the rental price increase, with the CPI for rent having remained the same or decreased in each of the last six quarters, and this has contributed to a slowing in the growth in CPI for housing during this period. For the four year period between 2009 and 2012, the CPI for rent increased at almost twice the rate of the generic CPI increase for Canberra. Over the last two years, however, there has been a slowing in the price increase and subsequently, a decrease in rent prices.

4 The CPI is focused on purchase prices (not expenditures), so it does not include or track changes in the level of mortgage repayments, which are a function of both purchase price and interest rates. Repayment figures, while vital to households weekly budgets, are less easy to calculate and track over time.

5 The generic CPI is used as a proxy for wage rises (because of Newstart indexing, and the practice of many workplaces to give CPI increases), but some people on low wages do not even get a CPI increase.

6 2009-10 Household Expenditure Figures (HES).

Over the last 15 years, rent prices in Canberra have risen by 89.3%, while the general CPI has risen by only 53.9%, meaning rent prices have risen at a rate 66% higher than that for the generic CPI for Canberra.

Housing stress in the ACT

Housing stress is usually defined as where households, and low income households in particular, face housing costs (either rent or loan repayments) amounting to more than 30% of their income, while also being in the bottom 40% of the equivalised⁷ disposable household income distribution (30/40 rule). There were 9910 households in housing stress in 2011, which represents 8.1% of ACT households using the 30/40 rule.⁸ Queensland has the highest rate of households experiencing housing stress (15.6%), with the national average at 14.2%. According to these figures, the ACT has the lowest rate of housing stress in the country (Tanton et al 2013). Figure 15 shows housing stress by state, with suburb maximums and the Australian average for 2011.

Figure 15: Housing stress by state, suburb maximums and Australian average, 2011

	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
2011	14.2%	14.2%	15.6%	14.1%	12.6%	14.3%	10.9%	8.1%	14.2%
Suburb maximum	23.2%	28.2%	27.9%	26.3%	17.9%	20.6%	19.7%	16.2%	-

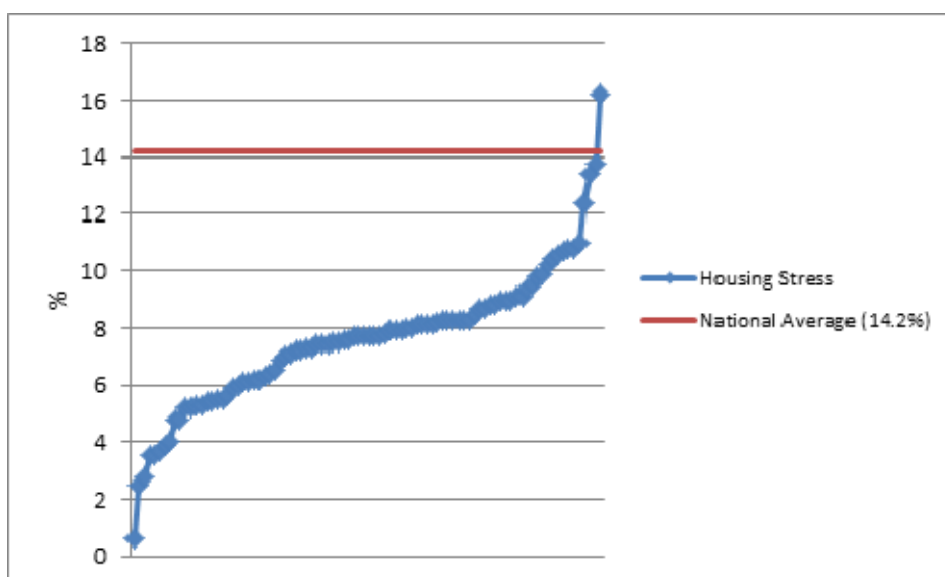
Source: Figures adapted from Figure 13 and Figure 14 from Tanton et al (2013) – original source 2011 Census Data (ACTCOSS 2013).

Despite the overall lower rates of housing stress in the ACT, compared with other jurisdictions, there are, however, definite pockets of housing stress. Figure 16 shows the graph of suburb level housing stress in the ACT and the Australian average, which highlights that one area in the ACT (16.2%) is above the national average (14.2%), and several other areas lie just below the national average. Most other suburbs in the ACT have between 2% and 11% of households experiencing housing stress (Tanton et al 2013).

7 Equivalised disposable household income takes household size and composition into account. It 'is disposable household income adjusted using an equivalence scale. For a lone person household it is equal to disposable household income. For a household comprising more than one person, it is an indicator of the disposable household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question.' For further information see Appendix 3 in ABS, *Household Income and Income Distribution, Australia, 2011-12* (cat.no. 6523.0).

8 The National Centre for Social and Economic Modelling (NATSEM) calculations in Tanton et al (2013).

Figure 16: Housing stress by suburb in the ACT, 2011



Source: Figures adapted from Figure 13 from Tanton et al (2013) – original source 2011 Census Data.

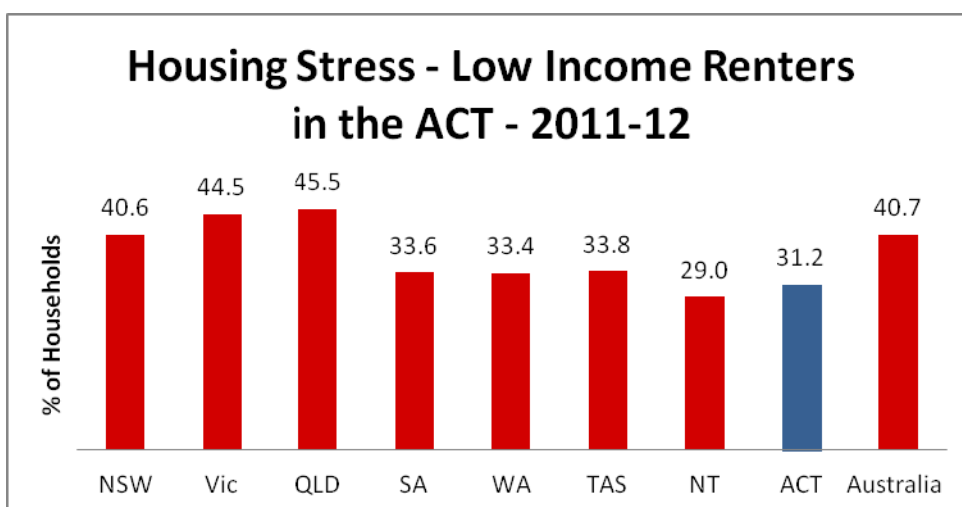
National comparisons are interesting and can provide useful information. While most ACT suburbs have housing stress levels below the national average, it must be recognized that where such housing stress occurs among low income households, it creates enormous hardship for those experiencing it. For low income households experiencing housing stress, making ends meet is incredibly challenging, and many compromises have to be made about what not to spend money on, which can directly impact on health and wellbeing for household members.

Low income renters and housing stress

In the ACT 31.2% of low income renters (lowest two income quintiles) are in housing stress (as per Figure 17 below). This equates to 6879 low income ACT households spending more than 30% of their income on rent (calculations based on ABS (2013c)).⁹ While potentially an undercount, as the figures exclude households in the bottom 10% of equivalised disposable income, these figures do complement the figure for the overall number of households in the ACT in housing stress of 9910. While under the national average of 40.7% of low income renter households in housing stress, it is still not sustainable that nearly one-third of low income renters in the ACT are experiencing housing stress.

⁹ ABS Housing and Occupancy Data contains data on low income renters facing housing stress only to low income households, defined as the 30% of households with equivalised disposable income between the 10th and 40th percentiles, i.e. those in the bottom two income quintiles, but excluding the bottom 10% (ABS 2013d), who are excluded on the basis that they skew the statistics as their consumption patterns do not match income), although there is also an argument that removal of the bottom 10th percentile, could under represent the number of households in housing stress, by excluding some households in the bottom tenth percentile who are low income and in housing stress.

Figure 17: Low income ACT renter households in housing stress vs Rest of Australia, 2011-12



Source: ABS (2013c).

Rental cost price rises, rent assistance and indexation of income support payments

For a single person on Newstart, the maximum rate of Rent Assistance in December 2010 covered 35.0% of the median rent of a third share in a three bedroom apartment (Numbeo 2015).¹⁰ It currently covers only 27.6% of that rent. **Clearly, Commonwealth Rent Assistance is not set or indexed to match rental prices – taking into account regional differences.**

In the same period, since December 2010, the base rate of Newstart has increased by \$22.95 per week, so even ignoring all the other price increases required to be met, the increase in Newstart and Rent Assistance together (including the addition of the Household Assistance Payment of **\$31.48**) would not be able to cover the rent increases in the ACT (**\$44.33**) for a third share in a three bedroom apartment (Centrelink 2010; Centrelink 2014). **This is a further reason as to why the Newstart and other base level allowances (e.g. Youth Allowance, which is more than \$90 a fortnight less than Newstart, Widow’s Pension) need to be increased,** as highlighted by ACOSS (2012).

The rental figures are particularly alarming, as renting is disproportionately the domain of low income households and a cause of significant housing stress. In addition, increased housing prices represent wealth acquisition for those who own them – and even bigger barriers for those who do not.

Rental payments for income support recipients

In this section, Figure 13 shows the average weekly rental prices for Canberra from Numbeo (2015) as at end of December 2014 – as well as the range of rental prices for different sized properties in different locations (city centre and

¹⁰ Source for rental figures.

outside city centre). In this section, the report focuses on the lower end rental prices for one bedroom and three bedroom apartments (outside the city centre), rather than inner city rental prices, to help to derive figures for different housing sizes which may be indicative of the types of rents faced by low income households. (See also Appendix A: Explanatory Note 7 – Private rental price data).

Figure 13: Average 1 bedroom and 3 bedroom housing rentals, Canberra, Dec 2014

	Figures taken from Dec 2014	Average weekly rent	Lowest end of rental price range	Highest end of rental price range
City centre	1 bedroom apartment	\$412	\$309	\$506
	3 bedroom apartment	\$708	\$506	\$921
Outside of centre	1 bedroom apartment	\$292	\$228	\$350
	3 bedroom apartment	\$462	\$365	\$575

Source: Numbeo (2015) (Weekly figures calculated by multiplying monthly figures by 12/365 x7).

Selected welfare payments & wages and private rental costs – Canberra

When comparing rental costs of particular housing types (based on the lowest end of rental prices, Dec 2014) with income for different categories of welfare payments (base rate plus rent assistance and other relevant allowances) shows the extent of housing stress in particular instances. Income support recipients who are in private rental are likely either to be forced to share housing or would end up in housing stress.

Calculations based on Centrelink payments and rental prices for Canberra (as at December 2014), show that a **single unemployed person** would have to spend 70% of their weekly payment for a three bedroom apartment and a **single young person** would have to spend 48% of their allowance on rent (1/3 share in a three bedroom apartment). An **Age Pensioner** would have to spend 46% of their weekly payment on rent; while a **sole parent on Newstart** with two children would have to spend 59% (three bedroom apartment) and would probably have to find a two bedroom unit instead.

A **sole parent on parenting payment**, with two children could face rents constituting 52% (three bedroom) of their income. A **working couple on the minimum wage** (one full time and one part time), with three teenage children, could end up paying 34% of their gross income in rent for a three bedroom apartment.

Each of the above scenarios would put these households in housing stress – and for some, extreme housing stress if paying more than 50% of their low income on housing costs.

Homelessness in the ACT

At the same time that there is a great need for additional housing, the homelessness rate in the ACT is 50 per 10,000 people, which is above the national homelessness rate. It may come as a surprise to know that the homelessness rate in the ACT is the second highest in the country, behind only the Northern Territory.

The homelessness rate in the ACT is the second highest in the country.

Figure 21: Changes in the homelessness rate per 10,000 people – State/Territory/National data¹¹

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2001	36.4	38.9	54.8	53.6	39.6	27.5	30.4	904.4	50.8
2006	33.9	35.3	48.3	42.3	37	24	29.3	791.7	45.2
2011	40.8	42.6	45.8	42.8	37.5	31.9	50	730.7	48.9

Source: NT Shelter (2014) – original source from ABS (2012).

