



Research Paper

Experiencing the housing affordability problem: blocked aspirations, trade-offs and financial hardships

National Research Venture 3: Housing affordability for lower income Australians

Research Paper No. 9

authored by

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EXECUTIVE SUMMARY

Introduction

Research Paper 9 is part of AHURI National Research Venture 3 (NRV3), which seeks to provide a comprehensive assessment of housing affordability for lower-income Australians, addressing the scale, complexity of debate and policy imperatives from a wide and coherent range of perspectives. NRV3 has produced a number of previous reports on topics that include defining and measuring housing affordability (Gabriel et al. 2005), housing affordability and its potential impact upon the economy (Berry 2006a,b), analysing affordability and housing stress (Yates and Gabriel 2006), and affordable housing policy in Australia (Milligan 2005).

These studies have provided us with a rich understanding of the affordability problem in broad terms. We know its scale and its spatial distribution. We know the tenure in which it is experienced most intensely (private rental), and the households in which the burden falls most sharply (singles and sole parents). However, we have less insight into how both renters and recent purchasers experience, identify and negotiate housing affordability in their everyday lives. This paper seeks to address this through focusing upon the experience of, and impact of, housing affordability concerns at the household level. The paper reveals the hardships that are experienced, and the compromises and trade-offs that are made to cope with these hardships. It also reveals how poor housing affordability affects expectations and perceptions of home purchase (in the case of renters), and how some recent purchasers find themselves on the margins of financial stress.

The research provides detailed insight into how lower-income households experience and negotiate affordability, the trade-offs they are willing or not willing to make, and how those experiences impact in different ways, in different market contexts, over different geographies, over different lengths of time, and potentially at different stages in life. Enforced constraints, decision-making and trade-offs come into play, whether with the renter who chooses to pay more in order to live in a preferred neighbourhood, or with the purchaser who, in a less certain employment environment, fears the burden of not being able to meet mortgage payments and directs as much of their income as possible into the home loan to minimise risk.

Background

Here we report upon two major components of primary fieldwork carried out for NRV3 to help develop a more subtle understanding of housing affordability and its effects on lower-income Australians. The first component draws upon two postal surveys (one administered to private renters, one to recent purchasers). The surveys were designed to enable quantitative analysis of who is affected, how they are affected and the impact of those effects on wider household outcomes. As well as providing further understanding of where housing affordability problems have the most acute impact, findings from the surveys also help identify and demonstrate the interconnectivity across tenure types arising through affordability constraints, and add to our understanding of the more complex housing careers becoming evident in 21st century Australia (see AHURI NRV2, Beer et al. 2006).

The second component of the research is more qualitative and uses focus groups and in-depth interviews with private renters and recent purchasers to get a better understanding of how experiences flowing from an affordability problem are understood, negotiated and lived with.

Key survey findings

Housing affordability problems are assumed to arise when households are forced into decisions that adversely affect them and which would not have been made had they not been in housing stress. While some of the experiences are shared across tenures, some are specific to private renters and others to recent purchasers.

Shared experiences

Trade-offs regarding dwelling quality and location are made either to secure affordable rental accommodation or to be able to afford to enter the housing market. Renters and purchasers both told of the choices they needed to make and the constraints they faced in the housing market, and their impact on wellbeing and access to employment, education and health services

Many renters and purchasers have little 'slack in the system', which makes it difficult to meet unexpected costs or less frequent costs such as utility bills. Significant risks arise for these households where rent increases or mortgage rate rises occur.

While renters tend to express relatively low rates of satisfaction with their homes, neighbourhood and perceived housing situation, recent purchasers also felt that compromises had been made in terms of where they had bought. Significantly, both renters and purchasers felt worse off rather than better off when they compared themselves to their parents at the same stage in their housing history.

Renters

Lower-income renters have a more intense and widespread affordability problem than purchasers. It can be contended that the causes of this, given relatively stable rental levels over time, are as much income related as housing cost related.

As housing costs in relation to income increase, problems associated with poor affordability typically become more accentuated. Where over 50 per cent of income is going towards housing costs, many renters are adopting practices that are arguably unacceptable in an affluent society.

