Wherever I lay my debt, that's my home

Trends in housing affordability and housing stress, 1995-96 to 2005-06

AMP.NATSEM INCOME AND WEALTH REPORT

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CONTENTS

1. Foreword

Foreword

As the proverbial expression goes, a man's home is his castle but increasingly in Australia the castle is under siege, with the booming housing market making home ownership unattainable for many.

The housing industry price bubble, coupled with rising interest rates, has resulted in more Australians struggling to buy and also then to pay off their home. Perhaps best demonstrating this struggle is that over the past decade outright home ownership dropped by about nine percentage points to 34.3 per cent.

When you add to this the fact that while income doubled between 1985 and 2004, house prices increased 400 per cent - it's little wonder that young people are finding it difficult to buy homes and why so many home owners are under housing stress.

The 19th AMP.NATSEM Income and Wealth Report looks at housing affordability in Australia, the number of home owners and renters experiencing housing stress and at how each generation is faring.

Australia's world ranking

Australia has one of the least affordable housing markets in the developed world. A recent international survey showed that of the 28 areas surveyed in Australia 25, or nearly 90 per cent, were considered to be severely unaffordable, while all areas were above the international housing affordability median.

The resources boom may well have played a part in housing unaffordability in Western Australia with Mandurah being the most unaffordable place in Australia - and it's only five spots away from being the most unaffordable in the world. A home buyer in Mandurah needs 9.5 times their annual income to purchase a house, compared to 8.6 times in Sydney and 7.3 times in Melbourne.

How difficult is it to purchase?

The cost of housing has far outstripped income growth over the past two decades and on average, to purchase a house in 2005-06 a household would need 7.5 times its annual disposable (after tax) income while a decade ago less than five times would have been enough.

Not surprisingly home buyers in New South Wales continue to live in the least affordable state, with their homes costing 8.3 times their annual disposable income in 2005-06, up 40 per cent on 1995-96 figures.

However, the rest of the nation is quickly catching up with Western Australia's housing affordability blowing out to 7.4 (from 4.6 in 1995-96) times annual disposable income while housing affordability has also substantially worsened in all states. Queenslanders now need 7.2 times their annual income (up from 4.9), Tasmanians 6.1 (3.7) and Victorians 6.7 (4.4).

People looking for the best home buying opportunities should think about going to the top end. The Northern Territory is our most affordable area with house prices at about five times the average disposable income.

In general, regional areas continue to be the most affordable with an exception. People living in regional New South Wales need 7.5 times their annual income to buy a house - that's higher than any of the capital cities, except Sydney. Housing affordability in regional Western Australia is the second worst behind regional New South Wales - although paradoxically the state reported the lowest level of housing stress.

Housing stress on the rise

The 19th AMP.NATSEM report defines housing stress as households spending more than 30 per cent of their disposable (after tax) income on housing and the report shows that more households are spending a much greater proportion of their income on housing costs than they did a decade ago. Almost 23 per cent of households spent more than 30 per cent of their disposable income on housing in 2005-06 compared to 19 per cent in 1995-96.

Recent first home buyers are the most vulnerable to housing stress. This group had the lowest incomes and paid the highest prices for houses, consequently putting 62 per cent of first home buyers in housing stress.

Nearly one third of sole parents and single people are suffering from housing stress. Couple households face the lowest risk of housing stress at 15.5 per cent and unexpectedly, the proportion of households in housing stress does not increase significantly as the number of children increases.

The generational gap

Young people are at greatest risk when it comes to increasing house prices and interest rates, typically spending much higher proportions of their income on housing costs. About 35 per cent of Gen Y and 32 per cent of Gen X households are experiencing housing stress, with housing bills greater than 30 per cent of their income.

The baby boomers are in the best position, with about half of all baby boomer households using 10 per cent or less of their income towards housing costs. In 2005-06, one in three baby boomers fully owned a home, compared to one in 20 Gen Y households.

But the older generations are also taking more debt into retirement with twice as many people aged over 60 paying off a mortgage than 10 years ago (9.5 per cent in 2005-06 compared to 4.2 per cent in 1995-96). This age group also experienced the biggest jump in housing stress, up about 80 per cent from 5.3 per cent in 1995-96 to 9.5 per cent in 2005-06.

Can renters get into the market?

Rental vacancy is at an all time low making it even harder for renters. But it's not all bad news with home ownership well within the reach of the richest class of renters who only need four times their annual income to buy a house outright. That's way below the national average of nine times annual income.

However the gap between poor and rich renters is significant with the poorest class of renters, those who had less than half the median income, needing nearly 27 times their annual disposable income to purchase a typical house outright in 2005-06.

Is the housing dream over?

Australians remain persistent about obtaining the great Australian dream of home ownership despite the increased hardships faced. However, it cannot be ignored that the cost of housing has jumped and that more people are suffering housing stress.

So is it time for Australians to ask themselves the tough questions? As a nation have we become so obsessed with the great Australian dream that we will let nothing stand in our way? Are we wanting too much too soon, before we are financially able to make the biggest financial commitment in our lives?

As home owners across Australia tighten the purse strings more and more to meet the growing cost of housing, is it time to re-evaluate the importance we place on the so called great Australian dream before it becomes a nightmare?

Craig Meller,
Managing Director, AMP Financial Services

2. Introduction

A decent shelter is a basic need of every individual. Owning a home has always been the great Australian dream, but this dream can only be realised if housing is affordable to a large cross-section of the population. This is only possible if residents can manage to meet their housing costs such as mortgage and rents without shouldering excessive financial burden.

These issues have never been more salient than today, when the housing industry is enjoying a price bubble. Younger people are finding it harder to buy into a fast rising market, and many young couples appear to be putting off having families so as to be able to start in the housing market (see AMP.NATSEM Report No.17 on Generation Y by Cassells and Harding 2007).

To examine these salient issues of today, this report poses the following questions:

- Is it getting harder to realise the dream of owning a home?
- Is it getting harder to meet the cost of housing?
- Who is experiencing greater housing stress?
- Who is less likely to own a house?
- How are the different generations faring?

3. Pricey among the peers: International context

Australia has one of the least affordable housing markets in the developed world. The 2008 International Housing Affordability Survey conducted in Australia, Canada, Ireland, New Zealand, the United Kingdom and the United States showed that Australia has 25 severely unaffordable areas in the 28 urban areas of Australia that were surveyed, or nearly 90 per cent (Table 1). Only New Zealand and the United Kingdom has a similar situation where all of the surveyed urban areas were severely unaffordable. Other countries had fewer severely unaffordable areas as a proportion of the total areas surveyed.

Further analysis shows that every one of 28 urban centres surveyed in Australia had either seriously or severely unaffordable housing at the end of 2007 (see Appendix Table A-1, from Cox and Pavletich 2008).

Nationally, a median priced house costs more than six times the median annual gross income of a household[1]. To be affordable, as defined in this survey, the median house price is expected to be no more than three times the annual gross income. The ratio of house price to gross income, or median multiple, ranged from 4.8 in Maitland to 9.5 in Mandurah, with capital cities such as Sydney (8.6) and Melbourne (7.3) placed at the top band of unaffordability rating.

All the Australian areas were above the International median, and our worst area (Mandurah) was the 6th most unaffordable place surveyed in the world.

Table 1 - Number of urban areas according to housing affordability ratings by nation, 2007

NATION	AFFORDABLE	MODERATELY UNAFFORDABLE	SERIOUSLY UNAFFORDABLE	SEVERELY UNAFFORDABLE	TOTAL
Australia	0	0	3	25	28
Canada	13	9	3	4	29
Ireland	0	1	4	1	6
New Zealand	0	0	0	7	7
United Kingdom	0	0	3	25	28
United States	46	30	23	30	129
Total	59	40	36	92	227

Notes: Housing affordability was measured in terms of values of median multiples, the ratio of median house price to median gross household income. The rating was as follows: affordable: median multiple 3.0 or less, moderately unaffordable: 3.1-4.0, seriously unaffordable 4.1-5.0, severely unaffordable 5.1 or higher.

Source: Cox and Pavletich (2008) 4th Annual Demographia International Housing Affordability Survey: 2008 Ratings for Major Urban Markets.

1. The data on median multiples from the International Housing Affordibility Survey are not strictly comparable to those computed by us in this report. While the International Housing Affordibility Survey used gross income, our estimates are based on diposable income. The median income is the middle household's income so that, if all households were ranked by their income, half would have income below the median household and half would have incomes above the median household.

4. A decade of dwindling hope

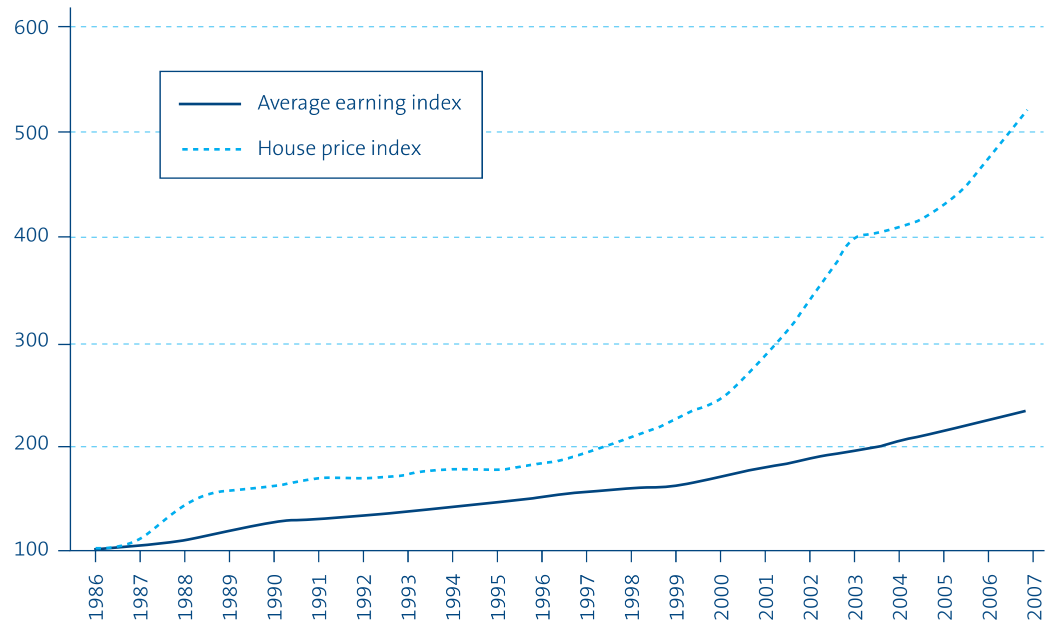
A decent shelter is a basic need and owning a home is a great dream of every individual. But it seems that it is getting harder to realise this great dream. Over the past two decades, the growth in house prices has outpaced the increase in incomes (Figure 1). While earnings doubled between 1986 and 2007, house prices increased five fold. Clearly, the growth in incomes has failed to match house prices, which exploded once in the late 1980s and again in the late 1990s.