Conclusion

The overwhelming conclusion from the analysis outlined in this report is that for renters on low incomes fixed to CPI, rent has become an increasing burden on the household budget. The clear trend is that the housing stress indicated in the 2011-12 Housing and Occupancy data continues to be very high. This is a particular problem because, with the large proportion of welfare recipients' income dedicated to paying rent, meeting these high costs displaces spending on other essential items such as food and groceries, utilities, healthcare and social participation. Housing costs continue to be a major potential driver of poverty and homelessness in the ACT. In addition, high rents contribute to the issue of overcrowding, which is a particular problem amongst the Aboriginal and Torres Strait Islander community.

The sorts of weekly housing expenditure and rising costs discussed here represent only one dimension of the problems faced by low income earners in attaining decent and affordable housing – and say nothing about the quality and accessibility of housing, the suitability of the location of housing and proximity to employment, public transport and other services. The barriers to some groups in getting private rental, the supply/availability of public housing, or the costs and financial barriers to buying a first home and getting out of the rental market are also not covered in detail in this report. However, it is alarming that many vulnerable and disadvantaged ACT households, many in the private rental market, are suffering housing stress.

¹¹ In 2012 the ABS revised the definition of 'homelessness for the 2012 Census count, to be that homelessness "Is in a dwelling that is inadequate; or Has no tenure, or if their initial tenure is short and not extendable; or Does not allow them to have control of, and access to space for social relations" (Cited in NT Shelter 2014).

In addition, living costs in Canberra across the board are high – with Canberra’s cost of living per year (\$72,266) on a par with Sydney (\$72,914) and Darwin (\$72,398) as the highest in Australia for a capital city. Adelaide is the city with the lowest cost of living (\$68,092) (Tanton et al 2013).¹²

Addressing these cost of living issues will require a range of policy responses including affordable housing strategies, rental affordability schemes, and an increase in base level income support payments and rent assistance.

¹² Figures taken from Figure 1: Capital City cost of living, \$ per year, June 2013, in *Disadvantage in the ACT* report (Tanton 2013).

In-depth Analysis of Housing Costs in Canberra (ACT) and Impacts on Low Income Households

Introduction

Shelter is a basic necessity for people and 'Decent housing is essential for maintaining an acceptable standard of living for families. It provides warmth, security, safety and privacy to all members of the family. It also provides facilities for cooking, sleeping and entertainment. In Australia, we would expect it to be affordable to people from all socio-economic strata.' (Nepal et al 2010).

Housing costs are the largest category of expenditure for most households in Australia. On the surface, overall data for housing costs for the ACT compare quite favourably with other jurisdictions. The ACT has one of the lowest average expenditures on housing in the country as a proportion of income. The Real Estate Institute of Australia has recently described the ACT as the most affordable Australian city in which to own a home or rent (REIA/Adelaide Bank 2014). However, the situation in the ACT is actually more complex than this would suggest. The average figures tend to paint a fairly positive picture for households overall, with any cost rises seen to be covered by the high average incomes in the ACT.

There are, however, significant pockets of disadvantage in the ACT, and the fact remains that:

- ACT households have the second highest expenditure on housing compared with other jurisdictions – with housing costs \$63 per week above the national average.
- Low income households in the ACT, on average, spend more than double the proportion of their weekly household income on housing costs, than households in the highest income quintile.
- Paying average private rental prices in Canberra (even at the low end) would put income support recipients in housing stress, and for some, extreme housing stress
- The ACT has the second highest homelessness rate in the country at 50 per 10,000 (1785 people (NT Shelter 2014)).
- The proportion of rental stock in the ACT that is affordable for someone on the minimum wage is lower than the national average
- Rent prices are outstripping the generic inflation rate for Canberra (ACT), with rent prices, on average, having increased at a rate 66% higher than that for the generic CPI for the ACT. This is despite the fact that the last six quarters have seen no increase in rent prices.
- There are 9910 households in the ACT in housing stress (Tanton et al 2013), including 6879 rental households (ABS 2013c).

- Increases in Commonwealth Rent Assistance and the indexation of income support payments have not kept up with the increase in rent costs in the ACT over the years

For many people in our community it can be assumed that price rises or unexpected expenses can be covered by reducing spending on more discretionary items (eating out less often, for example). For low income households, however, who may have to spend nearly all of their income on essential items, there is no room to move in their weekly budgets, so making any spending adjustments is not easy. When low income households experience pressure arising from housing costs, making ends meet is particularly challenging, and many compromises have to be made about what not to spend money on, which can directly impact on health and wellbeing for household members. These issues also create enormous worry and stress for households. For those who are renting there is the additional factor of insecure housing tenure, which can impact in the short term of ensuring proximity of housing to work, study and other commitments, and in the longer term on health and wellbeing.

Of course, the sorts of weekly housing expenditure and rising costs discussed here represent only one dimension of the problems faced by low income earners in attaining affordable, safe and secure housing. The weekly costs say nothing about the quality and accessibility of housing, the suitability of the location of housing and proximity to employment, public transport and other services. The barriers to some groups in getting private rental, the supply/availability of public housing, or the costs and financial barriers to buying a first home and getting out of the rental market are also not considered in detail in this report. However, it is alarming that many vulnerable and disadvantaged ACT households, many in the private rental market, are suffering housing stress.

In addition, living costs in Canberra across the board are high – with Canberra’s cost of living per year (\$72,266) on a par with Sydney (\$72,914) and Darwin (\$72,398) as the highest in Australia for a capital city. Adelaide is the city with the lowest cost of living (\$68,092) (Tanton et al 2013).¹³

Addressing these cost of living issues will require a range of policy responses, including affordable housing strategies, rental affordability schemes, adequate public housing rental subsidies and increasing base level income support payments and rent assistance.

Poverty and disadvantage in the ACT – The broader context

In the ACT in 2011, there were 21,528 people living in poverty; 9910 households experiencing housing stress; 14,148 people experiencing financial stress; 1785 experiencing homelessness; and 28,639 disadvantaged people according to the ABS SEIFI Index (see Appendix A: Explanatory Note 8) in the

¹³ Figures taken from Figure 1: Capital City cost of living, \$ per year, June 2013, in *Disadvantage in the ACT* report (Tanton 2013).

ACT. Many of these will be the same people, so there will be a number of people experiencing multiple disadvantage (for example, in poverty and homelessness; or in poverty, in financial stress and in housing stress) (Tanton et al 2013: iii).

While poverty rates in the ACT are lower than the national average, in terms of suburb level data, there were suburbs that experienced worse poverty, housing stress and financial stress than the Australian average. The suburb with the highest poverty rate in the ACT (25.9 %) had a similar rate to the maximum in other states. 'So while there is a difference in the averages, there is little difference in the extremes' (Tanton et al 2013: 3).

Poverty is very much associated with financial stress, which refers to the proportion of households who cannot find \$2000 for an emergency in a week.¹⁴ While the ACT has a low proportion of households in financial stress, it has the third highest suburb maximum of 29.6%, well above the values for NSW and Victoria (Tanton et al 2013: 8). This further highlights the fact of pockets of households in financial stress in the ACT, which has an impact on housing stress.

The Socio-Economic Index for Individuals (SEIFI) is also a useful tool with which to examine the situation in the ACT. It is an index calculated by the ABS which is similar to the Socio-Economic Index for Areas (SEIFA), however, it measures disadvantage at the level of the individual and not geographic area. The SEIFI is very useful, as it actually reveals the hidden disadvantage masked by SEIFA figures. For example, the SEIFI index shows that there are 28,639 ACT residents in the most disadvantaged 20% of Australians, which is 12.6% of all ACT residents. Many of these people are living in areas that are not disadvantaged according to SEIFA figures. The high average incomes in the ACT effectively conceal individual disadvantage when measured at the area level. This then shows up the problem of 'hidden disadvantage', which appears unique to the ACT – as 'the most disadvantaged people according to SEIFI don't live in disadvantaged areas, they are in less disadvantaged areas' (Tanton et al 2013, p.14).

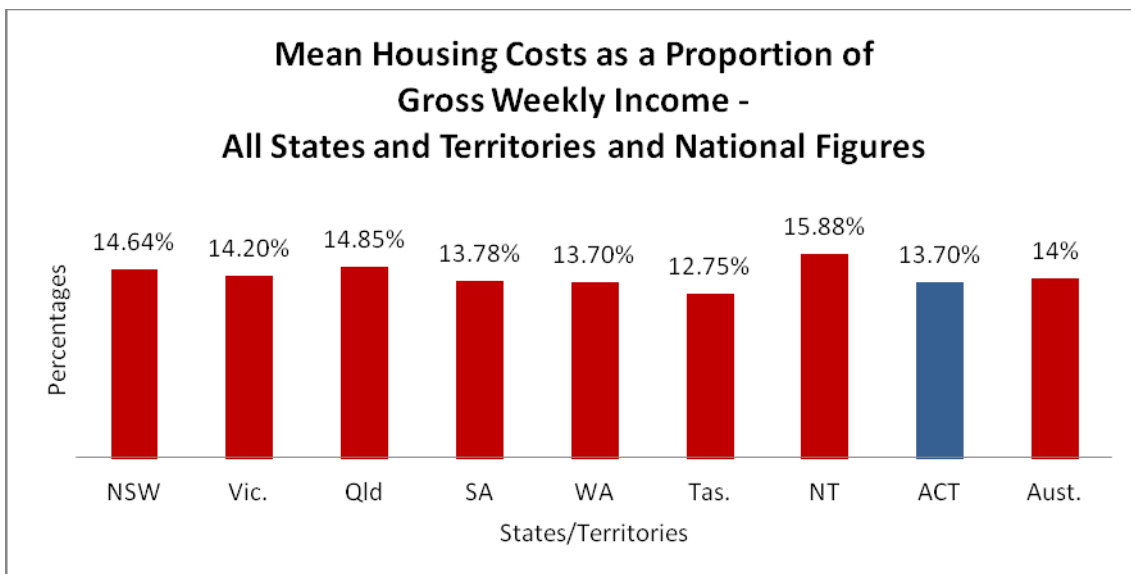
SEIFA measures mask the extent of disadvantage in the ACT because there is economic advantage in the same areas that there is disadvantage. When data is averaged out, it does not reflect the reality for households who are disadvantaged and struggling. 'The disadvantaged households are masked when looking at averages by overall lower disadvantaged households in our [Canberra] suburbs' (Tanton et al 2013: 15). Indeed, ACT Government (2012: 3) research has highlighted that 'the ACT has one of the highest proportions of "diverse" suburbs/collection districts (CDs), where diverse suburbs/CDs have high numbers of both the most and the least disadvantaged individuals living side by side. This is highly unique to the ACT and, as a result, the averaging effects of SEIFA chronically under-reports disadvantage.'

14 See Saunders, Naidoo and Griffiths (2007).

The importance of household expenditure: Housing costs

This section explores in detail the impact of housing costs on low income and disadvantaged ACT households, and draws on information from a range of sources, including the ABS Housing and Occupancy Costs, 2011-12; ABS CPI Figures; the Real Estate Institute of Australia; the 2014 Omnibus (Newspoll) Survey of 1000 ACT residents; the 2013 ACTCOSS *Disadvantage in ACT* report; and figures from Numbeo.com Property Investment.

Figure 1: Mean housing costs as a proportion of income – Comparison of states and territories



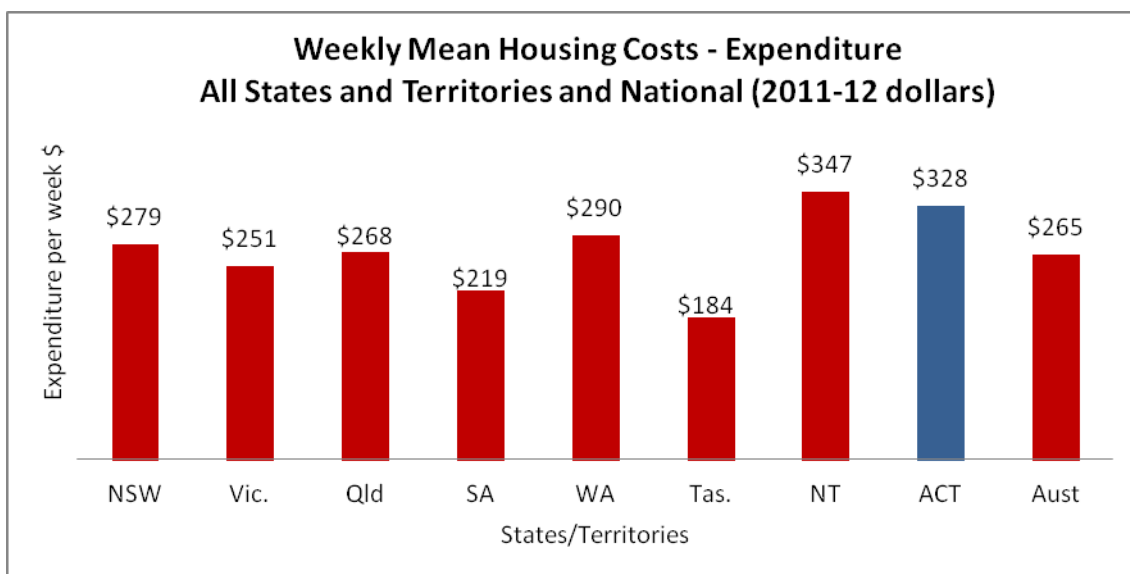
Source: ABS (2013e).