Living with ongoing stress contributes to health problems as well as placing stress on family relationships. An increased probability of financial hardship can result in going without meals, children missing out on school activities and adequate health and dental care, or having to pawn possessions for financial viability.

Concerns heighten for lower-income older renters who, with some exceptions, are unlikely to be in a position where they can ever improve their income circumstances and alleviate their affordability position.

Housing stress among renters is contributing to high mobility rates. This brings with it dislocation and significant search costs, particularly when there are few vacancies in the low-rent segment of the market.

Many lower-income renters have little capacity to absorb any sizeable rent increases. They are already in marginal positions, and rent increases of the type being talked about as being required to restore investor yields to long-term levels would lead to substantial financial and wellbeing difficulties.

A significant number of renters in our sample were trapped in long-term rental occupancy and appear unlikely to ever be able to achieve ownership. This reflects low and unstable levels of income, insufficient to bridge the substantial 'affordability gap' to ownership.

Aspirant purchasers: 'getting in'

While there are a sizeable number (some 50 per cent of the sample) of self-defined 'aspirational' purchasers, i.e. those renters who expressed the desire to be owners, for perhaps a third this is more dream than reality. Their actual income positions would suggest that many are a long way from achieving this aspiration.

Labour market status is key: a considerably larger proportion of purchasers were permanent full-time workers compared to renters, suggesting that stable employment, while not a prerequisite for purchase, is an important contributory condition.

For our lower-income focused sample, the role of intergenerational transfers to assist low- to moderate-income renters into ownership is relatively limited. The number of renters who nominated the potential of parental assistance was small and then it would most commonly be in the form of a loan. Higher-income renters were more likely to benefit from such transfers, suggesting that any formalised programs to facilitate intergenerational transfers may act to accentuate inequalities in the housing market.

Recent purchasers: 'staying in'

It is perhaps obvious that lower-income recent purchasers face fewer problems than renters. However, given the recent emphasis on ownership initiatives it remains important to remember that it is low-income renters, most without prospects of ownership, who suffer the most severe affordability problems.

While conventional wisdom suggests that all lower-income purchasers paying more than the 30 per cent affordability benchmark are in housing stress (a point laboured by the media when the 2006 census results were released), most purchasers are coping in the current circumstances. However, a small number (less than 10 per cent) of recent purchasers had missed mortgage payments at least once over the past year and there are more who, if changes in economic or personal circumstances were to occur – for example, a slow down in the economy and loss of a second job – would face the risk of losing their homes.

A sizeable minority of purchasers appear unaware of, and have not budgeted for, the ongoing costs of ownership. Unlike renters facing high housing cost burdens, however, many are able to adjust the timing of these housing costs so that they have less of an impact on non-housing outcomes.

Strong labour market conditions are central to staying in ownership. The level of debt and the high proportion of 100 per cent or near-100 per cent home loans held by the sample group indicate that any weakening in the labour market, with less overtime and/or full-time employment, would have ramifications for many of our recent purchasers.

A small number in our sample are facing severe constraints even with the economy performing well.

Housing assistance in the form of first home buyers' schemes (for example, the First Home Owner Grant) is being used to address home purchase barriers: contributing towards a deposit, helping to meet transaction costs and first-year mortgage repayments. Relatively little of this assistance is 'leaking' to non-housing use. Nevertheless, many first-time purchasers acknowledged that they would still have purchased without it.

Renter and recent purchaser typologies

In building greater insight and a more layered picture of affordability, typologies for both renters and recent purchasers are explored. The typologies combine the insight regarding the scale and extent of concerns among particular household types through each of the surveys, with the more detailed discussion provided through focus groups and interviews as to how such circumstances translate and are negotiated into housing affordability contexts.

While the surveys provide clarity in terms of our understanding of which groups are most likely to experience affordability concerns, the typologies help build a picture of how those concerns are mediated and how issues of choice and constraint are balanced. Thus the aim is not to duplicate what is already known about those groups and household structures where such concerns are most apparent. The approach helps articulate why those particular groups are vulnerable and how they respond to those vulnerabilities. In disaggregating the affordability problem, it helps inform policy as to how possible activity directed towards such groups can be most effectively structured.