Housing affordability in all Australian states, measured as the number of years the median disposable household income in that state will take to pay off a house bought at the median price in that state, worsened between 1995-96 and 2005-06. This is indicated by the increased ratio of median house price to median annual disposable household income (Figure 2).

On average, across Australia, to purchase a typical house in 2005-06, a household would need more than seven times its annual disposable (after-income-tax) income. In contrast, in 1995-96, less than five times annual income would have been enough. Income has gone up substantially in the past decade - but it has not matched the pace of house price growth.

This phenomenon has happened in every state and territory. In 2005-06 New South Wales continued to be the least affordable state, with the typical New South Wales household facing the prospect of their home costing more than eight times their annual after-tax income. This was about 40 per cent up on the 1995-96 picture, when it took only six times as much.

Figure 1 - Trend in income and house prices, 1986-2007



Notes: The average earning index was calculated using data on weekly average earnings of Australians. Base year for both indices is 1986. Data sources: Derived from ABS (2007a) House Price Indexes: Eight Capital Cities, cat no. 6416.0, ABS (2007b) Average Weekly Earnings, Australia, cat no. 6302.0.

In the past decade, housing affordability has also worsened substantially in Tasmania (3.7 to 6.1), Western Australia (4.6 to 7.4) and Victoria (4.4 to 6.7). Tasmania was the easiest state to buy a house in 1995-96, when the median house price was only about four times the annual disposable household income. This jumped to reach above six times in 2005-06. Yet this state continues to have the most affordable housing market, with the exception of the Northern Territory.

The Northern Territory was the easiest place to buy a house in 2005-06, where the house price was about five times the median disposable household income of Territorians. The Australian Capital Territory (ACT) was less affordable than the Northern Territory but as affordable as Tasmania. Like other states, these two territories have become less affordable over the past decade. Unfortunately, data was not available for the Northern Territory and the ACT separately in 1995-96 (these two territories were combined in this survey), but the combined NT/ACT figure is shown for both 1995-96 and 2005-06 in this figure for comparison. The Northern Territory and ACT data are available separately in 2005-06. The Northern Territory data needs to be interpreted with caution because a high proportion (24 per cent) of the population who live in remote areas were excluded from the survey (ABS 2007c).

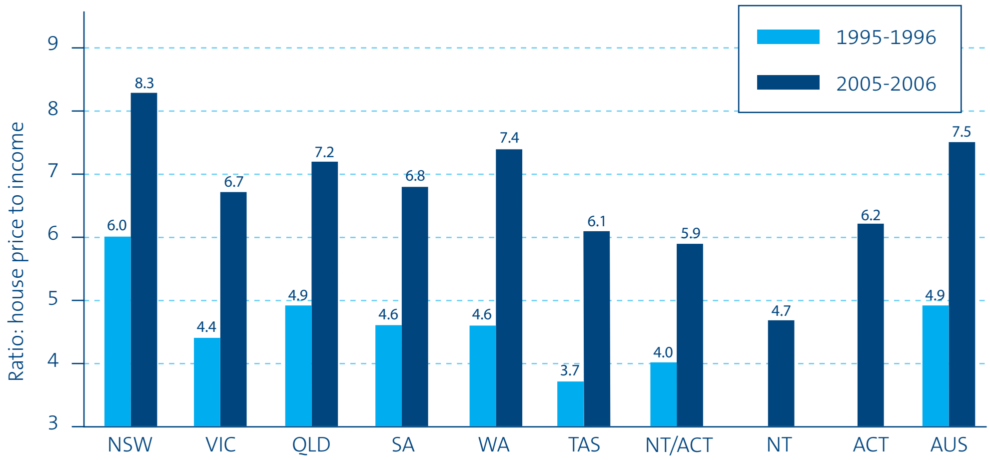
The worsening housing affordability in Western Australia may be partly due to the mining boom experienced in this state over the last few years. The boom has attracted a larger inflow of people, exceeding the supply of housing.

While housing affordability is an important measure of how hard it is to get into the housing market, housing stress is a measure of how much renters, purchasers and owners pay for their housing as a proportion of their income. So housing stress is a measure of how hard it is to afford a shelter for both renters and purchasers, whereas housing affordability is how hard it is to purchase your own shelter and how much this is going to cost based on current incomes.

A household in housing stress has been defined here as one that is paying more than 30 per cent of their disposable household income on housing costs. This includes rent for renters, mortgage payments for owners with a mortgage and general and water rates payments for owners. Sometimes an additional criterion is added, which is that the household must be in the bottom two quintiles (40 per cent) of the income distribution (Landt and Bray 1997; Yates and Gabriel 2006). However, in this report, we wanted to look at Australians right across the income spectrum (that is, we wanted to look at those who were in “housing relax”, as well as housing stress), so this additional criterion has not been used.

One interesting difference between housing affordability and housing stress is that housing affordability uses an estimate of the current median house prices; whereas for purchasers, housing stress is based on mortgage costs, which are based on the price of the house when it was purchased and current interest rates. So in areas where house prices are increasing rapidly but people are not selling, there can be high housing unaffordability but low housing stress. One example of this is regional WA.

Figure 2 - Housing affordability by state/territory, 1995-96 and 2005-06



Notes: Detailed data on housing unaffordability are in Appendix Table 2, including per cent increase in unaffordability.

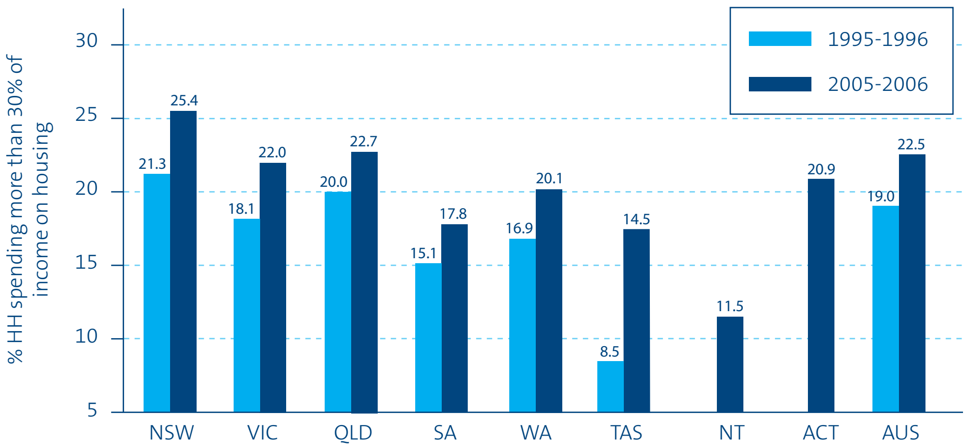
More households in 2005-06 spent a higher proportion of their income on housing costs than a decade ago. Figure 3 shows that about 23 per cent of households spent more than 30 per cent of their income on housing in 2005-06, up from 19 per cent in 1995-96 nationally. These households which spend more than 30 per cent of their disposable income to meet housing costs are in housing stress under our definition.

Based on this measure, housing stress increased between 1995-96 and 2005-06 in all states and territories, although the significant[2] increases were in New South Wales, Victoria and Tasmania. All the other increases were insignificant. In the three most populous states (New South Wales, Victoria and Queensland), nearly a quarter of households were in housing stress in 2005-06. The Northern Territory had the lowest proportion of households in housing stress (12 per cent). Unfortunately, due to the confidentiality of data from the ABS, we cannot get these figures separately for the Northern Territory and ACT in 1995-96.

Not surprisingly, in addition to being the least affordable state to buy a house, New South Wales is also the state with the highest rate of housing stress. In 2005-06, more than a quarter of households (25.4 per cent) were in housing stress in New South Wales. This compared to 21.3 per cent in 1995-96. Intriguingly, perhaps driven by a flood of cashed up baby boomers fleeing the expensive mainland, over the past decade the biggest jump in housing stress occurred in Tasmania. Housing stress in Tasmania recorded a staggering six percentage point rise from 8.5 per cent to 14.5 per cent - and yet this state still maintained the lowest level of housing stress, with the exception of the Northern Territory. Tasmania also had one of the best housing affordability rates.

Of all the states, it would appear that if a young couple wanted to get into a house, and have it paid off as soon as possible with the least stress on their income, Tasmania and the Northern Territory would be the places to live. However, the averages for New South Wales, Victoria and Queensland are affected by the large capital cities with high housing costs in these states. The next section looks at how capital cities and regional areas compare.

Figure 3 - Percentage of households in housing stress, 1995-96 and 2005-06



2. The terms "significant" and "insignificant" are used in this report to refer to statistical significance. This is explained in the section on statistical significance in the Technical notes and definitions at the end of this report.