On average, ACT households spend the second lowest proportion of their income on housing, in comparison with other states and Territories in the country – level with Western Australia and with only Tasmania lower.

However, these average figures do not reflect the experience of low income households that would need to spend between 34% and 59% of their income to cover private rental prices in the ACT.

Based on the ABS Housing and Occupancy statistics (2011-12), the ACT has one of the lowest expenditures on housing in the country as a proportion of income. This is reinforced by figures from the Real Estate Institute of Australia, where with households requiring 19.4% of family income to meet mortgage payments, and 16.8% to meet rent payments, the lowest in each category for any jurisdiction (REIA/Adelaide Bank 2014). The ACT figures are significantly lower than the national average when it comes to both mortgage payments and rental properties in terms of proportion of household income, despite the actual housing costs for the ACT being \$63 above the weekly national expenditure on housing (refer also to Figures 11a and 11b).

Figure 2: Expenditure per week \$ (mean housing costs) – Comparison of states and territories



Source: ABS (2013b).

On average, ACT households spend \$63 more per week on housing costs than the average Australian household.

While households in the ACT spend significantly more (\$63) per week than the national expenditure on housing, ACT households also have the highest average income levels in the country (\$2395), well above the next jurisdiction, the NT (\$2184), and nearly \$1000 per week more than Tasmania (\$1443) (ABS 2013b¹⁵). The figure of \$328 per week constitutes 13.7% of average weekly household expenditure, which is the equal second lowest proportion of expenditure in the country and slightly below the national average of 14%. So the higher housing costs when seen in the light of the higher income levels, on one level may seem fair and acceptable.

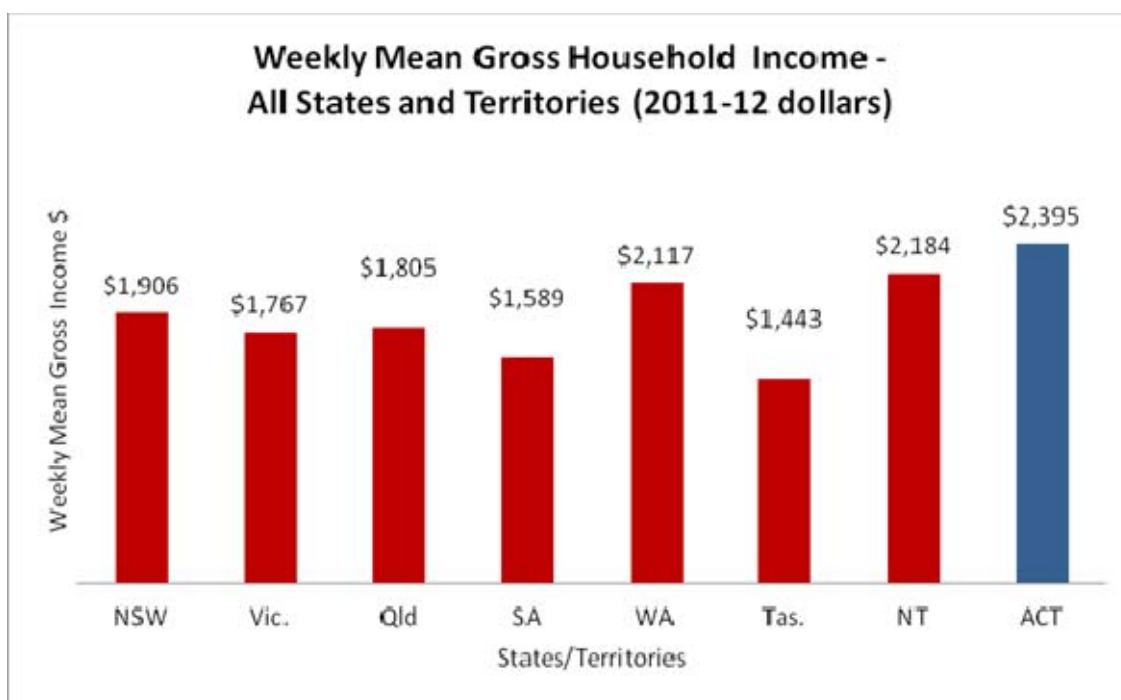
It is important to acknowledge, however, that these figures are averages and do not reflect the reality of housing costs for all households in the ACT, particularly low income households, many of whom pay far more than 13.7% of their weekly income in housing costs and face very real pressures because of this. In addition, the income figures do not reflect the reality for all households in the ACT – as not all ACT households earn anywhere near \$2395 per week. And as the SEIFI figures demonstrate, there are pockets of households experiencing enormous financial stress, even amid the high average incomes in ACT suburbs. Higher median weekly incomes may also act as an inflationary pressure on housing and other costs of living.

A household with one full time worker earning the minimum wage and one part-time (0.5) worker earning the minimum wage would be earning \$1352.43 per

¹⁵ The average incomes for the states and territories refers to 'Mean gross household income (in 2011–12 dollars)' (2013b).

week (see Figure 3 below), more than \$1000 under the ACT average household income. A sole parent household, with two children, relying on Parenting Payment (see also Figure 3) would be receiving \$699.93 per week. Yet these households have to compete in the same rental market as households earning the average wage (and above the average wage) in a jurisdiction where rents have been historically high, and have risen significantly over the last 15 years (see Figure 5 below).

Figure 3: Mean gross household income (in 2011–12 dollars), states and territories



Source: ABS (2013b).

Summary of housing cost movements over the past year

As well as examining actual weekly costs of housing in terms of affordability, the rate at which prices increase can have a significant impact on households. The CPI for all housing in Canberra over the last year only rose by 0.7%, below the 1.2% increase in CPI for all groups (ABS 2013d), and the national CPI for all housing of 2.4% (see Figure 5).

However, the individual components which make up this overall figure moved quite differently. Purchase prices of new houses rose by 1.8%, while rents fell 1.8%. Property rates and charges increased by 9.5%, while maintenance and repair of dwelling changed -2.8%. The CPI 'All Housing' figure also includes utilities, so any change in CPI can be due to a number of component parts of housing, rather than by housing more narrowly defined.

While it is useful to note changes in the CPI over a twelve month period, it is also critical to look at longer term movements to assess the impact these have on household budgets – especially those of low income households. Any price increases disproportionately impact on low income households. The changes in

the prices of the different components of housing costs over a longer period are shown below (Figure 4 and Figure 5).

Over the last 15 years in the ACT, all the components of housing prices¹⁶, have increased more than the generic CPI (All Groups) – and therefore have increased at a faster rate than the incomes of the many people whose incomes are pegged to CPI, or those whose incomes have risen at a rate slower than the generic CPI level such as people in receipt of Newstart and Youth Allowance.¹⁷

Rent and mortgage repayments constitute the two largest components of weekly household expenditure on housing¹⁸, and therefore have been the main drivers of the CPI housing increase during this time, with rent prices rising at a faster rate (89.3%) than the price of new houses (75.3%).

Figure 4: Summary of CPI movements for housing disaggregated vs Canberra CPI – the last 15 years

CPI rises since December 1999	% increase
Housing	95%
Rent	89.3%
New dwelling purchase (by owner/occupier)	75.3%
Other housing	92%
Maintenance and repair of the dwelling	56.7%
Property rates and charges	150.4%
All groups Canberra	53.9%

Source: ABS (2014d).

Rent prices (CPI) have risen at a rate 66% higher than that for the generic CPI for Canberra over the last 15 years, and the price of new dwellings has increased by 75.3%. The CPI for rent and new dwellings (until more recently) have historically been driving the CPI for housing – even though property rates and charges have risen by 150% over the last 15 years (though most of that rise has occurred since 2005), but property rates and charges constitute a smaller component of housing expenditure. In the 2009-10 *Household Expenditure Survey* data, property rates and charges made up 11.5% of housing expenditure; rent 34.6%; and mortgage repayments (interest component only) made up 40.6% of housing expenditure (ABS 2011a).

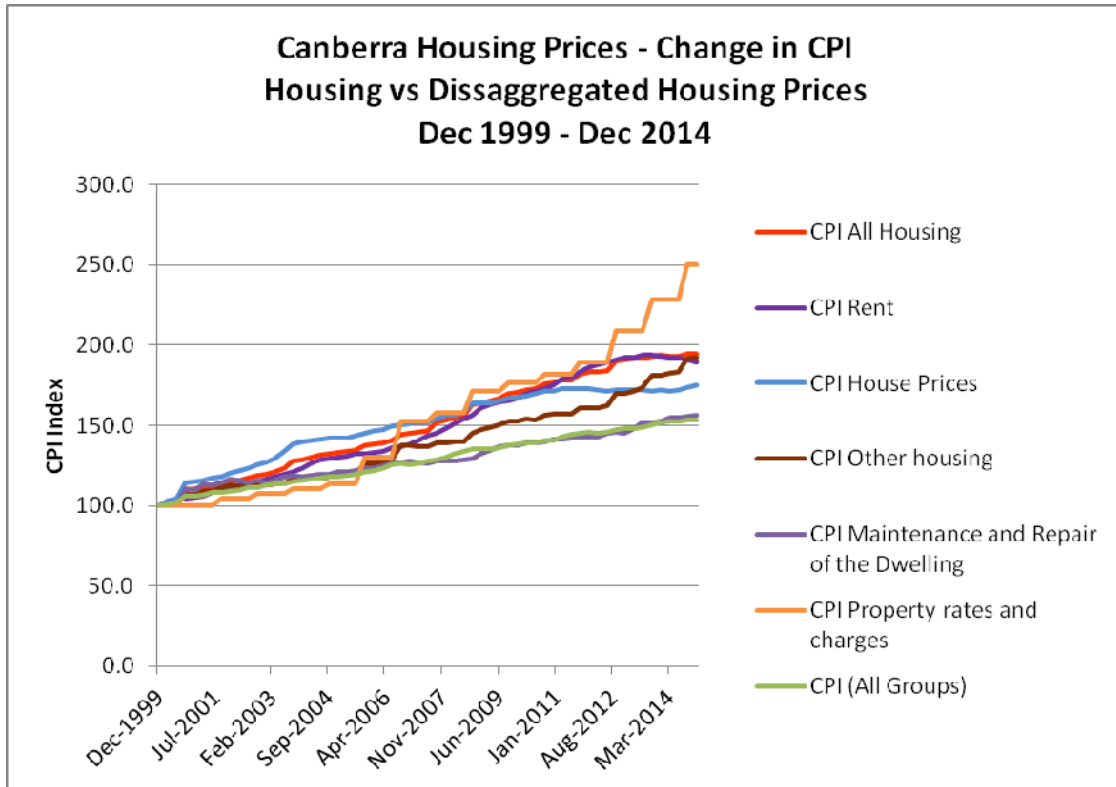
16 The CPI is focused on purchase prices (not expenditures), so it does not include or track changes in the level of mortgage repayments, which are a function of both purchase price and interest rates. Repayment figures, while vital to households weekly budgets, are less easy to calculate and track over time.

17 The generic CPI is used as a proxy for wage rises (because of Newstart indexing, and the practice of many workplaces to give CPI increases), but some people on low wages do not even get a CPI increase.

18 2009-10 Household Expenditure Figures (HES).

Over the last 15 years, rent prices in Canberra have risen by 89.3%, while the general CPI has risen by only 53.9%, meaning rent prices have risen at a rate 66% higher than that for the generic CPI for Canberra.

Figure 5: Housing prices and CPI – Canberra, Dec 1999 – Dec 2014



Source: ABS (2014d).