Table 1.1: Seven renter and purchaser archetypes

<i>Long-term renters</i>	Strugglers
	Backsliders
	Pragmatists
<i>Aspirant purchasers</i>	Aspirant purchasers
<i>Recent purchasers</i>	Stretched
	Focused
	Ambivalent

Long-term renters

Strugglers are those who are having trouble meeting rental payments and who are suffering high levels of financial stress. They can be of any age group, but are often single or in lone-parent households. They are often not working. Despite living in cheaper locations, they are often paying extremely high proportions of their incomes towards housing (up to 50 or 60 per cent). They represent the core group of our long-term renters.

Backsliders are those who, at an earlier stage in life, had either owned their own home or rented in more comfortable circumstances. They have 'fallen out' of home ownership, usually as a result of a major rupture in their life, such as a loss of earning capacity, health difficulties or, most importantly, in their household situation, as a result of loss of a partner through death or relationship breakdown. Returning to rental compounds the sense of loss and strain imposed on this group by their change in circumstances. They need to restart their lives but lack 'renter knowledge' and the skills required to negotiate the rental market.

Pragmatists are those who are generally managing, at least in the short term, and who acknowledge and articulate the benefits of renting as opposed to owning. Many were paying relatively high proportions of their income towards housing but were doing so as a result of trade-offs made to reflect family or location choices (or limits to the compromises they are willing to make). Many are reconciled to life's ups and downs, and their pragmatic view is often shaped through a resigned acceptance that home ownership is increasingly out of reach. They represent a significant trend

among long-term renters and, while coping at present, the rise in this group of non-asset-building renters presents significant risk, both individually and institutionally, as they move towards retirement.

Aspirant purchasers

Our aspirant purchasers struggle with the tension between a desire to own their own home (which many within the preceding three types would also relate to) and their ability to be in a position to do so. A critical common characteristic of aspirant purchasers was full-time secure employment and, typically, two incomes. Many older renters who still aspired to home ownership were beginning to recognise that this was no closer than 10 years earlier and were exhibiting an increasing sense of anxiety about the implications of remaining renters for the long term.

Recent purchasers

The *stretched* are those who had very little slack in their capacities to pay when they entered home purchase. Many have young, growing families and had limited capacity to save before they purchased, which meant they have no buffer to cope with problems as they arise. They have been hit hard by interest rate increases (which took place before the surveys) and have adopted a range of management strategies to re-jig already tight budgets. Many have worked longer hours or taken on a second job, with the resultant pressures on family life. They are concerned about the risks to their income if the labour market softens. Others are managing less well, and in extreme cases have had to increase debt, either through credit cards or on their mortgage, in order to release funds to meet increased interest rates, or have had to approach welfare agencies.

The *focused* recognise that mortgaged home ownership is a significant life-changing process that, by necessity, imposes compromises and constraints on their lifestyle. While not struggling to meet repayments, a number were paying upward of 50 or 60 per cent of their income as a clear strategy to pay off the mortgage as quickly as possible. Despite their belief that home ownership should provide them with long-term security and despite their risk management strategies to ensure this was so, many were faced with insecurities and fears that their homes were at risk, and it is this that led them to working more overtime than they wished to, compromising family happiness and scraping by on 'hermit-like' lifestyles.

The *ambivalent* comprise the significant proportion of recent purchasers who are just getting on with things: they recognise ongoing affordability as an issue but they would not consider themselves stretched. This type also encompasses those who were not necessarily driven by strong aspirations to become home owners but ended up there because it seemed the right thing to do at the time or because, on balance, it appeared to provide a more cost effective option than continuing to rent. For some it was a result of peer pressure or a sense of being left behind. Among these were those who had a realistic assessment of the advantages and disadvantages of both renting and owning.

Policy implications

Our findings highlight the increasing complexity of challenges facing the housing system, and how Australians are negotiating the choices and constraints presented. While focused on the experiences and outcomes of a targeted band of lower-income households, considerable diversity was identified in terms of their affordability constraints, attitudes and aspirations. Given this complexity, it is equally apparent that traditional ways of understanding housing choice and constraint, and policies determined around relatively simplistic and generalised assumptions – certainly

regarding the role and remit of the private rental sector – are becoming increasingly outmoded. This is compounded by parallel fragmentation and segmentation seen in the housing market: traditional frameworks of housing assistance, largely premised on assumptions of relatively homogenous housing markets and consumer behaviour, no longer serve their original remit or intentions.