5. Capital cities vs. regional areas

Nearly two-thirds of Australians live in a capital city and the remaining one-third live outside the capital city (ABS 2004). Capital cities are the centres of wealth, economic activities, and job opportunities. But they also have greater housing problems compared to regional areas in some states.

In 2005-06, housing unaffordability was higher in metropolitan (capital cities) than non-metropolitan areas of New South Wales, Victoria and Western Australia (Figure 4). The lack of affordability in New South Wales was predominantly caused by Sydney, where it took nine years of median disposable household income to pay off a median-priced house. The housing unaffordability rates in Melbourne, Brisbane and Perth were similar, with prices around 7.2 to 7.4 times income.

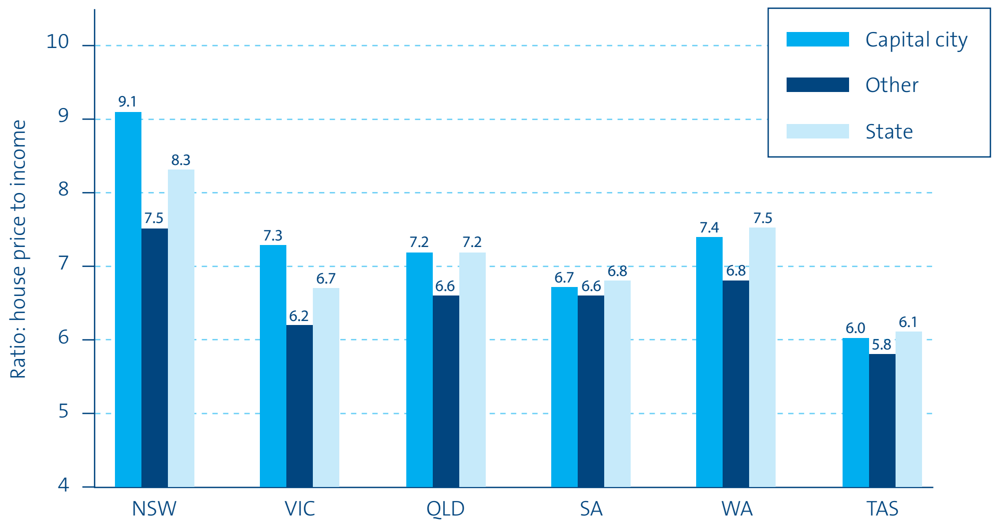
Even outside the capital city in New South Wales, the housing affordability level was the worst of the non-metropolitan areas (7.5) - and even exceeded the levels in the capital cities of other states. For all states except New South Wales and Victoria, the gap between metropolitan and non-metropolitan areas was relatively low.

Looking at housing stress (Figure 5), significant differences are seen between metropolitan and non-metropolitan New South Wales, Victoria and Western Australia. About three in every 10 households in Sydney are in housing stress, spending more than 30 per cent of their after-tax income on meeting their housing bills. In the rest of New South Wales, the figure falls to about two in every 10 households.

While housing affordability in regional Western Australia is the second worst behind regional New South Wales, regional West Australians report the lowest level of housing stress (13.1 per cent). One more interesting result from this figure is that while housing affordability was slightly worse in Perth compared to the rest of Western Australia, housing stress in Perth was much higher. This may be because the rental housing market in Perth has become very tight, and vacancy rates have fallen to an exceptionally low level, below one per cent, in December 2007 (Singer 2008). In all other states, the differences in housing stress between capital city and balance of state were insignificant.

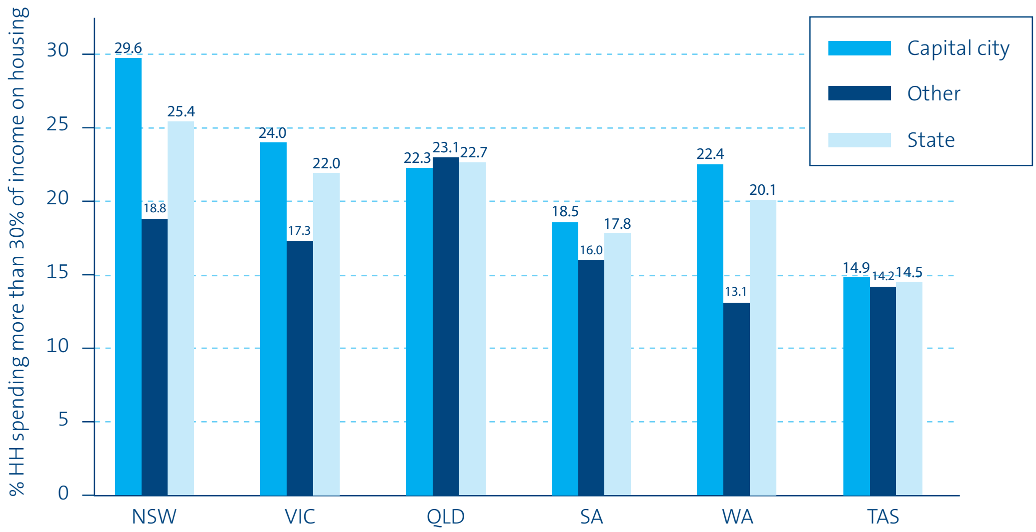
In NSW, Victoria and Queensland, about one-quarter of all households were in housing stress in 2005-06

Figure 4 - Housing affordability by state and place of residence, 2005-06



Note: Figures for the state total may not lie between the figures for capital city and other areas as different median house price figures and incomes are used for each area. Detailed data are in Appendix Table A-2.

Figure 5 - Percentage of households in housing stress by state and place of residence, 2005-06



Note: Additional data on housing cost as proportion of disposable household income are in Appendix Table A-3.

6. The haves and the have-nots

Meeting housing costs comfortably

While there has been much attention on households paying more than 30 per cent of their income on housing (those in housing stress), there has not been as much attention placed on those who do not have to spend a large amount on meeting their housing costs. This section looks at the types of Australians who are paying more than 30 per cent of their income on housing costs, and those who are paying less than 10 per cent of their income on housing costs.

Generational issues

Probably the most interesting classification of the population when looking at housing stress is age. Table 2 shows housing stress by age of household reference person[3]. It can be seen that there are more households headed by young and middle-aged people spending more than 30 per cent of their income on housing costs. For example, for about one-third of households headed by a Gen X or Gen Y, their housing bills take more than 30 per cent of their income. The housing stress level then nearly halves to 18.8 per cent for households headed by persons aged 45-59 years. This again halves to reach below 10 per cent for those older than 60 years.

The big change between the 30-44 year age group and 45-59 year age groups is that the proportion paying above 30 per cent has fallen dramatically - while the proportion paying less than 10 per cent has more than doubled. The generational pain of Gen Y is clearly reflected in these figures, with three in every 10 Gen Y households facing housing costs that exceed 30 per cent of their total after-tax income - and only 12.8 per cent putting less than 10 per cent of their income into the housing pot. In sharp contrast, the baby boomers can afford to be much more complacent about rising house prices, with about five in every 10 boomer households devoting less than 10 per cent of their income to meeting their housing costs. This is probably due to many households in this age group having finished paying off their house, so going from paying a large mortgage to paying rates only as the housing cost. In 2005-06, more than a third of baby boomers fully owned a home, compared to one in 20 Gen Y households. The intergenerational differences in housing are further examined in Section 7. This section also shows whether the experience of each age group has changed from 1995-96 to 2005-06.

3. In the 2005-06 survey, the ABS defines the household reference person as the person in the household with the highest income, unless the household is a lone parent household with dependent children, in which case it is the lone parent. In this report, the terms “household reference person” and “household head” are used interchangeably.

Table 2 - Housing costs as a percentage of disposable household income by age of household reference person, 2005-06

AGE OF HOUSEHOLD REFERENCE PERSON	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
15-29 years: Gen Y	12.8	51.8	35.3	100.0	971
30-44 years: Gen X	19.3	48.8	31.8	100.0	2,483
45-59 years: Baby boomers	47.1	34.1	18.8	100.0	2,327
Over 60 years: Builders	75.8	14.8	9.5	100.0	2,106

Buyers and renters: struggling to meet the cost

In 2005-06, as Table 3 shows, an overwhelming proportion of renters (95.9 per cent) and buyers (82.7 per cent) spent at least one-tenth of their disposable household income to meet housing costs, with more than a third of buyers spending above 30 per cent of their income. The story would be completely different if they had a fully owned home. For people who owned a house outright, a negligible one per cent were in housing stress, compared to 31.5 per cent of renters and 37.5 per cent of buyers who were in housing stress. Nineteen out of every 20 owners (94.3 per cent) spend less than one-tenth of their income on housing.

As a sign of the financial advantages of owning your own home, only four per cent of renters paid one-tenth of their income or less on housing costs, compared to 17 per cent of buyers. Most renters paid between 10 and 30 per cent of their income on rent.

Table 3 - Housing costs as a percentage of disposable household income by tenure type, 2005-06

TENURE TYPE	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
Owner	94.3	4.6	1.1[1]	100.0	2,709
Buyer	17.3	45.2	37.5	100.0	2,762
Renter	4.1	64.4	31.5	100.0	2,243
Other	100.0	-	-	100.0	172

1. These are owners reporting very low incomes (less than $100 per week) but are still paying rates.

My first home: but the wallet is empty

First home buyers are the people who have recently embarked on the path to realise the great housing dream. But, compared to many other home-owners, they are also the ones with the lowest incomes and who have paid the highest prices for their houses, given the current housing boom. Table 4 shows that housing stress was very high, at 61.7 per cent, for the households who bought their first home in the past three years. Thus, for almost two in every three of those who bought their first home in the past three years, their housing costs took more than 30 per cent of their income. Recent change-over-buyers, those for whom this was not the first home, were in a much more comfortable situation, with 31.5 per cent in housing stress. Housing stress was similar for those who had purchased more than three years ago and were still paying a mortgage. But for those who had bought their house more than three years ago and now owned it outright, the situation was completely the opposite, with housing stress at a negligible level.