Given the historically high rents (see Figure 6 below) and the fact that low income households are more likely to be renters than mortgagees and to spend most if not all of their income on essential items, any increase in rent prices (no matter how small) will have a disproportionate impact on low income households. Median rental prices in the ACT in 2011 (\$380 per week up from \$165 in 2001) were much higher than the national average (\$285 up from \$145 in 2001), with households in the ACT facing higher rents than either Sydney (\$355, up from \$210 in 2001) or Melbourne (\$300 up from \$165 in 2001). Figure 6 shows that the ACT now has the highest median rent in the country (2001 figures cited in ACT Shelter (2013), provided courtesy of NATSEM).

Figure 6: ACT median rent vs National average and Sydney and Melbourne



Source: Tanton et al (2013) Figure 2 Rent Payments in 2011 – original source 2011 Census Data.

Figure 7: CPI time series – Canberra rent increases and CPI, 2009 to 2014

Year Ending Dec Qtr	CPI - All Housing	CPI - Rent	CPI – New Dwelling Purchase	CPI - All Groups
2009	4.0%	4.2%	2.1%	2.2%
2010	3.3%	4.8%	2.7%	2.0%
2011	3.7%	6.3%	0.7%	3.4%
2012	4.2%	3.1%	-0.4%	1.7%
2013	1.4%	0.4%	0.0%	2.3%
2014	0.7%	-1.8%	1.8%	1.2%
Overall change in rent – 6 years	18.8%	17.9%	6.9%	13.6%

Source: ABS (2014d).

During the first four years of the time series in Figure 7, these CPI rent increases represent significant dollar values to low income households. There has been some relief for renters over the last two years with the CPI for rent slowing then decreasing, but these figures must be seen in the light of historically very high rents, and despite the recent decrease, rents have still increased by 17.9 % over the past six years, while at the same time, the general CPI increased by 13.6%.

While the quarterly CPI figures for house prices (new dwelling purchase) have been up and down over the last two years, overall the CPI for house prices has slowed down over the last six years, and have generally been well under the CPI for housing in this time, apart from in 2014 (due in part to the CPI dropping to its lowest level in years). In fact in the nine years from December 1999 to December 2008, house prices in the ACT increased by 64%, but in the six

years since, the CPI for house prices has only gone up by 6.9% (slower than the general CPI for the ACT (13.6%) during the same period. In addition, over the last 15 years, the CPI for new house purchases has risen by 0.5% or less in 26 of 61 quarters, (ABS 2014).

Furthermore, while the CPI for rent overall decreased by 1.8 % in the past year, this does not mean all renters benefited from this price decrease. Renters locked into existing leases may have got no relief from this CPI decrease, and as the decrease of 1.8% is an average figure, some rents would have decreased, while others may have gone up (see Figure 8 below).

The CPI for property rates and charges, however, increased significantly, initially in 2006, and particularly since 2012. The ACT Government has increased rates to offset a decrease in transaction taxes, e.g. stamp duty. ACTCOSS believes that it is appropriate for the taxation system to focus on taxing wealth creation as opposed to taxing financial transactions.

Breakdown of price changes by housing type and location – Impact on low income households

Information obtained from the Numbeo¹⁹ (2015) Cost of Living Website, which has average rental prices for one and three bedroom apartments (but not houses), is detailed in the following two tables (Figure 8 and 9 below). These figures cover both inner Canberra and outer Canberra and reveal price changes across the different housing sizes and locations over the past year and the past four years

The figures in Figure 8 show that the main change in rental prices over the past year has been the decrease of 9.3% in the average rental costs for one bedroom apartments outside of the city centre, with a 2.6% increase in city centre three bedroom apartments. There were minimal changes with rent prices for city centre one bedroom apartments or outside of city centre three bedroom apartments. While these figures show variations in the change in rent prices between different property types and locations, the figures indicate an overall decrease in rental prices over the last 12 months – which is consistent with CPI data (1.8% decrease over the past year).

¹⁹ Numbeo is the world's largest database of user contributed data about cities and countries worldwide. Numbeo provides current and timely information on world living conditions including cost of living, housing indicators, health care, traffic, crime and pollution.

Figure 8: Average 1 bedroom and 3 bedroom apartment rental prices, Canberra – Comparison for the last year

		12 Dec 2013	28 Dec 2014	Price change	% increase
Canberra city centre	1 bed apartment	\$414	\$412	-\$2	-0.5%
	3 bed apartment	\$690	\$708	+\$18	+2.6%
Canberra outside of city centre	1 bed apartment	\$322	\$292	-\$30	-9.3%
	3 bed apartment	\$460	\$462	+\$2	+0.4%

Source: Numbeo (2015).

Again, it is useful to examine price changes over a longer period than 12 months, and Figure 9 shows the price change in rental properties in Canberra city centre, and outside of the city centre over the past four years. These show overall increases in all housing types with one bedroom prices in the City Centre increasing the most dramatically, but even the rental properties most likely to be rented by lower income households (outside of the city centre) have risen by 40% or higher on average since 2011.

Figure 9: Average 1 bedroom and 3 bedroom apartment prices Canberra – Comparison for last 4 years

		3 Jan 2011*	28 Dec 2014	Price change	% change
Canberra city centre	1 bedroom apartment	\$275	\$412	+\$137	+86%
	3 bedroom apartment	\$458	\$708	+\$250	+55%
Canberra outside of city centre	1 bedroom apartment	\$202	\$292	+\$90	+45%
	3 bedroom apartment	\$329	\$462	+\$133	+40%

Source: Numbeo (2015).

*3 Jan 2011 was the closest date available to end December 2010.

Rental cost price rises and indexation of income support payments

For a single person on Newstart, the maximum rate of Rent Assistance in December 2010 covered 35.0% of the median rent of a third share in a three bedroom apartment. It currently covers only 27.6% of that rent. **Clearly, Commonwealth Rent Assistance is not set or indexed to match rental prices – taking into account regional differences.**

In the same period, since December 2010, the base rate of Newstart has increased by \$22.95 per week, so even ignoring all the other price increases required to be met, the increase in Newstart and Rent Assistance together (including the addition of the Household Assistance Payment of **\$31.48**) would not be able to cover the rent increases in the ACT (**\$44.33**) for a third share in a three bedroom apartment.

This is a further reason as to why the Newstart and other base level allowances (e.g. Youth Allowance, Widow's Pension) need to be increased as highlighted by ACOSS (2012).

The rental figures are particularly alarming, as renting is disproportionately the domain of low income households and a cause of significant housing stress. In addition, increased housing prices represent wealth acquisition for those who own them – and even bigger barriers for those who do not.

Impact on household budgets of rising housing costs

The lack of adequate assistance to low income renters is particularly problematic in light of the recent report from the Grattan Institute which showed that support through government subsidies to home owners was far greater than the support provided to renters. According to the report (Kelly et al 2013), subsidies to own-home owners amounted on average to \$6100 each per year, which are mainly in the form of tax concessions and exemptions. For each investor household the subsidies were \$4500 on average for each investor household. By comparison, the direct rent support provided to very low income renters in Commonwealth Rent Assistance is only in the order of \$3000 a year – for people often on very low incomes – well below the subsidies offered to those who can better afford housing costs and are building an asset through their expenditure on housing.

However, despite government subsidies and even the recent favourable interest rate, trends in relation to mortgage payments can still cause hardship for households – especially those on low incomes. This is partly a result of the large percentage of the household's budget which goes to paying a mortgage (16%, when capital costs are included, as per Figure 10 below), as well as significant life events such as unemployment, accident or illness unexpectedly decreasing income leading to mortgage payments displacing spending on other essential items such as food and groceries, utilities, healthcare and social participation. As a result of the rent price increases as well as mortgage pressures, many ACT households are currently experiencing housing stress, and some, extreme housing stress. A survey of 1000 Canberra households conducted by Newspoll in November 2014 found as many as 18,500 households were experiencing housing stress using the 30/40 rule.²⁰ Sole parents, younger and older people reported higher levels of housing stress than other household types.

²⁰ Findings from a Newspoll survey of 1000 Canberra households commissioned by the Housing and Homelessness Policy Consortium (ACT Shelter, ACTCOSS, Women's Centre for Health Matters, Youth Coalition of the ACT) in November 2014 found that 13% of households were experiencing housing stress using the 30/40 rule.

Housing costs of owners with a mortgage vs Renters in the ACT

Figure 10: ACT vs National housing expenditure and proportion of income, by housing type 2011-12

Household tenure	ACT		Australia	
	Expenditure per week \$ (Mean housing costs)	% of weekly income	Expenditure per week \$ (Mean housing costs)	% of weekly income
Owner without a mortgage	44	2%	40	3%
Owner with a mortgage – interest only (calculated by taking off 24%)	369	12%	328	14%
Owner with a mortgage – interest and capital	486	16%	432	18%
Renters				
• State/Territory housing authority	147	19%	136	19%
• Private landlord	454	19%	347	20%
Total renters	377	19%	312	20%
All households	328	13.7%	265	14%

Source: ABS (2013a).

Note: In the ABS official tables, the 'All households' figure of 13.7% for ACT has been rounded up to 14%. The figure of 13.7% used here has been calculated using housing costs and income figures from ABS (2013b).

This data is compiled from the 2011-12 and earlier Surveys of Income and Housing (SIH). The data collected on housing outlays in the SIH are limited to major outlays on housing, that is, mortgage repayments, rent, property and water rates, as well as body corporate fees. Housing costs are shown in this publication as weekly equivalents (ABS 2013d).

Housing costs of owners with a mortgage – 'Expenditure on current housing' – ACT vs National figures

It is important to note in relation to the figures in Figure 10 that the ABS estimates that approximately 24% of the housing costs of owners with a mortgage is actually repaying the principal (capital cost) of the home (2013d), which in economic terms is a form of saving rather than expenditure on current housing. To do an accurate comparison with rental expenditure, this capital component of the mortgage payment has been removed (as above) even though it remains a very real expenditure in the weekly budget of those paying off a home loan.

When the capital component is removed, it shows a higher proportion of total expenditure for renters than others, and this is particularly significant because

renting is a major source of attaining housing for low income households. **The reality is that renters, as compared with people paying a mortgage, will not build an asset base in the long term by spending income on housing, and renters are over-represented among low income households.** In the last *Household Expenditure Survey*, rental households made up just over a quarter of the property market overall, but 40.8% of households in the lowest income quintile (ABS 2011c). For this reason, housing costs of renters are a particular concern.

Available data shown in Figures 11a and 11b (below), highlights that overall, ACT households spend the least amount on housing of all states and territories in terms of a proportion of household income. This sees the ACT described as the most affordable state or territory in which to buy (19.4% of family income) or a rent a home (16.8%) (REIA/Adelaide Bank 2014). This is despite the actual housing costs for the ACT being \$63 above the weekly national expenditure on housing (as discussed above). Interestingly, though, in a recent media release REIA also conceded that while figures show the ACT is still the most affordable state or territory in which to buy a home, ‘many Canberrans probably don’t feel that this is the case’ (REIA 2014b).

Figure 11a shows the 19.4% proportion of Median Weekly Family Income required to meet loan repayments for the ACT. This figure represents a decrease from 19.8% in September 2013, while most of the other states/territories experienced increases (apart from Tasmania and the Northern Territory).

Figure 11a: Proportion of median weekly family income required to meet loan repayments – National

Jurisdiction	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
Sept 2014	34.5%	31.9%	28.1%	26.8%	25.9%	24.4%	27.2%	19.4%	30.4%

Source: REIA/Adelaide Bank (2014).

Housing costs for renters – ACT vs National figures

Figure 11b uses Australian average median rent for three bedroom houses – calculated using Census data and median rents published in REIA/Adelaide Bank (2014). The 16.8% proportion of Median Weekly Family Income required to rent a three bedroom home for the ACT represents a decrease from 18.4% in Sept 2013. Most of the other states experienced a decrease, or stayed the same, with only NSW experiencing an increase.

Figure 11b: Proportion of median weekly family income required to rent a 3 bedroom home – National

Jurisdiction	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
Sept 2014	28.4%	22.7%	23.4%	22.7%	23.7%	25.5%	34.7%	16.8%	25%

Source: REIA/Adelaide Bank (2014).