The housing system is changing, and the dynamic of housing markets shaping the housing choices and constraints of Australians is a constantly shifting one. There are winners and losers in any such system, but the role of fair and equitable policy is to minimise the strains on those households most at risk and to provide a framework that offers opportunity for mobility, encourages asset building and enables movement between tenures.

Although the issues facing each of the identified types in our renter and recent purchaser typologies are of interest and raise a series of policy questions, some warrant more attention than others. Of our renters, the strugglers and backsliders are of more pressing concern in the short term, although the emergence of a significant number of pragmatists raises important questions regarding longer sustainability and the risk associated with this group as it ages without the opportunity to build property-based assets.

Our interest in aspirant purchasers and the challenges involved in getting ‘over the hurdle’ focuses on what appears to be the growing gulf between aspirations and objective ability to do so, and the importance of a full-time permanent income (preferably two) in a work environment which is increasingly fragmented and casualised.

Immediate policy interest in terms of our recent purchasers focuses on the stretched – both the relatively small number under severe immediate constraint, and the larger proportion who are managing at present but with difficulty, and who would struggle if external factors such as employment opportunities or interest rates were to change significantly. However, the highly constrained lifestyles of focused purchasers – putting any spare cash ‘into the house’ – also highlights a loss of long-term stability. For many this means that home ownership, instead of being a symbol of security and stability, has become a risky undertaking contributing to a sense of insecurity.

As such, across our cross-tenure sample, three core ‘pressure points’ in terms of declining housing affordability are identified, and associated policy considerations provided in the full report. These recognise:

→ a need for better outcomes for long-term renters

Long-term renting is a reality for a significant cohort of lower-income Australians, and more strategic responses are required to ease both pressures in the short term and lack of sustainability and lack of opportunity for asset building in the longer term.

→ a need for better mechanisms to facilitating access to home ownership

Not all those wishing to access home ownership have the means to do so, and policies seeking to assist people into ownership need to be clear about who they are targeting and what they are seeking to achieve. Acknowledging an ‘aspiration’ gap recognises the need for effective alternatives.

→ a need to acknowledge the ongoing risks faced by marginal home owners

For many home owners, the need to manage risk at the household level has changed their relationship with mortgage financing. While some lower-income

Australians are stretched in terms of meeting essential costs, for others the stress is self-induced. Both have policy and market implications.

Policies need to be more comprehensive and coordinated, but also more nuanced and flexible in order to meet diverse consumer needs and respond to contemporary challenges. Policy must also recognise the predominance of risk and the pervasiveness of risk management strategies (for some this is aligned to simply 'coping') adopted by many households, which underpin their housing decisions and broader wellbeing. Our findings reinforce a number of recent reports on Australian households and family wellbeing, e.g. Human Rights and Equal Opportunity Commission (2007) and Relationships Forum Australia (Shepanski and Diamond 2007). These reports point out that economic growth is not translating into an improvement in financial, social or family wellbeing for all Australians, and that Australia's general affluence disguises hardship and struggle for many households. Indeed, many face a continuing existence of stress, dissatisfaction or hardship, or some combination of all three. The need to disaggregate and build a more nuanced picture – and for policy to have the means to respond to this more diverse picture – becomes ever more apparent.

1 INTRODUCTION

1.1 Background

The findings in this research paper are part of AHURI National Research Venture 3 (NRV3), which seeks to provide a comprehensive assessment of housing affordability for lower-income Australians, addressing the scale, complexity of debate and policy imperatives from a wide and coherent range of perspectives. NRV3 has produced a number of previous reports on topics that include defining and measuring housing affordability (Gabriel et al. 2005), housing affordability and its potential impact on the economy (Berry 2006a,b), analysing affordability and housing stress (Yates and Gabriel 2006), and affordable housing policy in Australia (Milligan 2005).