> The baby boomers can afford to be much more complacent about rising house prices, with half of baby boomer households spending less than 10 per cent of their income on housing

Table 4 - Housing costs as a percentage of disposable household income by buyer type, 2005-06

BUYER TYPE	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
RECENT BUYER					
Bought in the past 3 years as the first home	7.0	31.3	61.7	100.0	316
Bought in the past 3 years but not as the first home	40.4	28.1	31.5	100.0	828
PREVIOUS BUYER					
Bought more than 3 years ago and now fully owned	94.6	4.5	0.9	100.00	2,398
Bought more than 3 years ago and still paying mortgage	21.2	48.4	30.3	100.00	1,929

Employment and income: the fundamentals

Another group with a high proportion in housing stress was the unemployed. Table 5 shows that more than half (54.7 per cent) of an estimated 139,000 households headed by an unemployed person spent more than 30 per cent of their disposable income on housing. To compare, housing stress was experienced by only a quarter of households where the head was an employed person. For employed people, the majority spent between zero and 30 per cent of their income on housing costs. For those not in the labour force, nearly two-thirds (63.7 per cent) spent less than 10 per cent of their income on housing costs. Many of these are probably retired people who have paid off their mortgage.

Table 5 - Housing costs as a percentage of disposable household income by labour force status, 2005-06

LABOUR FORCE STATUS OF HOUSEHOLD REFERENCE PERSON	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
Employed	32.9	42.5	24.6	100.0	5,384
Unemployed	12.6	32.7	54.7	100.0	139
Not in labour force	63.7	20.6	15.7	100.0	2,363

This suggests that low income households in the labour force are much worse off when it comes to housing than high income households. Table 6 shows housing stress by poverty status. The poverty line is set at one-half of median household equivalised (adjusted for household size and composition) disposable income (Saunders and Bradbury 2006).

In 2005-06, nearly one out of every three poor households was spending more than 30 per cent of their income on housing. Not surprisingly, the housing stress rates, based on our current definition, declined with the rise in income. Twice as many households in poverty were paying above 30 per cent of their income on housing costs compared to the high income households (above 1.5 times median income) that is, 31.1 per cent compared to 14.5 per cent (Table 6).

Yet one of the interesting results from this table is that there is no difference between the richest and the poorest households in terms of the proportion of households who are paying less than 10 per cent of their income on housing. This may be due to the fact that nearly half of the poorest households, most of whom are retirees, have paid off their house (Appendix Table A-4). However, they are still on low incomes, so they are money poor but asset rich. This also showed up in Table 5 with a high proportion of people not in the labour force having very low housing costs. It may also reflect the difficulties of measuring income accurately for the self-employed, whose low incomes may not fully capture their living standards.

Table 6 - Housing costs as a percentage of disposable household income by income class, 2005-06

INCOME CLASS	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
0 to 0.5 median (poverty)	41.6	27.2	31.1	100.0	1,189
0.5 median to median	46.1	29.5	24.4	100.0	2,930
Median to 1.5 median	36.2	42.5	21.3	100.0	2,058
Above 1.5 median (high income households)	41.2	44.3	14.5	100.0	1,709

When we look at family composition (Table 7), we find that one-third of sole parents are in housing stress. People living by themselves also experience high rates of housing stress, with almost three out of every 10 singles devoting more than 30 per cent of their after-tax income to their housing costs.

The group with the lowest percentage of households in housing stress is couple-only households, where only 15.5 per cent of couples are in housing stress, and more than half are paying only up to 10 per cent of their income on housing costs. Splitting these couple-only households by age, it becomes clear that young and middle-age couples under 45 years are in substantially greater housing stress than are older couples. Table 7 shows that one out of three couples under 45 years of age were in housing stress compared to just one out of 10 older couples in 2005-06.

Table 7 - Housing costs as a percentage of disposable household income by family composition, 2005-06

FAMILY COMPOSITION OF HOUSEHOLD	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
Lone person	41.9	30.3	27.8	100.0	2,010
Sole parent	18.0	48.2	33.8	100.0	538
Couple only	56.2	28.2	15.5	100.0	2,152
<45 years	13.8	57.0	29.2	100.0	649
45+ years	74.5	15.8	9.6	100.0	1,503
Couple with children	35.7	41.3	23.0	100.0	2,522
Group	16.4	61.6	22.0	100.0	235
Other	48.2	36.6	15.2	100.0	428

> Meeting the mortgage took more than 30 per cent of their income for almost two-thirds of those who bought their first home in the past three years

Given the high levels of housing stress for couples with children, it is interesting to look at how housing stress increases with the number of children in the household.

Table 8 shows that the percentage of households (both couples and lone parents) in housing stress does not increase as the number of children in the household increases.

Table 8 - Housing costs as a percentage of disposable income by number of dependent children in the household, 2005-06

NUMBER OF DEPENDENT CHILDREN IN THE HOUSEHOLD	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
1	30.2	43.6	26.2	100.0	1,045
2	24.4	47.0	28.7	100.0	1,118
3+	27.7	45.9	26.4	100.0	509

The other factor that will have a large effect on housing stress is the number of earners in the household. Table 9 shows that having two or more earners in a household nearly halves the rate of housing stress, although most of these move to the "10-30 per cent" group rather than the "0-10 per cent" group.

Table 9 - Housing costs as a percentage of disposable household income by number of earners in the household, 2005-06

NUMBER OF EARNERS IN THE HOUSEHOLD*	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
One	318	36.8	31.4	100.0	2,484
Two or more	35.6	46.2	18.2	100.0	3,127

* Excludes dependent children.

Profession and education: no big gaps

Income is also linked to profession but housing stress is more strongly associated with income than profession. Table 10 presents housing stress by profession in 2005-06. A slightly higher proportion of white collar workers (35.7 per cent) than grey (31.1 per cent) and blue (30.2 per cent) collar workers were in the most comfortable position in terms of housing costs. More households headed by grey collar workers (30.3 per cent) than those by white (23.4 per cent) or blue (22.7 per cent) collar workers were in housing stress, but the gap was not strikingly wide. The "Not applicable/Not stated" category includes retirees not in the labour force, which is why there is a large percentage paying 10 per cent of their income or less on housing costs. Many of these retirees have normally paid off their houses.

Some commentators have been concerned that owning a home might now be a white collar domain, with blue collar workers priced out of the market. There is mixed evidence for this (see Appendix Table A-4). It is clear that outright home ownership shows no professional bias, with about one-fifth of blue, grey and white collar households being outright home owners. But substantially more white collar households are home purchasers still wrestling with a mortgage. As a result, while about one-third of blue and grey collar households remain locked into the rental market, only about one-fifth of white collar households are still renters.

Table 10 - Housing costs as a percentage of disposable household income by profession of household head

PROFESSION OF HOUSEHOLD HEAD	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
White collar	35.7	40.9	23.4	100.0	2,507
Grey collar	31.1	38.7	30.3	100.0	1,130
Blue collar	30.2	47.0	22.7	100.0	1,730
Not applicable/Not stated	60.6	21.6	17.8	100.0	2,518

Note: "White collar" refers to managers, professionals and associate professionals; "grey collar" includes advanced, intermediate and elementary clerical; and "blue collar" means tradespeople and labourers. "Not applicable or not stated" includes those who did not specify profession or there was not enough information.

The final table in this section looks at housing stress by education level (Table 11). It can be seen that education has no noteworthy association with housing stress. Those with no qualifications above Year 12 have lower housing stress than those with a higher education. Likewise, home ownership is slightly lower among the Australians with Bachelor or higher education compared to others with only Year 12 or lower education (Appendix Table A-4). This is probably because higher education has changed so much in the last 30 years; so many retirees, who have paid off their house and are paying 0-10 per cent of their income on housing costs, would have no non-school qualifications. For those with non-school qualifications, there is not much difference in housing stress rates.

Table 11 - Housing costs as a percentage of disposable household income by highest non-school qualification, 2005-06

HIGHEST NON-SCHOOL QUALIFICATION OF HOUSEHOLD REFERENCE PERSON	HOUSING COST AS % OF DISPOSABLE INCOME				ESTIMATED NO. OF HOUSEHOLDS ('000)
	0-10%	10-30%	ABOVE 30%	TOTAL	
Bachelor or above	35.8	39.7	24.4	100.0	1,623
Diploma	41.7	34.1	24.1	100.0	682
Certificate	40.0	37.6	22.4	100.0	2,040
No higher education*	45.6	33.2	21.2	100.0	3,541

* Includes the 1.3 per cent of household reference persons whose level of education was not stated.

The haves and the have-nots: summing up

Overall, this section has found that how recently the household purchased the house has a large influence on housing stress. There are many more households in housing stress who purchased their home in the last three years than if they had purchased before this. This reflects the large increase in house prices over recent years. The other major factor affecting housing stress is household income. This was reflected not only in the income table, but also in the family composition table, the number of earners table, and the labour force table.

In terms of those not in housing stress, we find that older people are rarely in housing stress. This is usually because they have paid off the family home, so there are no mortgage payments.

7. Which renters can afford to purchase a house?

In the last section, we looked at housing stress for a number of different sub-groups of the population. In this section, we conduct a similar analysis using housing affordability, but look at which renters would find it harder to break into the housing market. We are concentrating on renters in this section, as these are the ones who will find it most difficult to leap the first home hurdle.

On average, renters who decided they wanted to enter the housing market would find it nearly twice as hard to enter the housing market as buyers who may be upgrading. This is because on average upgrade buyers have much higher incomes than renters who are buying for the first time. As Table 12 shows, the housing affordability ratio for a buyer is nearly half that for a renter because of this income difference. Further, Table 12 uses the median Australian house price to calculate housing affordability.