Housing affordability and housing disadvantage in the ACT

It is important to note that the figures in Figures 11a and 11b are averages and clearly reflect the fact that the ACT has the highest income levels in the country (as discussed above). They do not take into account either the disparity in income levels within the ACT, nor the fact that households who rent are forced into paying high rents – in line with what the market offers. The expenditure on rent is a particular concern when looking at the experience of the people who are most stressed or vulnerable in the housing market.

Tanton et al (2013) in the ACTCOSS report *Disadvantage in the ACT* highlighted that the ACT does have less disadvantage than other states, but there are disadvantaged people in the ACT, and ‘disadvantage in the ACT is being masked by many people in an area that are not disadvantaged’ (Tanton et al 2013: iii). Where there are people facing disadvantage in the ACT, they face one of the highest costs of living of all capital cities in Australia²¹ – which is partly due to the ACT facing the highest rent prices of any state or territory in Australia (Tanton et al 2013: iii).

As has been made clear, housing is an important determinant of any household’s wellbeing as it provides shelter, stability and safety. The affordability of housing is therefore an important indicator of disadvantage.

For most low income people, renting is the only option for housing as a mortgage is difficult to secure on a low income. Figure 6 (earlier in this report) showed that rent costs in the ACT are some of the highest in Australia, higher than Sydney and Melbourne. Given that rents are high in the ACT (often seen as a reflection of average high incomes) people who do not have high incomes need to pay a higher proportion of their incomes on rent.

One measure of housing disadvantage, therefore, is to examine how affordable rent is in the ACT for a low income person. Figure 12 (below) shows the proportion of rental stock in the ACT that is affordable on the minimum wage, and highlights that just over 20% of the total housing stock is affordable compared to 25% nationwide. The rate of affordability in the ACT, however, was higher than the rates in Sydney and Melbourne (Tanton et al 2013).

²¹ This cost of living was calculated using a typical basket of goods and services, so it is not that people in Canberra choose to eat at more expensive restaurants because they have higher incomes. The basket of goods is exactly the same for each capital city, and the higher cost applies to everyone in the city, rich or poor. For further information refer to Tanton et al (2013, Figure 1, *Disadvantage in the ACT* report).

Figure 12: Percentage of affordable rental housing in 2011 – Canberra and comparison



Source: Tanton et al (2013), Figure 12 Affordable Housing in 2011 – original source 2011 Census Data.

Average rental costs for Canberra – One bedroom and three bedroom apartments

In this section, Figure 13 shows the average weekly rental prices for Canberra from Numbeo (2015) as at end of December 2014 – as well as the range of rental prices for different sized properties in different locations (city centre and outside city centre). In this section, the focus is on the lower end rental prices for one bedroom and three bedroom apartments (outside the city centre), rather than inner city rental prices, to help to derive figures for different housing sizes which may be indicative of the types of rents faced by low income households – to help illustrate. (See also Appendix A: Explanatory Note 7 – Private rental price data).

Figure 13: Average 1 bedroom and 3 bedroom housing rentals, Canberra, Dec 2014

	Figures taken from Dec 2014	Average weekly rent	Lowest end of rental price range	Highest end of rental price range
City centre	1 bedroom apartment	\$412	\$309	\$506
	3 bedroom apartment	\$708	\$506	\$921
Outside of centre	1 bedroom apartment	\$292	\$228	\$350
	3 bedroom apartment	\$462	\$365	\$575

Source: Numbeo (2015) (Weekly figures calculated by multiplying monthly figures by 12/365 x7).

Selected welfare payments & wages and private rental costs – Canberra

Figure 14 compares potential rental costs of particular housing types with income for different categories of welfare payments (base rate plus rent assistance and other relevant allowances). The rental figures are based on the lowest end of rental prices, as at end of December 2014. This table demonstrates the extent of housing stress in particular instances. These rent figures show that income support recipients who are in private rental are likely either to be forced to share housing or would end up in housing stress.

Figure 14: Selected welfare payments/minimum wage and ACT rental costs (Sep 2013 qtr)

Canberra	Weekly payment received	House type	Lowest end rent outside of centre#	% of income
Unemployed (single, no children)	\$326.00	1 bedroom apartment	\$228	70%
Age Pensioner (single)	\$490.95	1 bedroom apartment	\$228	46%
Sole parent – Parenting Payment (one child u13; one child b/w 13-16)	\$699.93	3 bedroom apartment	\$365	52%
Sole parent – Newstart (one child u13; one child b/w 13-16)	\$617.48	3 bedroom Apartment	\$365	59%
Youth – 18 years old (single, away from home)	\$256.33	1/3 share 3 bedroom apartment	\$122	48%
Minimum wage (single) (Gross wage, full time, national)	\$640.90	1 bedroom apartment	\$228	36%
Minimum wage (couple) (Gross wage, national, 1 f/time, 1 p/t; 3 children, receiving FT B A & B)	\$1352.43	3 bedroom apartment	*\$462	34%

Source: Centrelink (2013c), Fair Work Commission (2013), Numbeo (2015).

*Centrelink figures taken from period 20 Sep – 31 Dec 2014. Centrelink figures include rent assistance - For details on rates and calculation of figures, see Appendix A: Explanatory Notes 5 and 6.

#Rental Figures based on available figures re lowest median rent in Canberra suburbs, at December 2014.

Based on these figures, a **single unemployed person** in Canberra would have to spend 70% of their weekly payment for a three bedroom apartment) and a **single young person** would be faced with paying 48% of their allowance on rent (1/3 share in a three bedroom apartment). An **Age Pensioner** would be forced to pay 46% of their weekly payment on rent; while a **sole parent on Newstart** with two children would have to spend 59% (three bedroom apartment) and would probably be forced to find a two bedroom unit instead.

A **sole parent on parenting payment**, with two children could face rents constituting 52% (three bedroom) of their income. A **working couple on the minimum wage** (one full time and one part time), with three teenage children, could end up paying 34% of their gross income in rent for a three bedroom apartment

Each of the above scenarios would put these households in housing stress – and for some, extreme housing stress if paying more than 50% of their income on housing costs.

Housing stress in the ACT

Housing stress is usually defined as where households, and low income households in particular, face housing costs (either rent or loan repayments) amounting to more than 30% of their income, while also being in the bottom 40% of the equivalised²² disposable household income distribution.

The National Centre for Social and Economic Modelling (NATSEM) calculations on housing stress for the ACT, using the 30/40 rule showed that 8.1% of ACT households were in housing stress in 2011 (see Figure 15 below), **which equates to 9910 households**. Queensland has the highest rate of households experiencing housing stress (15.6%), with the national average at 14.2%, while the ACT has the lowest rate of housing stress in the country (Tanton et al 2013).

Figure 15: Housing stress by state, suburb maximums and Australian average, 2011

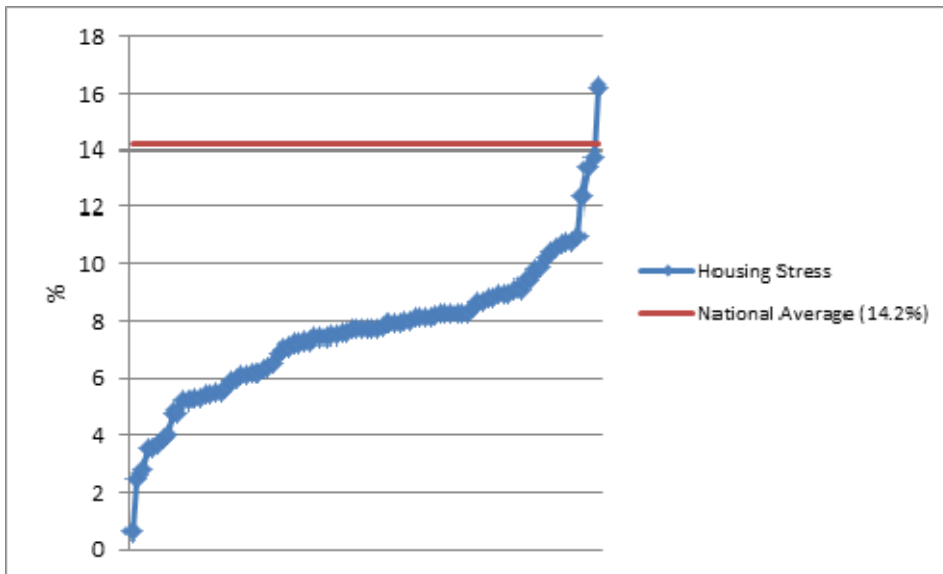
	NSW	Vic	Qld	SA	WA	Tas	NT	ACT	National
2011	14.2%	14.2%	15.6%	14.1%	12.6%	14.3%	10.9%	8.1%	14.2%
Suburb maximum	23.2%	28.2%	27.9%	26.3%	17.9%	20.6%	19.7%	16.2%	-

Source: Figures adapted from Figure 13 and Figure 14 from Tanton et al (2013) – original source 2011 Census Data (ACTCOSS 2013).

Despite the overall lower rates of housing stress in the ACT, compared with other jurisdictions, there are definitely pockets of housing stress in the ACT. Figure 16 shows the graph of suburb level housing stress in the ACT and the Australian average, which highlights that one area in the ACT (16.2%) is above the national average (14.2%), and several other areas lie just below the national average. Most other suburbs in the ACT have between 2% and 11% of households experiencing housing stress (Tanton et al 2013).

²² Equivalised disposable household income is disposable household income adjusted using an equivalence scale. For a lone person household it is equal to disposable household income. For a household comprising more than one person, it is an indicator of the disposable household income that would need to be received by a lone person household to enjoy the same level of economic wellbeing as the household in question. For further information see Appendix 3 in ABS, *Household Income and Income Distribution, Australia, 2011-12* (cat.no. 6523.0).

Figure 16: Housing stress by suburb in the ACT, 2011



Source: Figures adapted from Figure 13 from Tanton et al (2013) – original source 2011 Census Data.

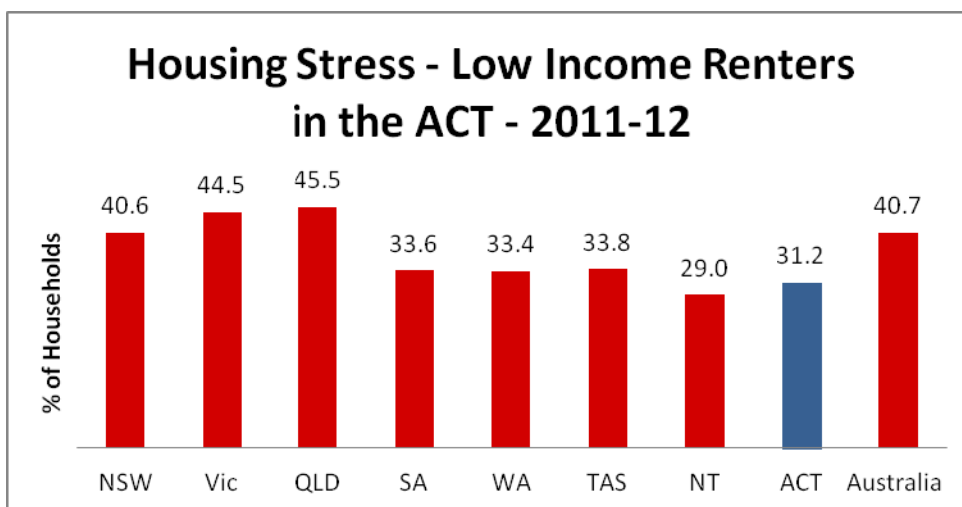
National comparisons are interesting and provide useful information. While most ACT suburbs have housing stress levels below the national average, it must be recognized that where such housing stress occurs among low income households, it creates enormous hardship for those experiencing it. For low income households experiencing housing stress, making ends meet is incredibly challenging, and many compromises have to be made about what not to spend money on, which can directly impact on health and wellbeing for household members.

Low income renters and housing stress

The ABS Housing and Occupancy Data also contains historical data on low income renters facing housing stress (shown in Figure 17 below). This data refers only to low income households, defined as the 30% of households with equivalised disposable income between the 10th and 40th percentiles.²³

²³ This definition refers to households in the bottom two income quintiles, but excluding the bottom 10% (ABS 2013d), who are excluded on the basis that they skew the statistics as their consumption patterns do not match income), although there is also an argument that removal of the bottom 10th percentile, potentially under represents the number of households in housing stress, by excluding some households in the bottom tenth percentile who are low income and in housing stress.