These studies have provided us with a rich understanding of the affordability problem in broad terms. We know its scale, its spatial distribution, in which tenure it is experienced most intensely (private rental), and upon which households the burden falls most sharply (singles and sole parents). However, we have less insight into how both renters and recent purchasers experience, identify and negotiate housing affordability in their everyday lives. This paper seeks to address this through focusing upon the experience and impact of housing affordability concerns at the household level: what hardships are experienced, what compromises and trade-offs are made to cope with them, how affordability affects expectations and perceptions of home purchase (in the case of renters), and how some recent purchasers find themselves on the margins of financial stress.

In so doing, the research seeks to respond to valid concerns (Hulchanski 1995; Seelig and Phibbs 2006) regarding the use of purely normative approaches to addressing affordability concerns based upon a measure of the percentage of income spent on housing costs. Such approaches help indicate the potential scale of market imbalance and housing stress faced, but where used in isolation are less valuable in determining how individuals and households experience such problems and how they act, given the constraints and choices faced.

It is strongly argued here, as indeed throughout NRV3, that a better understanding of the diversity of household experiences and negotiations of housing affordability has clear implications for housing policy. It helps identify the complex housing pathways for lower-income Australians that have become increasingly apparent at a time when those levers that are in place, such as Commonwealth Rent Assistance (RA) and the First Home Owner Grant (FHOG), are essentially untargeted and non-responsive to this increased diversity. A fragmentation in how households experience and seek to negotiate housing affordability stress, and in particular how they make the transition between renting and ownership, has not been matched with commensurate policy mechanisms to equitably address these market failures. Understanding this diversity, not only in terms of the drivers of housing affordability stress but also in gaining insight as to how both renters and recent purchasers have adapted, coped (or not) and developed strategies (or not), identifies the need not only for more tailored responses but also the potential scope and nature of those responses.

1.2 Research approach

1.2.1 *A comprehensive empirical investigation*

This research paper reports upon two major components of primary fieldwork carried out for NRV3 to help develop a more nuanced understanding of housing affordability and its effects on lower-income Australians. The first component of this research draws upon two postal surveys (one administered to renters, one to recent

purchasers), which together provide the basis for a rich analysis of the nature and extent of affordability concerns expressed by lower-income Australians. Each survey was designed to enable quantitative analysis of who is affected, how they are affected and the impact of those effects on wider household outcomes. In conducting surveys with both renters and recent purchasers, a second core aim was to provide a more detailed insight into the relative degree and nature of affordability concerns and constraint across these different tenures. As well as providing further understanding of where housing affordability has the greatest impact, the findings help identify and demonstrate the interconnectivity across tenures arising through affordability constraint and add to our understanding of the more complex housing careers being evidenced in 21st century Australia (see AHURI NRV2, Beer et al. 2006).

Our second research component flows in part from the first. With the benefit of focus groups and in-depth interviews with renters and recent purchasers across three states (New South Wales, Queensland and Victoria), qualitative research builds a more nuanced understanding not only of who is affected by housing affordability concerns, the factors that lead to those concerns and their impact, but also how those experiences are understood, negotiated and lived with. Although participants for this component of the research were drawn from our postal survey respondents (and therefore 'pre-sampled'), their experiences, aspirations and strategies varied considerably, even where their household structure or the proportion of income they spent on housing costs were not necessarily different. Through more in-depth understanding of the circumstances of renters and recent purchasers, these qualitative findings help further elucidate the ways in which housing choices mesh with life choices, opportunities and events, and how this affects both objective and subjective assessments of their housing affordability and situation. Fundamentally, the narratives provided help us to understand the links between housing costs and affordability required in normative analysis, and helps indicate how policy can be shaped and directed in ways that are both targeted but also more responsive to addressing affordability issues as experienced rather than as might be assumed.

Together, the surveys, focus groups and interviews provide an incredibly rich resource in terms of data and insight. While recognising the strengths of a multi-methods approach, the challenges of integrating insight from quantitative and qualitative components of this research are equally acknowledged. Indeed, a number of these tensions are apparent both in the findings reported and in the framework within which they have been analysed and articulated through this paper. Given the wealth of information derived from the primary research, it was determined that this resource should be drawn upon in sufficient detail within a combined report to provide a reference point for NRV3 more widely and the final report in the NRV3 series in particular. As such, different users may find the detail and focus in different sections of the report of more value than others.