Many buyers are not paying a loan to service this amount of debt, having bought before the housing boom. Unfortunately, our data source only provides the current value of the property, not the amount the household paid for it. So, for many buyers, their higher income may be being used to service a debt which was originally based on, say, a $200,000 house, not a $350,000 house.

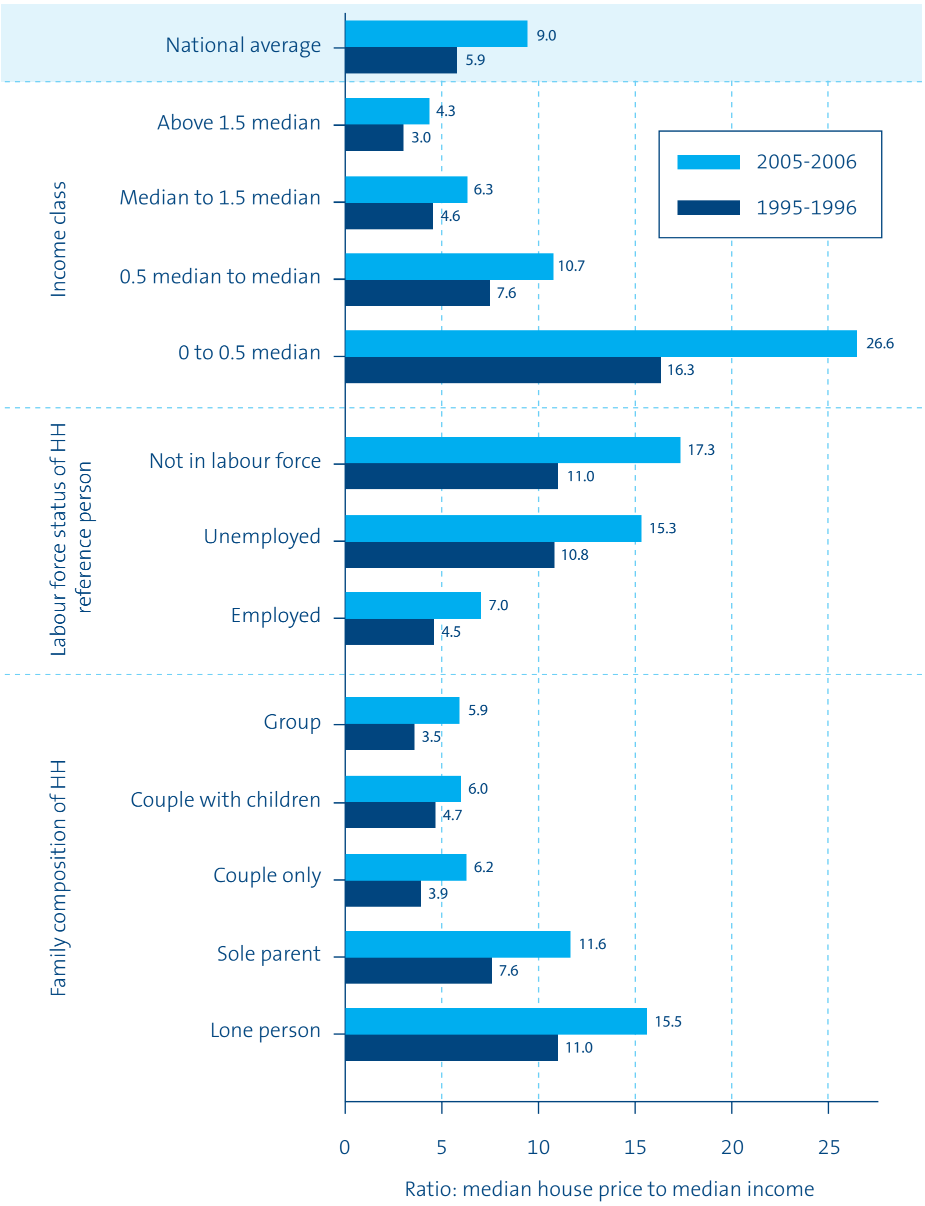
Income is the most important factor in a household going from renting to buying. In 2005-06, the poorest class of renters who had less than half-median income would need to amass nearly 27 times their annual disposable income to purchase a typical house outright (Figure 6). In contrast, the richest class of renters would only need four times their annual income.

Table 12 - Income, house price and status of house price to income by tenure type, 2005-06

TENURE TYPE	MEDIAN ANNUAL DISPOSABLE HOUSEHOLD INCOME	MEDIAN HOUSE PRICE	RATIO OF MEDIAN HOUSE PRICE TO MEDIAN INCOME	ESTIMATED NO. OF HOUSEHOLDS ('000)
Owner	$34,204	$350,000	10.2	2,709
Buyer	$65,703	$350,000	5.3	2,762
Renter	$39,022	$350,000	9.0	2,243
Other	$32,136	$350,000	10.9	172
All	$46,743	$350,000	7.5	7,886


SOLD
SOLD

Figure 6 - Housing affordability for renters by selected characteristics, 1995-96 and 2005-06



Note: The ratios here are the ratios of national median house price to group-specific median incomes. For example, lone person households in 2005-06 would need 15.5 years of annual disposable income to purchase a house at the national median house price of $350,000.

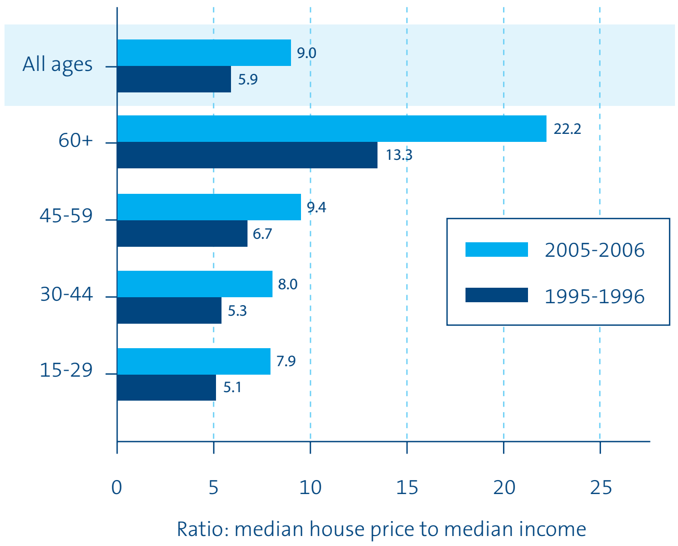
Over the ten years from 1995-96 to 2005-06 the amount a renter needed to get into the housing market increased for all income classes, but the crunch was particularly severe for the poorest. In 1995-96, the median house price was about sixteen times the annual disposable income of the poorest renters; this climbed to twenty-seven times a decade later. The richest renters also experienced an increase - from three to four times in the same period - but this ratio was still much below the national average of 9.0, and so these richer renters remained within easy reach of purchasing their own home.

Income is correlated with employment. Therefore, it is not surprising to find that the prospect of owning a house was quite challenging for renters headed by unemployed or economically inactive persons. Both these groups experienced housing affordability rates that were worse than the national average of 9.0 (among renters) in 2005-06, and both experienced deteriorating housing affordability by 2005-06 compared to 1995-96.

Housing affordability also varied by the family composition of renters. Affordability was worse for single-person and sole-parent renters. For single-person renters, the ratio of house price to income in 2005-06 was much higher than the national average (15.5 vs. 9.0) and they experienced a substantial worsening from the 1995-96 level (11.0). Renting couples were in a better position to afford a house and there was not much difference between those with and without children. This suggests that couple renters with children have a similar income to couple renters without children.

While most of the older couples already own a house, the lifetime goal of owning a house will be a distant dream for the people who are already at least 60 years old and are still living in a rental property. For them, Figure 7 shows, that the house price was nearly 22 times their annual disposable income in 2005-06, up from 12.5 times a decade earlier. There was not much difference among the renters under 60 years of age. Rather, the youngest renters aged 15-29 years had the best prospects of buying a house in both 1995-96 and 2005-06; however, their prospects had still worsened over this period.

Figure 7 - Housing affordability for renters by age of the household reference person, 1995-96 and 2005-06



8. Housing over the life cycle

People pass through various phases of family formation and dissolution over their life course. Young people under 30 years of age are just beginning to set up their own families and, not surprisingly, the households headed by this age group are made up of young couples with no children, or very young children (Figure 8). A new family stage of couples with dependent children starts to emerge by 30 years of age and continues to be a major stage up to the 50s. In the 60s and beyond, households shrink to couples only as the children leave home, or lone-person families as partners die.

It is interesting to consider how these phases of family formation have adapted to the changing housing market over time. This section looks at a number of characteristics for each of these age groups in 1995-96, and compares this to the characteristics of the same age group in 2005-06. We also look at housing affordability and housing stress for these groups.

It should be noted that In this section, we are not comparing the same people over time. We are comparing the same age groups over time. For example, we are looking at people aged 30-44 years in 1995-96 compared to people aged 30-44 years in 2005-06.

Figure 9 shows that living in a stand-alone house continues to be the norm for all life cycle stages. Separate houses accounted for four out of five households in 1995-96 as well as 2005-06. Even for the households headed by young people below 30 years of age, separate houses made up nearly two-thirds of their homes. Although their share is very small in the housing market, apartment and semi-detached dwellings remained more popular among young people. The choice of dwelling types did not change much between 1995-96 and 2005-06 except for a slight drop in separate houses and a small increase in semi-detached houses among people aged 30 to 59 years.