Figure 17: Low income ACT renter households in housing stress vs Rest of Australia, 2011-12

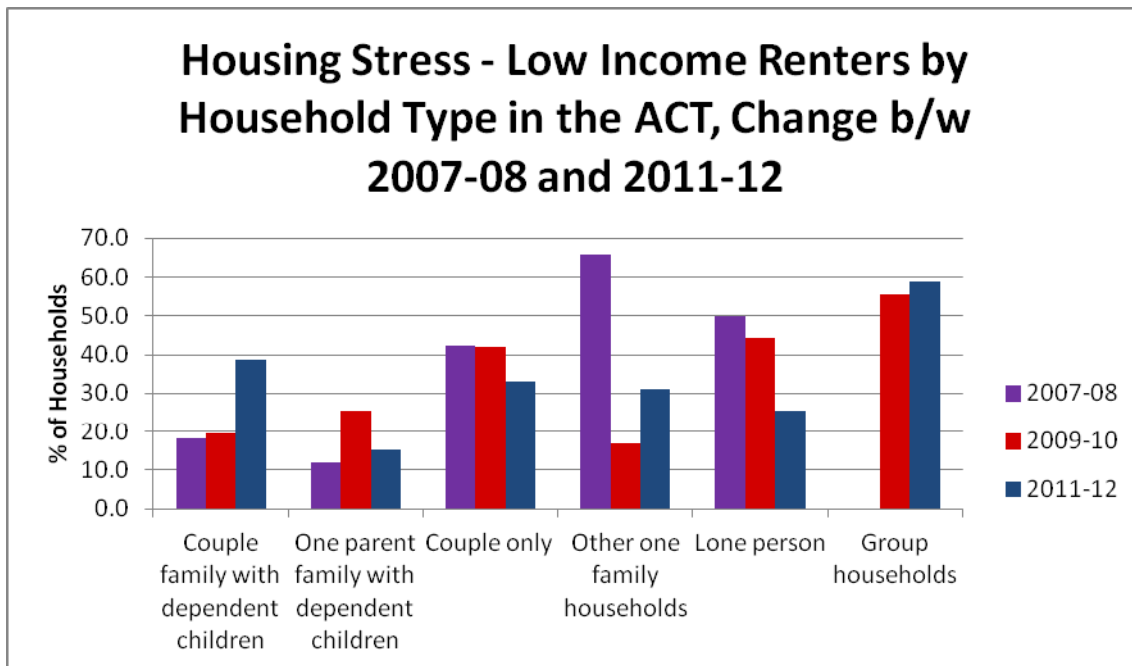


Source: ABS (2013c).

Figure 17 shows that the number of low income renter households experiencing housing stress in the ACT is 31.2% of low income ACT renters. **This equates to 6879 low income ACT households spending more than 30% of their income on rent** (calculations based on ABS, 2013c). While potentially an undercount, these figures do complement the figure for the overall number of households in the ACT in housing stress of 9910. While under the national average of 40.7% of low income renter households in housing stress, it is still not sustainable that nearly one-third of low income renters in the ACT are experiencing housing stress.

Figure 18 shows the distribution of housing stress across different household types, as well as the significant changes that have occurred in the distribution of households experiencing housing stress, between 2007-08 and 2011-12.

Figure 18: Housing stress low income renters household type ACT change b/w 2007-08 and 2011-12



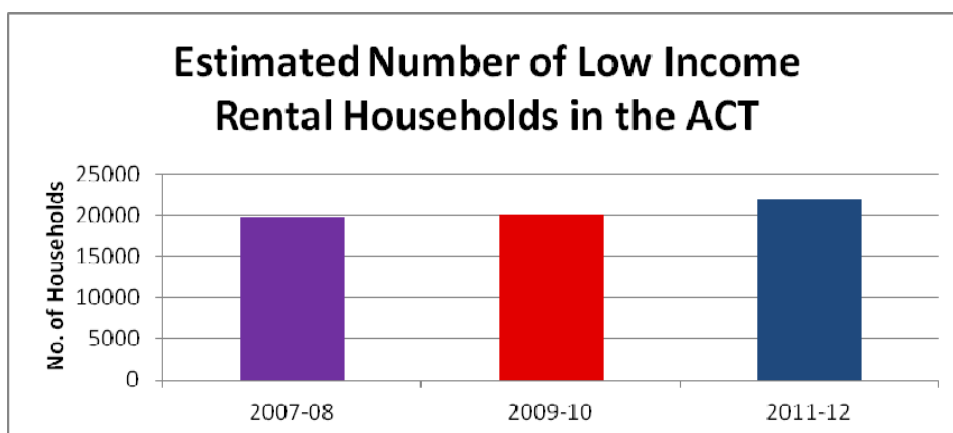
Source: ABS (2013c).

Particular low income groups impacted by housing stress in the ACT

Information from the November 2014 Omnibus (Newspoll) Survey of 1000 ACT residents also complements the above ABS statistics. This survey found that 31% of respondents in low income households face housing stress under the 30/40 rule. In particular, single parent households were much more likely to face housing stress and rent/mortgage difficulties than other household groups; and had to make a number of compromises in the last 12 months, with regards to health and medical treatments, food and household groceries and family and leisure activities – as a result of financial pressure (ACT Shelter et al 2014).

As Figure 19 (below) shows, the number of low income renter households has increased since 2007-08, and this must be cause for some concern as low income renters are over-represented in housing stress figures. In 2007-08 there were 19,841 low income renter households in the ACT, which rose to 20,063 in 2009-10 and then to 22,050 by 2011-12. If these numbers continue to increase then it is very likely that the numbers of households in the ACT in housing stress will continue to rise as well.

Figure 19: Low income renter households in the ACT, change b/w 2007-08 and 2011-12



Source: ABS (2013c).

Expenditure by income quintiles

Figures 20a and 20b below show that while higher income households clearly spend a great deal more on housing than lower income households, when the proportion of expenditure on housing costs is explored, it shows that lower income households in the ACT spend a greater proportion of their income on housing. In fact, households in the second and third deciles of equivalised household income (a more accurate indicator of low income households than using data on the lowest and second quintiles²⁴) **spend 24% which is more than double the rate of households in the highest quintile (11%)**. This further reinforces that housing costs are a particular strain on low income households and on those on income support payments – who are a large proportion of the households in the second and third deciles. In addition, any increases in housing costs, particularly rental costs, will have a disproportionate impact on low income households, who are more likely to be renters, and have little or no room to move in terms of their weekly budgets.

24 The second and third deciles of equivalised disposable household income information are also included here, as this figure is more indicative of the expenditure of low income households – as the figure removes the first decile, which consists of many people who are on low incomes, who have large savings (i.e. retirees), and whose expenditure can exceed their regular 'income', and 'income Analysis may lead to inappropriate conclusions if such households are used as the basis for assessing low levels of economic wellbeing' (ABS 2013d).

Figures 20a and 20b: ACT housing expenditure and % of income, by income quintiles 2011-12

Figure 20a

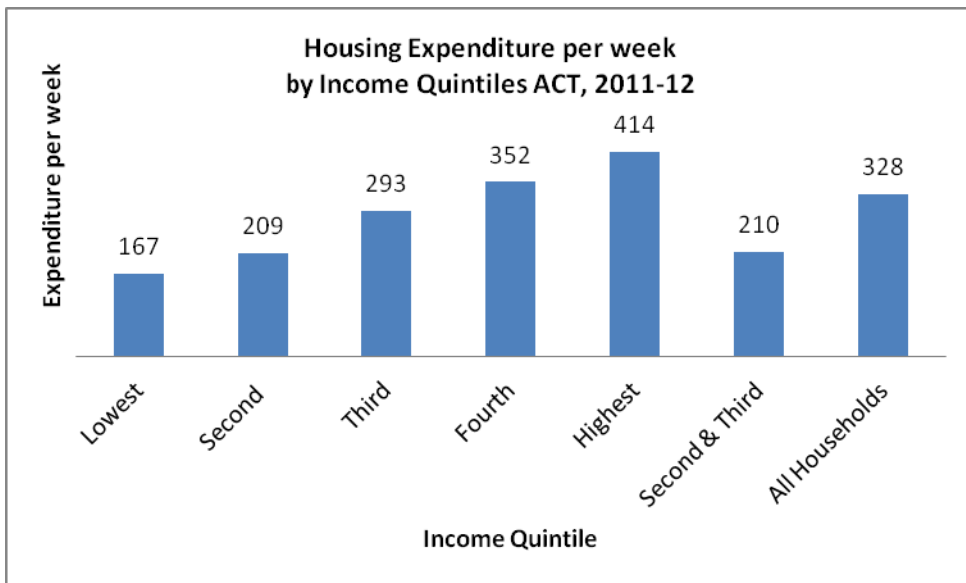
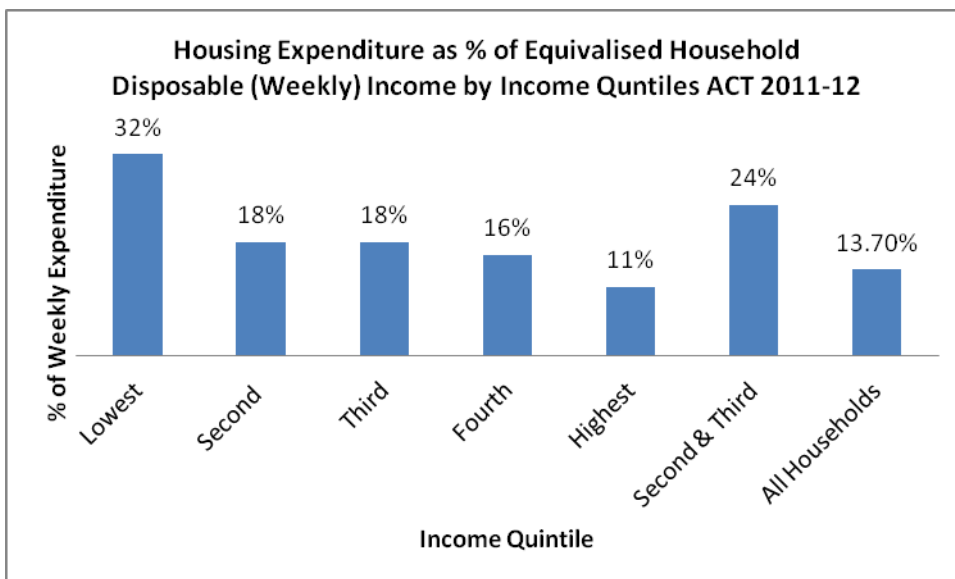


Figure 20b



Source: ABS (2013b). * In ABS the figure of 13.7% has been rounded up to 14% (see note under Figure 10).

As per above discussion regarding housing stress figures, removal of the bottom 10th percentile can also remove some households who are genuinely low income from the figures. However, use of the second and third decile information does show that the proportion of income spent on housing for these low income households is significantly more than if the second quintile figures alone (18%), were used as an indication of the proportion of expenditure for households represented in the bottom 40% of incomes.

Social housing in the ACT

Public housing and community housing play an important role in the ACT in terms of providing secure and affordable housing, particularly for people on low incomes or who face disadvantage. The ACT has a single social housing system and a common waiting list.

Public housing wait times

Currently, applicants assessed as eligible for priority housing are waiting for approximately seven and a half months before being housed. If escaping domestic violence or requiring secure housing due to serious and chronic health issues, even a wait of this time period can be very difficult – especially as the waiting period may involve living in insecure, substandard or overcrowded accommodation. Applicants assessed as eligible for high needs housing have an average wait of just over two years for housing, which is only marginally shorter than the waiting period for applicants on the standard housing list, which is just under two years and two months (ACT Government 2015).

There are currently 2267 applicants in total on the public housing waiting list (86 priority housing applicants; 1443 high needs housing; and 738 standard housing). **It is a telling statistic that 67% of applicants for public housing require priority or high needs housing** (ACT Government 2015).

More than two thirds of all public housing applicants have high housing needs.

There has been a slight decline in public housing stock numbers in the ACT over the past decade²⁵ but this has been partially offset by a small increase in the number of properties held by community housing providers especially following the construction of 421 extra properties (all in the inner metro area) under the Social Housing Initiative in the Nation Building and Economic Stimulus Plan between 2010 and 2012 (KPMG 2012a:30). The overall decline in public housing stock and long waiting lists, and the increased targeting of allocations to households most in need, has made public housing increasingly difficult to access.