Figure 8 - Percentage distribution of households by family composition and age of household reference person, 1995-96 and 2005-06

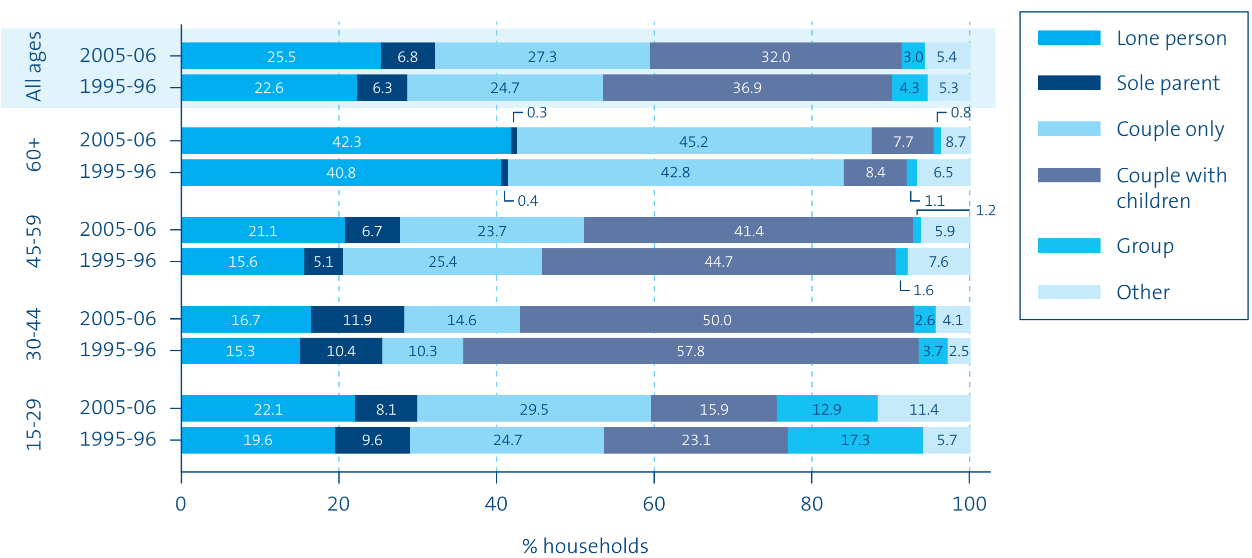
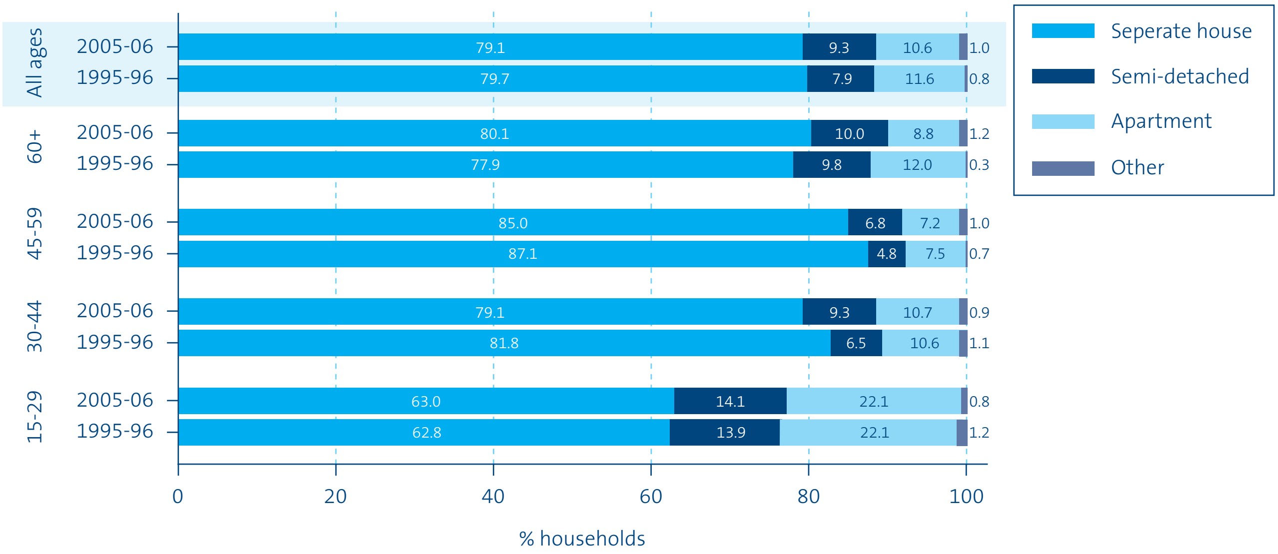


Figure 9 - Percentage distribution of households by dwelling structure and age of household reference person, 1995-96 and 2005-06



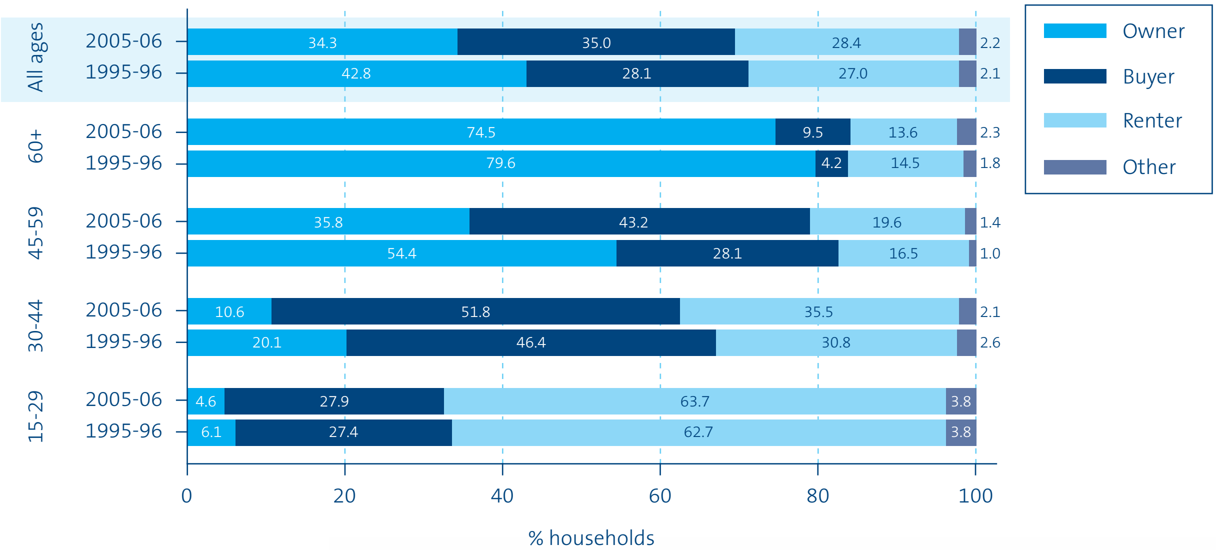
The story becomes clearer when we look at tenure type over the life course as shown in Figure 10. In 2005-06, while the youngest generation were overwhelmingly renters, the opposite was the case for the oldest generation, who were mostly owners. Full home ownership doubles from about 5 per cent for those aged under 30 years to about 11 per cent among those aged 30-44 years, then more than triples to reach 36 per cent among those aged 45-59 years, and then doubles again to peak at 75 per cent among the oldest groups.

The most striking change revealed in Figure 8 is that, over the 10 years from 1995-96 to 2005-06, outright home ownership dropped by about nine percentage points in total, from 42.8 per cent to 34.3 per cent (Figure 10). Rising house prices thus stopped many Australians from reaching the traditional dream of fully paying off their house, leaving them on the mortgage ladder for longer. The most dramatic decline in outright home ownership was experienced by households headed by people aged 45-59 in 2005-06. Only 35.8 per cent of them fully owned a house in 2005-06, compared to the 54.4 per cent ownership rate enjoyed by people of the same age in 1995-96. This declining outright ownership may have pushed some of these families to the rental market, which experienced a growth in this age group from 16.5 per cent in 1995-96 to 19.6 per cent in 2005-06.

Yet Figure 10 does not suggest that Australians have given up the dream of buying their own home, with only a small increase over the decade in the proportion of households who were not owning or buying (from 29.1 per cent in 1995-96 to 30.6 per cent in 2005-06). Instead, it is clear that Australians still cling to the dream, but have the mortgage to contend with for a much longer period of their lives.

Figure 10 suggests that many people start to purchase a house after turning 30 years of age, and this did not change much from 1995-96 to 2005-06. One of the stories told by this graph is that there were twice as many people aged over 60 in 2005-06 who were still paying off their home loan than there were 10 years earlier (9.5 per cent in 2005-06, compared to 4.2 per cent in 1995-96). The other is that in 2005-06, a quarter of people aged over 60 did not fully own a home (they were either renting or buying). This was up from 20 per cent in 1995-96.