The overall loss of social housing stock appears minimal. Importantly however, many of the community housing properties that are included in social housing data now are let using a rent setting model that is a proportion of market rent (either 74.9% or 80% in the case of NRAS) rather than income based.

These properties are counted in the community housing stock but they are not affordable for people who might otherwise have been in public housing paying

25 In 2004 there were 11,139 public housing properties which decreased by 291, to 10,848 in 2014; there were 409 Community Housing Properties in 2004 which increased to 610 in 2014. There were 23 Indigenous Community Housing Properties in 2006 and this figure remained the same in 2012 (last available figures). Source: Table 17A3 from the Steering Committee for the Review of Government Service Provision (2015).

25% of their income support payment in rent. There probably is not hard evidence for this but it is fair to say different tenants (income wise) are in the subsidised market rental properties than would be in most public housing properties.

There is still a very significant need for affordable and government supported housing in the ACT. Based on the ACT Public Housing waiting list numbers, ACT Shelter have estimated that there is a need for about 1700 additional social housing properties to meet the demand on the waiting list. The estimate is based on the number of people on the social housing waiting list (2309 at as 31 December 2014) divided by the average number of tenants in social housing properties currently, which gives a figure of approximately 1700 homes.

Homelessness in the ACT

At the same time that there is a great need for additional social housing, the homelessness rate in the ACT is 50 per 10,000 people, which is above the national homelessness rate. It may be surprising to many to know that the homelessness rate in the ACT is the second highest in the country, behind only the Northern Territory.

The homelessness rate in the ACT is the second highest in the country.

Figure 21: Changes in the homelessness rate per 10,000 people – State/Territory/National data²⁶

Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2001	36.4	38.9	54.8	53.6	39.6	27.5	30.4	904.4	50.8
2006	33.9	35.3	48.3	42.3	37	24	29.3	791.7	45.2
2011	40.8	42.6	45.8	42.8	37.5	31.9	50	730.7	48.9

Source: NT Shelter (2014) – original source from ABS (2012).

Figure 21 shows national homelessness rates from 2001 to 2011. The ACT has the second highest homelessness rate in Australia, only behind the Northern Territory. In total, there were 1785 people homeless on Census night in Canberra in 2011. This is more than there were homeless in Tasmania (1580), even though the ACT has a smaller population (ABS 2012a).

It can be seen in Figure 21 that the rate of homelessness in the ACT increased dramatically in 2011. In 2001 and 2006, it was about 60% of the Australian average; in 2011, it increased to just above the Australian average. This significant increase was partly²⁷ due to the change in the ABS definition of

²⁶ In 2012 the ABS revised the definition of 'homelessness for the 2012 Census count, to be that homelessness "Is in a dwelling that is inadequate; or Has no tenure, or if their initial tenure is short and not extendable; or Does not allow them to have control of, and access to space for social relations"" (Cited in NT Shelter 2014).

²⁷ The change is seen referred to here as 'partly' attributed to the change in the ABS definition, as looking at raw figures available for the ACT in 2011 (2012a, Table 9), the number of people staying

homelessness²⁸ which meant that overcrowding is now recognised as a form of homelessness.

The ABS publication also shows that the high homelessness rate in the ACT is mainly associated with people in supported accommodation, who numbered 1104 at the 2011 census (ABS 2012a). This equates to 30.9 per 10,000 population in the ACT compared to a 9.9 per 10,000 population Australian average.

The high number of people in homelessness services reflects three things: The expansion of homelessness services as a result of funding through the National Partnership Agreement on Homelessness has meant there are more beds; the willingness of the ACT to fund services to accommodate people for longer periods of time than other jurisdictions (av. 178 days versus 62 days) (AIHW 2013); and the unaffordability of the private rental market for the vast majority of clients of specialist homelessness services, making it hard for services to exit them and therefore forcing the ACT Government to allow services to accommodate them for longer periods.

The maximum rate of homelessness in a suburb in the ACT was similar to that in NSW and Victoria, but lower than areas in Queensland, WA, SA and the NT. The homelessness rates for town centres in the ACT shows that the homelessness rate for some town centres in Canberra are above the National average, and for some areas the rate is triple the national average (Tanton et al 2013; original source ABS (2012b)).

Conclusion

Analysing the cost of living impacts for low income households in the ACT is a complex task. The statistical information analysed in this report provides some insights into the impacts of the costs of housing, and price rises over the years on low income households in the ACT. The situation in the ACT is complex because the average figures tend to paint a fairly positive picture for households overall, with any cost rises seen to be covered by the high average incomes in the ACT. A closer examination of statistics, however, reveals significant pockets of disadvantage which are otherwise obfuscated by the high average incomes and therefore need to be highlighted and addressed.

Housing costs are clearly significant in most household budgets, and where people do not own their own home, housing costs are a particular strain for wage households and those on income support payments. The overwhelming conclusion from the analysis outlined in this report is that for renters on low incomes fixed to CPI, rent has become an increasing burden on the household budget. The clear trend is that the housing stress indicated in the 2011-12

'temporarily with others' – which is where the overcrowding would be seen, is 318 people. Even if in 2006, there were '0' persons 'temporarily with others', the increase of 318 would not account for the 40%+ increase in homelessness numbers. Note: The exact 2006 raw figures were not available to verify this precisely.

28 In 2012 the ABS revised the definition of 'homelessness for the 2012 Census count, to be that homelessness "Is in a dwelling that is inadequate; or Has no tenure, or if their initial tenure is short and not extendable; or Does not allow them to have control of, and access to space for social relations"' (cited in NT Shelter 2014).

Housing and Occupancy data continues to be very high. This is a particular problem because, given the large proportion of welfare recipients' income dedicated to paying rent, meeting these high costs displaces spending on other essential items such as food and groceries, utilities, healthcare and social participation. Housing costs continue to be a major potential driver of poverty and homelessness in the ACT. In addition, high rents contribute to the issue of overcrowding, which is a particular problem amongst the Aboriginal and Torres Strait Islander community.

Of course, the sorts of weekly housing expenditure and rising costs discussed here represent only one dimension of the problems faced by low income earners in attaining decent and affordable housing. The weekly costs say nothing about the quality and accessibility of housing, the suitability of the location or type of housing and proximity to employment, public transport and other services. The barriers to some groups in getting private rental – including as a result of discrimination; the supply/availability of public housing; or the costs and financial barriers to buying a first home and getting out of the rental market are also not considered in detail in this report. However, it is alarming that many vulnerable and disadvantaged ACT households, many in the private rental market, are suffering housing stress.

In addition, living costs in Canberra across the board are high and while there are budgetary constraints at the Federal and ACT Government levels, it is crucial that these issues be addressed. A comprehensive response will require a range of policy responses including affordable housing strategies, rental affordability schemes, and increasing base level income support payments and rent assistance.

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Appendix A: Explanatory Notes

1. CPI and Living Cost Indexes

The ABS Selected Living Cost Indexes (SLCI) uses a different methodology to the CPI in that the CPI is based on acquisition (i.e. the price at the time of acquisition of a product) while the living cost index is based on actual expenditure. This is particularly relevant in relation to housing costs where CPI traces changes in house prices, while the SLCI traces changes in the amount expended each week on housing (e.g. mortgage repayments). Further information is available in the Explanatory Notes to the Selected Living Cost Indexes (ABS 2014b).

In that sense, the Selected Living Cost Indexes are not a simple disaggregation of CPI and the two are not strictly comparable. However, both indexes are used to measure changes in the cost of living over time (although that is not what CPI was designed for), and given the general usage of the CPI measure and its powerful political and economic status, it is useful to compare the two and highlight the differences for different household types. (Adapted from SACOSS (2013).

2. Limitations of the Selected Living Cost Indexes

The Selected Living Cost Indexes are more nuanced than the generic CPI in that they measure changes for different household types, but there are still a number of problems with using those indexes to show cost of living changes faced by the most vulnerable and disadvantaged in the ACT. While it is safe to assume that welfare recipients are among the most vulnerable and disadvantaged, any household-based data for multi-person households says nothing about distribution of power, money and expenditure within a household and may therefore hide particular (and often gendered) structures of vulnerability and disadvantage. Further, the living cost indexes are not state based, so particular ACT trends or circumstances may not show up.

At the more technical level, the Selected Living Cost Indexes are for households whose predominant income is from the described source (e.g. Age Pension or government transfers). However, the expenditures that formed the base data and weighting (from the 2009-10 *Household Expenditure Survey*) add up to well over the actual welfare payments available (even including other government payments like Rent Assistance, Utilities Allowance and Family Tax Benefits). Clearly, many households in these categories have other sources of income, or more than one welfare recipient in the same household. Like the CPI, the Living Cost Index figures reflect broad averages (even if more nuanced), but do not reflect the experience of the poorest in those categories.

Another example of this 'averaging problem' is that expenditures on some items, like housing, are too low to reflect the real expenditures and changes for the most vulnerable in the housing market – again, because the worst case scenarios are 'averaged out' by those in the category with other resources. For

instance, if one pensioner owned their own home outright they would generally be in a better financial position than a pensioner who has to pay market rents – but if the market rent were \$300 per week, the average expenditure on rent between the two would be \$150 per week, much less than what the renting pensioner was actually paying.

The weightings in the Selected Living Cost Indexes are also based on a set point in time (from the 2009-10 *Household Expenditure Survey*) and cannot be changed until the next survey. In the meantime, the price of some necessities may increase rapidly, forcing people to change expenditure patterns to cover the increased cost. Alternatively or additionally, expenditure patterns may change for a variety of other reasons. However, the weighting in the indexes does not change and so does not track the expenditure substitutions and the impact that has on cost of living and lifestyle.

Finally, the Selected Living Cost Indexes' household income figures are based on households that are the average size for that household type: 1.52 people for the Age Pensioners, and 2.57 for the other welfare recipients (ABS 2014b). This makes comparison with allowances difficult. This report generally focuses on single person households or a single person with two children (to align to the other welfare recipient household average of 2.57 persons). However, this is a proxy rather than statistical correlation.

It is inevitable that any summary measure will have limitations, and as noted in the main text, the Selected Living Cost Indexes provide a robust statistical base, a long time series, and quarterly tracking of changes in the cost of living which is somewhat sensitive to low income earners. (Adapted from SACOSS (2013)).

3. Use of Canberra CPI

State CPI figures are not available through the ABS, however, Canberra CPI figures effectively represent ACT CPI figures as the population figures for both are the same. In recognising that there are no state/territory figures, this report refers to CPI figures for Canberra throughout the report.

4. Pension and Newstart (and Family Tax Benefit) calculations

These figures reflect payment levels for a single Age Pensioner; a single Newstart recipient with no children; and a single Newstart recipient with two children (aged 10 and 14), who do not receive Commonwealth Rent Assistance. There is obviously variation in payment rates for different recipients, depending on family structure, number and age of children, etc. Payment rates for single people are used here for simplicity – as partner's income for partnered recipients adds another layer of complexity.

Weekly payment rates at 31 December 2013*

	Base Rate	Pension Supp	Household Assistance Package	FTB A child u13	FTB A child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Age Pension – single	\$375.85	\$30.85	\$6.85					\$413.55
Newstart – single, no children	\$250.50		\$4.25					\$254.75
Newstart – 2 children	\$271.05		\$4.60	\$86.10	\$112.00	\$51.10	\$3.10	\$527.95

Source: Centrelink (2013).

Weekly payment rates at 31 December 2014*

	Base Rate	Pension Supp	Household Assistance Package	FTB A child u13	FTB A child 13-15	FTB B	Pharmac Benefit	TOTAL PAYMENT
Age Pension – single	\$388.35	\$31.75	\$7.05					\$427.15
Newstart – single, no children	\$257.80		\$4.40					\$262.20
Newstart – 2 children	\$278.95		\$4.75	\$88.41	\$115.01	\$52.50	\$3.10	\$542.72

Source: Centrelink (2014).

Note – All figures are based on maximum rates of payment where relevant

*The Household Assistance Package (HAS) payments to address carbon tax price increases were made available to most pensioners and adult allowance recipients (incl. Newstart) from 20 March 2013. From 19 September to 31 December 2014, these payments added \$7.05 a week to the single pension, \$4.40 to Newstart for singles and \$4.75 to those with dependent children, and are included in calculations used in Figure 4, *ACT Cost of Living Report*, ACTCOSS, April 2015. (Figures from Centrelink 2013 & 2014).

5. How Pension rates are adjusted

‘Currently, pensions (including the Age Pension, Service Pension, Disability Support Pension and Carer Payment) are indexed twice each year by the greater of the movement in the Consumer Price Index (CPI) or the Pensioner and Beneficiary Living Cost Index (PBLCI). They are then ‘benchmarked’ against a percentage of Male Total Average Weekly Earnings (MTAWE). The combined couple rate is benchmarked to 41.76% of MTAWE; the single rate of pension is set at 66.33% of the combined couple rate (which is equal to around 27.7% of MTAWE). ‘Benchmarked’ means that after it has been indexed, the combined couple rate is checked to see whether it is equal to or higher than 41.76% of MTAWE. If the rate is lower than this percentage, the rates are increased to the appropriate benchmark level.’ (Parliamentary Library 2014).

‘The CPI is a measure of changes in the prices paid by households for a fixed basket of goods and services. Indexing pension rates to CPI maintains the real value of pensions over time. The PBLCI measures the effect of changes in prices of the out-of-pocket living expenses experienced by Age Pensioner and

other households whose main source of income is a government payment. The PBLCI is designed to check whether their disposable incomes have kept pace with price changes. The MTAW benchmark is not intended to maintain the value of the pension relative to costs; it is seen as ensuring pensioners maintain a certain standard of living, relative to the rest of the population.’ (Parliamentary Library 2014).

6. Weekly payments for selected welfare recipients

Weekly payment rates at 31 December 2014*

	Base Rate	Pension Supp	Household Assistance Package	FTB A child <13	FTB A child 13-15	FTB B youngest child >5	Pharmac Benefit	Rent Assistance (maximum)	TOTAL PAYMENT
Unemployed weekly payment Newstart – single, no children	\$257.80		\$4.40					\$63.80	\$326.00
Age Pension - single	\$388.35	\$31.75	\$7.05					\$63.80	\$490.95
Sole Parent Newstart – single, 2 children	\$278.95		\$4.75	\$88.41	\$115.01	\$52.50	\$3.10	\$74.76	\$617.48
Sole Parent Parenting Payment – single – 2 children	\$360.15		\$6.00	\$88.41	\$115.01	\$52.50	\$3.10	\$74.76	\$699.93
Youth Allowance, Single Over 18 Away from home (share house)	\$207.20		\$3.50				\$3.10	\$42.53	\$256.33
The Minimum Wage – no children	\$640.90								\$640.90
The Minimum Wage and Centrelink payments – couple, one F/T; one P/T – 3 children	\$640.90 + \$320.45			\$88.41	\$230.02	\$8.85 (part payment)		\$63.80	\$1352.43

Source: Centrelink (2014).

*Note: Payments for FTB B are reduced by 20c in the dollar for every dollar of income earned over \$5329 per year for the lower income earner; this equates to a \$2276.04 reduction over the year equating to a reduction of \$43.65 per week, in this example (Lower income earner earns \$16,709.18 for the year).

7. Private rental price data

Getting suitable data for rents paid by low income earners is complex. The Household Expenditure Surveys for the ACT show either housing expenditure for those on different income support payments (Table 9 in ABS 2011c) or expenditure for those in different rent categories (Table 15 in ABS 2011c). However, the Table 9 (ABS 2011c) figures are for housing costs and include in the averages the expenditure of mortgage payers and the lack of expenditure of those who own their own home outright – but are not rental figures. By contrast, the rental figures in Table 15 (ABS 2011c) are for all renters, not just welfare recipients and include high end rents which increase the average figures.

Some data on housing in the ACT is provided through the Real Estate Institute of Australia (REIA), which has information on the change in ‘proportion of family income to meet loan payments’ for each state and territory; and the ‘proportion

of family income to meet rent repayments'; as well as home loan affordability indicators. However, the REIA data does not provide information on median rental prices, or price ranges, for example, for different unit or house sizes. Therefore, information was obtained from the Numbeo (2015) Cost of Living website, which has average rental prices for one bedroom and three bedroom apartments (but not houses), for both inner Canberra and outer Canberra.

Average rental figures are useful for displaying trends over time, but as absolute values they are much higher than the actual cost of accommodation that welfare recipients looking at renting in those categories would probably face. This is partly because by definition an average is approximately half-way up the market while welfare recipients are not likely to be in that bracket.

Therefore, the figures used in this report do demonstrate potential scenarios for low income households are generally at the lowest end of the rental range. It is also important to note that the figures are for new rentals, which have a higher proportion of actually new (and presumably more expensive) buildings than the rent market overall. There is also the possibility that landlords take the opportunity to increase prices for new rentals, so existing renters may not be paying the amount they would if they were to enter a new lease.

While this methodology is limited by the issues outlined above, and the small population base (i.e. limited number of suburbs across Canberra and the ACT), in the absence of any other disaggregated data, it became the preferred methodological option to provide something of an indicative figure for the level of rent which might be paid by someone in the lower end of the market.

8. SEIFI Index

The Socio-Economic Index for Individuals (SEIFI) is an index calculated by the ABS for the ACT Government as a one-off project. It uses the 2011 Census data to calculate a number of indicators of disadvantage for individuals, including income, education and occupation. An overall index is then calculated from these indicators using a technique called Principal Components Analysis, the same technique used to calculate the Socio-Economic Index for Areas using area level data (Tanton et al 2013, p.14).

The SEIFI is an index calculated by the ABS which is similar to the Socio-Economic Index for Areas (SEIFA) but based on individual attributes rather than area level attributes. The SEIFA index summarises disadvantage for an area, so individual level circumstances are averaged and, in some cases, disadvantage is masked. The SEIFI index is calculated at an individual level, so rather than using '% people aged 15 years and over with no qualifications' it assigns a 1 to each individual with no qualifications and then aggregates to an area using weights derived through the same method as used for SEIFA (Tanton et al 2013: 17).

9. Public housing in the ACT – Housing register

These figures were taken from the waiting lists published on the Community Services Directorate website and were current as at March 2015 (ACT Government 2015).

Waiting list

Application category	No. of applications
Priority Housing	86
High Needs Housing	1443
Standard Housing	738
TOTAL	2267

Waiting times

Application category	Average waiting time (days)
Priority Housing	224
High Needs Housing	742
Standard Housing	788

Transfer register waiting list

Application category	No. of applications
Priority Housing	86
High Needs Housing	505
Standard Housing	288
TOTAL	879

Waiting times

Application category	Average waiting time (days)
Priority Housing	316
High Needs Housing	1050
Standard Housing	1223

Waiting list numbers are for those approved applications currently on the list. The average waiting time is calculated on those approved applications still currently on the list from the date of initial registration or from the date of re-assessment for either Priority Housing/Transfer High needs Housing/Transfer.

Note that the waiting times are indicative only.

Appendix B: Recommendations

A number of policy and operational changes are required as a matter of urgency to address issue of housing availability and the cost of housing – particularly rental properties. We reiterate the following measures proposed in our submission to the 2015-2016 ACT Budget as critical to addressing housing supply, affordability, accessibility and appropriateness.

Short-term commitments

Focus on prevention of homelessness

- Sustain funding for existing housing-related legal services.
- Increase access to tenancy advice/advocacy/legal assistance and links with support that can address individual risk factors for tenants/owners at risk of losing their housing.
- Maintain and expand the funding for the Street Law program, a specialist legal outreach service, to increase its capacity to assist people who are homeless or at risk of homelessness.
- Expand tenancy advice, assistance and legal services to provide specialised services for older women, families dealing with domestic violence, Aboriginal and/or Torres Strait Islander peoples, people who have experienced trauma, people exiting the criminal justice system, people living with a disability, people with mental health issues, people with drug and alcohol issues, young people, humanitarian entrants and people seeking asylum, and people from culturally and linguistically diverse backgrounds.
- Fund knowledge and skills development so that people working with men and women exiting out of home care, mental health, drug and alcohol, acute health care, criminal justice and homelessness services are able to provide tenancy advice/advocacy/support.
- Re-invest in the ‘Good Life Planning Program’ grants (or similar) to support people with disabilities and their caring families plan a housing and care support pathway to provide long term certainty about housing tenure, transition planning and necessary legal and other specialist advice. The investment should include funding to broker or provide legal and other specialist advice for caring families who are unable to meet these costs.

Increase housing market responses to housing needs in the ACT

- Increase public housing stock levels.
- Expand funding for community housing construction and management to increase the number of affordable (to purchase/rent and heat/cool), accessible dwellings, with a focus on increasing access to the three groups most at risk of homelessness – Aboriginal and/or Torres Strait

- Affordable Housing Action Plan:
 - Fund and implement Phase III of the Affordable Housing Action Plan
 - Establish a Community/Government/Industry Steering Group to oversight and provide advice on implementation and evaluation of effectiveness of the Affordable Housing Action Plan
- Require all new dwellings to comply with universal design.
- Sustain public housing tenant rent charges at 25% of assessable income.
- ACTCOSS would like to see the principles underpinning the Affordable Rental Scheme, currently open to people over 65 who meet an income eligibility threshold, developed more fully in order to create a system that could be applied to all people experiencing disadvantage in the ACT. Ensuring that such a scheme meets needs in an equitable way will require some detailed financial analysis. However, any such system should set rent payments as a percentage of income and not market rent.
- Provide seed funding to support development of partnerships between the private real estate industry and housing support services, including:
 - The Supportive Tenancy Service – to increase its reach into the private rental market, recognising the benefits of tenancy support to government, landlords, real estate agents and tenants
 - The Human Services Gateway – to increase access to private rental market accommodation options
 - Funding a Home Ground Victoria-type model (www.homeground.org.au) in which a housing support agency is supported to set up a commercial real estate and property management agency which will support the NGO housing agency

Improved service responsiveness

- Improve access to emergency housing by:
 - Expanding single point of entry to improve access to information and referral services (including staffing extended hours and outreach)
 - Allocating 1% of total funds from the Justice and Community Safety, Education & Training and Health budgets to contribute to expansion of housing crisis and transition support to improve access for older women, families dealing with domestic violence, Aboriginal and/or Torres Strait Islander peoples, people who have experienced trauma, people exiting the criminal justice system, people living with a disability, people with mental health issues, people with drug and

alcohol issues, young people, humanitarian entrants and people seeking asylum, and people from culturally and linguistically diverse backgrounds

- Sustain funding to Commonwealth/ACT joint funded programs under the National Partnership Agreement on Homelessness, even if Commonwealth withdraws funding.
- Continue Housing Policy Consortium funding in 2015-2017 at the level specified in the Parliamentary Agreement. This funding would be used to comprehensively assess:
 - Cost-effectiveness and outcomes of current service models and forms of intervention offered in Canberra to prevent homelessness, ways to intervene early when homelessness occurs and respond effectively to housing crises
 - Critical factors in Canberra for stabilisation of housing
 - Maintenance of good housing outcomes for people who have been homeless
 - Any changes needed in the service system as a whole in Canberra to more effectively respond to people who are homeless and reduce homelessness

Long term plan

The ACT needs a plan to reduce, respond to and prevent recurrence of homelessness – with commitments that expand on the current ACT Government Affordable Housing Action Plan, the expansion of community housing and public housing renewal.

The ACT Government needs to work with the community sector and housing industry to develop, implement and monitor progress of a cross portfolio investment and long term procurement strategy that will:

- Meet demand for affordable (to purchase/rent and heat/cool), accessible housing in the bottom two income quintiles.
- Reduce the number of people in Canberra who do not have a home to call their own.
- Pool funds from across portfolios to maximise prevention of and early intervention in homelessness, reduce demand for crisis services, facilitate prompt access to and maintenance of stable, affordable, appropriate housing for people who have been homeless.
- Ensure housing and homelessness support services can respond effectively to meet current and emerging needs.

This long term investment and procurement strategy could utilise funds allocated in 2014-2015 ACT Budget to stimulate the construction industry. Re-allocating some of the \$2.5b construction industry and urban renewal stimulus

funding to affordable housing for households in the bottom two income quintiles would deliver a three-pronged return on investment:

- Sustain activity and employment in the construction industry
- Create spending in the retail and hospitality sectors as the lowest income households could spend less on housing and spend more on other consumption
- Increasing access to affordable housing and enabling spending on other essential items (such as paying utility bills, nutritious food, accessing health-care) will reduce unnecessary demand on government and philanthropic funded emergency financial assistance services.