Figure 10 - Percentage distribution of households by tenure type and age of household reference persons, 1995-96 and 2005-06



Australians have not given up the dream of buying their own home, with only a modest increase over the decade in the proportion of households who were not owning or buying (from 29.1 per cent in 1995-96 to 30.6 per cent in 2005-06). Instead, it is clear that Australians still cling to the dream, but have the mortgage to contend with for a much longer period of their lives

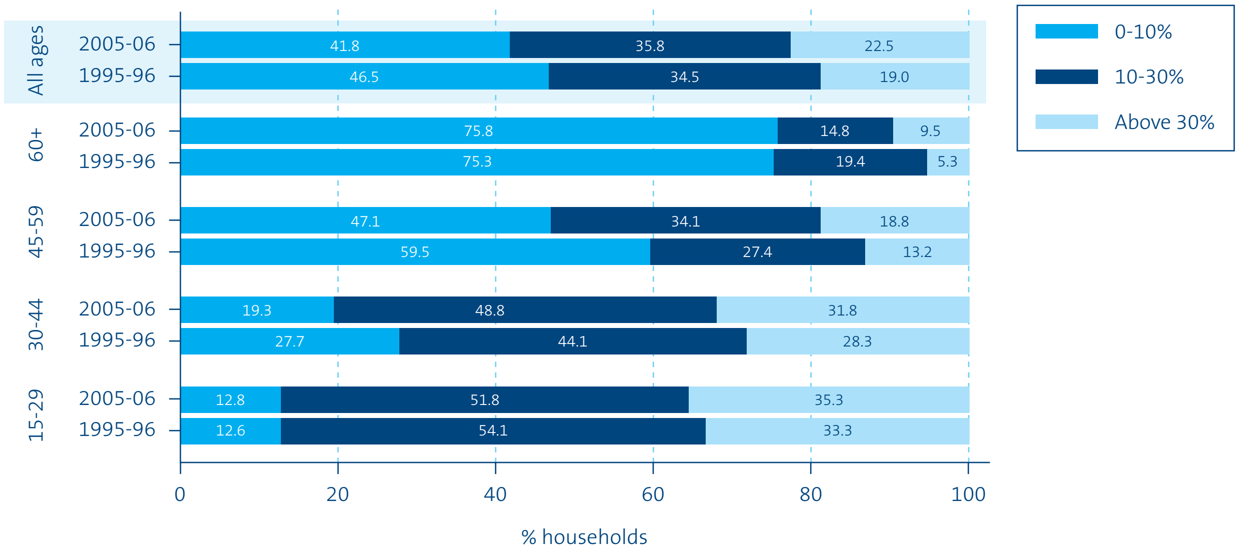
Housing stress over the life cycle

Looking at housing stress for these age groups, in 2005-06, housing stress was at the highest level (35.3 per cent) among the households headed by a Gen Y person (aged 15-29 years in 2005-06) followed by the households headed by a Gen X person (31.8 per cent) (Figure 11). Housing stress rates were at the lowest level for the older age groups because many of them had already paid off their homes.

In terms of increases from 1995-96 to 2005-06, all age groups experienced an increase in housing stress (Figure 11). The highest increase experienced was for those aged 60 or above (from 5.3 per cent in 1995-96 to 9.5 per cent in 2005-06, an increase of 79 per cent) and the boomers (persons aged 45-59 years in 2005-06) from 13.2 per cent for people aged 45-59 in 1995-96 to 18.8 per cent for people of the same age in 2005-06.

There has been a large decrease between 1995-96 and 2005-06 in the proportion of people who are paying only up to 10 per cent of their income on housing costs (Figure 11). In 1995-96, nearly 60 per cent of people aged 45-59 were paying 10 per cent of their income or less on housing costs. By 2005-06, this had decreased to about 47 per cent. There was not much change for those aged 60+; in both years, about 75 per cent were paying less than 10 per cent in housing costs.

Figure 11 - Percentage distribution of households by proportion of income spent on housing and age of the household reference person, 1995-96 and 2005-06



9. Conclusions

Young generations today are likely to confront a more challenging housing market than people of the same age in the past. The amount required to purchase a house has increased at a greater rate than incomes for all age groups, and the proportion of people paying more than 30 per cent of their income on housing increased between 1995-96 and 2005-06.

The prospect of purchasing a house for those marginalised in our community (the unemployed, the poor, sole parent families) is very low. Purchasing a house for these groups in 2005-06 is much more difficult than it was in 1995-96. The housing boom appears to have hit these people particularly hard.

One of the striking results from this report is the number of first home buyers in housing stress. Nearly two-thirds (61.7 per cent) of first home buyers are in housing stress. This is the sting in the tail of the recent housing boom.

Another dramatic finding is the sharp fall in the proportion of households that own their home outright, down from 42.8 per cent of all households in 1995-96 to 34.3 per cent today.

One positive outcome from this report is that most elderly people in their 60s or beyond own a home outright in 2005-06, as their peers did in 1995-96. The proportion of outright owners has decreased slightly, but is still more than 70 per cent. However, for the small fraction of this age group who are still living in a rental property, the housing market is now virtually beyond their reach.

In summary, despite having witnessed large housing price rises over the past two decades, Australians have not given up the great housing dream. This is indicated by the persistence of high ownership rates over the last 10 years, even though the cost of buying a house has skyrocketed. Yet, even though the proportion of Australian households who are not owners or purchasers has increased only slightly, from 29.1 per cent in 1995-96 to 30.6 per cent in 2005-06, this does not mean that there has not been a profound change among home owners. The mortgage noose now remains around the household neck for much longer periods of time, with those in their late 40s, 50s and 60s now being much more likely to still be paying off the mortgage than Australians of the same age a decade ago. If these trends continue, future generations of Australians will be less likely to enter their old age with the mortgage paid off and their home underpinning their financial security in retirement.

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Technical notes and definitions

Source data

This analysis is based on two unit record data sets, the 1995-96 Survey of Income and Housing Costs (SIH95) and the 2005-06 Survey of Income and Housing (SIH05), collected by the Australian Bureau of Statistics (ABS 2005, ABS 2007d). Households with negative or zero income were excluded from the analysis. This is a common treatment for these households, as their incomes may not be a reliable guide to their standard of living. Unless otherwise cited, the data presented in tables and charts in this report were calculated by the authors from these two data sets.

Housing affordability

Housing affordability is expressed as the ratio of median house price to median annual disposable household income. The higher the ratio, the harder it is to get into the housing market. Note that it does not show how many years it would take to pay off a house, because it does not take into account interest rates; and usually a household would not devote their whole household income to paying off the house.

Median house price

Data on median house price for capital cities and regional areas were computed from SIH05 and SIH95. The median house price data are based on the owners' estimates of the value of their dwelling at the time of the survey. Their estimate may differ from the actual sale price of the dwelling.

Housing stress

In this report, a household is defined to be in housing stress if its housing costs take up more than 30 per cent of its disposable income. Thus, within any geographic area or social category, the extent of housing stress is measured by the proportion of households where more than 30 per cent of their disposable income goes on housing costs.

This is a very simple but a sufficient indicator of housing stress. This measure is sometimes refined by restricting the calculation to the lowest two quintiles of the income distribution adjusted by household size. This was not used in this report, as we were focusing on the proportion of income spent on housing. So, we were also looking at those who were only paying 10 per cent of their income on housing costs and who enjoyed reasonable incomes.

This will mean that the numbers presented in this report are not comparable to the numbers used by the Commonwealth Government in their recent housing report (Commonwealth of Australia, 2008). The differences are:

- The bottom two quintiles of income are not used in the definition of housing stress in this report;
- This report used ABS Survey data, whereas the Commonwealth Government report used modelled data using the STINMOD Microsimulation model; and
- This report uses households whereas the Commonwealth Government report used families.

The first difference will mean estimates in this report will be much higher than estimates in the Commonwealth Government report.

Also, in some studies, gross (before tax) rather than disposable (after tax) income is used. In this study, we have used disposable income because we consider this a better measure of income that can be spent on housing costs. An analysis has shown that estimates and characteristics of those in housing stress do not vary substantially depending on the choice of gross or disposable income (Yates and Gabriel 2006).

Household reference person

The criteria for designating a household reference person in the 1995-96 and 2005-06 surveys were not identical. A key difference was with regard to gender: while the 1995-96 survey designated the adult male in a couple income unit and the parent in a one-parent income unit as the reference person, the 2005-06 survey dropped any reference to gender in the criteria for identifying a household head. In 2005-06, the household reference person was the person in the household with the highest income, unless the household was a lone parent household with dependent children, in which case it was the lone parent.

Statistical significance

All ABS surveys are subject to some level of inaccuracy due to the fact that the ABS samples only a subset of the population and uses this subset to represent the total population. This inaccuracy is called the sampling variability.

A confidence interval is an interval within which we can say we are 95 per cent confident that the true figure (ie the figure we would have got if we had sampled the whole population) lies.

The difference between two values estimated from a survey is said to be statistically significant if the confidence intervals for the two values do not overlap (so we are 95 per cent confident that they are different); and not statistically significant if the confidence intervals do overlap (so we are not confident that the two values are different). The term "significant" is used in this report to refer to differences that are significant at 95 per cent level of confidence.

Relative standard errors

Similar to confidence intervals, a relative standard error (RSE) is an estimate of how good the estimate is, given the sampling variability. Typically, an estimate from a survey with an RSE of less than 25 per cent is considered a reliable estimate, so it represents the Australian population well; between 25 and 50 per cent it should be used with caution; and more than 50 per cent, it is unusable. All estimates of housing stress in this publication have RSEs of between 0 and 25 per cent, so can be considered reliable.

Acknowledgements

The authors would like to gratefully acknowledge helpful discussions about housing issues and data with Ian Winter of the Australian Housing and Urban Research Institute (AHURI) and Ben Phillips of the Housing Industry Association.

Appendix A

Table A-1 The 50 least affordable housing markets in the surveyed countries, 2007

RANK	NATION	MARKET	MEDIAN MULTIPLE
1	United States	Los Angeles, CA	11.5
2	United States	Salinas, CA	10.9
3	United States	San Francisco, CA	10.8
4	United States	Honolulu, HI	10.3
5	United States	San Diego, CA	10.0
6	Australia	Mandurah, WA	9.5
7	United States	San Jose, CA	9.3
7	Australia	Sunshine Coast, Qld	9.3
9	United Kingdom	Bournemouth & Dorset	8.9
10	United Kingdom	Belfast	8.8
11	Australia	Gold Coast, Qld	8.6
11	Australia	Sydney, NSW	8.6
13	Canada	Kelowna	8.5
13	United States	Santa Rosa, CA	8.5
15	Canada	Vancouver	8.4
16	United Kingdom	Exeter & Devon	8.2
16	United States	Ventura County, CA	8.2
18	United Kingdom	London (GLA)	7.7
19	Australia	Perth, WA	7.6
20	New Zealand	Tauranga	7.5
21	United Kingdom	London Exurbs	7.4
22	Australia	Melbourne, Vic	7.3
22	Canada	Victoria	7.3
24	Australia	Rockingham, WA	7.2
25	United States	Miami-West Palm Beach, FL	7.1
25	United States	Riverside-San Bernardino, CA	7.1
25	United States	Santa Barbara, CA	7.1
28	Australia	Bundaberg, Qld	7.0
28	United States	New York, NY-NJ,-CT-PA	7.0
28	Australia	Wollongong	7.0
31	New Zealand	Auckland	6.9
31	United Kingdom	Bristol-Bath	6.9
33	Australia	Bunbury, WA	6.7

RANK	NATION	MARKET	MEDIAN MULTIPLE
34	New Zealand	Christchurch	6.6
35	Australia	Adelaide, SA	6.5
36	Australia	Brisbane, Qld	6.4
36	Australia	Cairns, Qld	6.4
36	United States	Stockton, CA	6.4
36	United States	Vallejo, CA	6.4
40	Australia	Geelong, Vic	6.3
40	New Zealand	Hamilton	6.3
40	Australia	Hobart, Tas	6.3
40	Australia	Newcastle, SA	6.3
40	United Kingdom	Northampton	6.3
45	Australia	Townsville, Qld	6.2
46	United States	Boston, MA-NH	6.1
46	United States	Fresno, CA	6.1
46	Australia	Mackay, Qld	6.1
46	United Kingdom	Newport	6.1
46	New Zealand	Wellington	6.1

Notes: All of these housing markets were classified as severely unaffordable. A total of 227 urban markets were surveyed. Housing affordability was measured in terms of values of median multiples, the ratio of median house price to median gross household income. The higher the median multiple, the worse the unaffordability.

Source: Cox and Pavletich (2008) 4th Annual Demographia International Housing Affordability Survey: 2008 Ratings for Major Urban Markets.

Table A-2 - Median annual disposable household income, house price and ratio of house price to income, 1995-96 and 2005-06

STATE /TERRITORY AND PLACE OF RESIDENCE	1995-96			2005-06			INCREASE IN RATIO OF HOUSE PRICE TO INCOME	
	MEDIAN ANNUAL DISPOSABLE HOUSEHOLD INCOME	MEDIAN HOUSE PRICE	RATIO OF MEDIAN HOUSE PRICE TO MEDIAN INCOME	MEDIAN ANNUAL DISPOSABLE HOUSEHOLD INCOME	MEDIAN HOUSE PRICE	RATIO OF MEDIAN HOUSE PRICE TO MEDIAN INCOME	ABSOLUTE	RELATIVE
NEW SOUTH WALES								
Capital city	$33,436	$210,000	6.3	$54,990	$500,000	9.1	2.8	45%
Other	$22,984	$130,000	5.7	$40,184	$300,000	7.5	1.8	32%
State	$28,132	$170,000	6.0	$48,142	$400,000	8.3	2.3	38%
VICTORIA								
Capital city	$31,408	$140,000	4.5	$48,189	$350,000	7.3	2.8	63%
Other	$24,232	$100,000	4.1	$40,232	$250,000	6.2	2.1	51%
State	$29,380	$130,000	4.4	$46,015	$310,000	6.7	2.3	52%
QUEENSLAND								
Capital city	$32,136	$150,000	4.7	$48,900	$350,000	7.2	2.5	54%
Other	$27,092	$130,000	4.8	$45,380	$300,000	6.6	1.8	38%
State	$28,600	$140,000	4.9	$47,498	$340,000	7.2	2.3	47%
SOUTH AUSTRALIA								
Capital city	$26,312	$120,000	4.6	$42,485	$285,000	6.7	2.1	46%
Other	$22,568	$85,000	3.8	$36,624	$240,000	6.6	2.8	74%
State	$25,064	$116,000	4.6	$40,691	$275,000	6.8	2.2	48%
WESTERN AUSTRALIA								
Capital city	$30,264	$145,000	4.8	$47,108	$350,000	7.4	2.6	54%
Other	$28,444	$110,000	3.9	$44,071	$300,000	6.8	2.9	75%
State	$29,120	$135,000	4.6	$46,445	$350,000	7.5	2.9	63%
TASMANIA								
Capital city	$30,680	$120,000	3.9	$43,371	$260,000	6.0	2.1	54%
Other	$24,752	$90,000	3.6	$36,136	$210,000	5.8	2.2	61%
State	$27,300	$100,000	3.7	$39,223	$240,000	6.1	2.4	66%
NORTHERN TERRRITORY								
	N/A	N/A	N/A	$63,593	$300,000	4.7	N/A	N/A
ACT								
	N/A	N/A	N/A	$61,611	$380,000	6.2	N/A	N/A
NT/ACT								
	$40,248	$160,000	4.0	$62,655	$370,000	5.9	1.9	48%
AUSTRALIA								
	$28,756	$140,000	4.9	$46,743	$350,000	7.5	2.6	53%

Table A-3 - Percentage distribution of households by proportion of income spent on housing, 1995-96 and 2005-06

STATE /TERRITORY AND PLACE OF RESIDENCE	1995-96				2005-06			
	0-10%	10-30%	ABOVE 30%	ESTIMATED NO. OF HOUSEHOLDS ('000)	0-10%	10-30%	ABOVE 30%	ESTIMATED NO. OF HOUSEHOLDS ('000)
NEW SOUTH WALES								
Capital city	42.6	32.9	24.5	1,365	36.3	34.1	29.6	1,569
Other	50.8	33.1	16.0	859	49.7	31.5	18.8	989
State	45.8	33.0	21.3	2,224	41.5	33.1	25.4	2,558
VICTORIA								
Capital city	45.8	34.6	19.7	1,177	42.9	33.1	24.0	1,399
Other	52.7	33.3	14.0	472	49.5	33.3	17.3	583
State	47.7	34.2	18.1	1,649	44.8	33.1	22.0	1,982
QUEENSLAND								
Capital city	44.6	34.1	21.3	529	38.1	39.6	22.3	721
Other	48.5	32.6	18.8	637	37.0	39.9	23.1	811
State	46.7	33.3	20.0	1,166	37.5	39.7	22.7	1,532
SOUTH AUSTRALIA								
Capital city	44.5	38.6	16.8	421	40.8	40.8	18.5	465
Other	57.1	33.0	10.0	149	48.3	35.7	16.0	169
State	47.8	37.2	15.1	570	42.8	39.4	17.8	635
WESTERN AUSTRALIA								
Capital city	44.9	37.2	18.0	475	40.9	36.8	22.4	604
Other	53.8	32.4	13.8	165	47.2	39.7	13.1	195
State	47.2	35.9	16.9	640	42.4	37.5	20.1	799
TASMANIA								
Capital city	41.9	47.2	10.9	78	46.3	38.9	14.9	82
Other	52.0	41.1	6.9	107	49.3	36.5	14.2	117
State	47.8	43.7	8.5	185	48.1	37.5	14.5	199
NORTHERN TERRRITORY								
	N/A	N/A	N/A	N/A	31.2	57.2	11.5	53
ACT								
	N/A	N/A	N/A	N/A	37.8	41.2	20.9	128
NT/ACT								
	33.1	43.9	23.0	159	35.9	45.9	18.2	181
AUSTRALIA								
	46.5	34.5	19.0	6,593	41.8	35.8	22.5	7,886

Table A-4 - Percentage distribution of households by tenure type and selected background characteristics, 2005-06

	OWNER	BUYER	RENTER	OTHER	ALL	ESTIMATED NO. OF HOUSEHOLDS ('000)
LABOUR FORCE STATUS OF HOUSEHOLD REFERENCE PERSON						
Employed	21.9	47.6	28.5	2.0	100.0	5,384
Unemployed	12.2	11.3	74.4	2.1	100.0	139
Not in labour force	64.0	7.8	25.5	2.6	100.0	2,363
INCOME CLASS						
0 to 0.5 median	47.3	12.9	36.6	3.3	100.0	1,189
0.5 median to median	39.9	27.1	30.6	2.4	100.0	2,930
Median to 1.5 median	25.8	46.6	25.9	1.7	100.0	2,058
Above 1.5 median	26.1	50.1	22.2	1.5	100.0	1,709
FAMILY COMPOSITION OF HOUSEHOLD						
Lone person	40.5	18.3	37.1	4.2	100.0	2,010
Sole parent	12.9	27.0	58.4	1.7	100.0	538
Couple only	49.5	30.2	19.0	1.3	100.0	2,152
Couple with kids	22.9	57.9	17.9	1.3	100.0	2,522
Group	7.7	13.2	75.7	3.5	100.0	235
Other	38.6	25.0	34.0	2.4	100.0	428
NO. OF DEPENDENT CHILDREN IN HOUSEHOLD						
0	43.5	25.1	28.9	2.5	100.0	5,214
1	19.2	47.7	31.8	1.4	100.0	1,045
2	13.9	60.6	24.1	1.5	100.0	1,118
3+	16.9	54.3	26.8	2.0	100.0	509
NO. OF EARNERS IN HOUSEHOLD						
None	62.0	6.8	28.4	2.8	100.0	2,275
One	24.7	36.4	36.2	2.7	100.0	2,484
Two or more	21.9	54.5	22.3	1.3	100.0	3,127
PROFESSION OF HOUSEHOLD REFERENCE PERSON						
White collar	22.9	52.1	22.9	2.1	100.0	2,507
Grey collar	21.5	41.2	35.0	2.3	100.0	1,130
Blue collar	20.8	44.9	32.6	1.7	100.0	1,730
Not applicable/ Not stated	60.8	8.4	28.2	2.5	100.0	2,518
HIGHEST NON-SCHOOL QUALIFICATION OF HOUSEHOLD REFERENCE PERSON						
Bachelor or above	24.8	45.3	27.1	2.8	100.0	1,623
Diploma	32.4	41.3	23.9	2.4	100.0	682
Certificate	31.8	40.1	26.4	1.7	100.0	2,040
No higher education	40.6	26.2	31.1	2.2	100.0	3,541

Note: For the tenure distribution by age of household head, see Figure 10. The "Other" tenure type refers to a household which is not an owner (with or without a mortgage), or a renter. It includes rent free.

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