1.2.2 A whole market approach

A cross-tenure approach underpins NRV3 interest not only in affordability within housing submarkets, but in the connections and dynamic between those submarkets. Housing affordability and the affordability 'problem' have been prominent within both academic and media debate in recent years. A variety of indices, employing a range of methods to track affordability, have tended to focus our attention on the affordability of accessing and sustaining home ownership. According to measures such as those produced by CBA-HIA, REIA and Demographia, concerns regarding affordability in the market across Australian cities are peaking towards their worst levels since 1989 (see Yates and Milligan 2007). Stretched income-to-house-price ratios, a low proportion of first-time buyers, and media stories from the 'battler belt' charting the

rising number of mortgagee possessions point towards the real impact of affordability upon everyday lives. Although not at the forefront of media interest (until recently), academic and policy interest – not least from members of the NRV3 team – has also focused on the incidence of ‘housing stress’ for both renters and purchasers and on the changing nature of traditional trajectories between tenures, with renters increasingly trapped or tied pragmatically to private renting over the long term (Bourassa et al. 1995; Wood and Stoakes 2006; Wulff 1997; Yates 1994, 1997).

This study recognises that affordability affects the whole market and acts to shape and constrain decision-making across a wide range of groups. However, the research focuses on those lower-income households for whom affordability constraints are considered to have a disproportionate impact – in particular:

- **long-term renters** and particularly economically disadvantaged households more vulnerable to risk and uncertainty in income and wellbeing;
- **aspirant purchasers** who, given dramatic dwelling price rises in recent years, may face increased barriers to accessing ownership and find it necessary to postpone, or indeed give up on, intentions to buy a home;
- **recent purchasers**, highly geared in terms of home loan commitments and adjusting to the costs and responsibilities associated with ownership.

Through exploring both renter and purchaser experiences, the research considers affordability concerns across tenure for lower-income Australians. The causes of housing affordability stress are multiple, interacting and complex. As a result, the affordability problem should not be seen as one problem, but as a series of interconnected problems that affect both rental and home ownership markets. Many of the issues driving affordability constraint and their outcomes are quite different for renters living from fortnight to fortnight, compared to those for recent purchasers who are feeling the pinch of recent interest rate rises. However, there are also considerable factors that link the drivers affecting these groups, and their affordability experiences and outcomes. The interconnection between tenures is further highlighted by the apparent stretching of the affordability gap between renting and owning, with increasing difficulty experienced in getting on to the housing ladder, and renters choosing to postpone purchase or finding themselves trapped in an imbalanced market.

Therefore a key reason to explore affordability issues with both renters and recent purchasers in the one study is to demonstrate how the changing structure of the housing policy environment and the housing markets, and the financial and institutional frameworks in which they operate, directly affect groups across the tenure divide. The difficulties of aspirant purchasers struggling to access home ownership affect a rental market from which they delay exit: a tenure that now performs not only a transitional role but, for a significant cohort, appear to increasingly represent their long-term housing options. Where the market does not function well – and affordability constraint can be seen as symptomatic of market failures of varying degrees – all households are affected.

The cross-tenure nature of the research was validated through the experiences of the majority of our respondents. A small yet significant proportion of our long-term renters had been home owners at some point in their lives, often having experienced marital breakdown or economic, health or family circumstances, which had led to the loss of a home. This raises the question of whether barriers to ownership should be the thrust of affordability debate and policy. For at least half the renters, achieving (or re-achieving) the Australian dream of owning their own home remained a primary aspiration, although their income and saving positions as revealed by our research

suggested that their aspirations were not grounded solidly in reality. Similarly, while some recent purchasers had moved straight from the family home to their own property, most had some experience in the private rental market. Indeed, many had accrued more years in the tenure than some of our long-term renters. A number of our purchasers had rented for almost 25 years prior to buying.

In terms of identifying similarities, talking to both renters and recent home owners highlighted shared constraints, decision-making in terms of trade-offs and the impact of housing costs on non-shelter outcomes. For many recent purchasers, the trade-offs and the affordability constraints faced shared strong parallels with those of many long-term renters. Discussion from both sides of the ownership hurdle also revealed interesting perceptions regarding barriers to home ownership, such as getting a deposit together, and motivations driving purchaser behaviour. While this research does not debunk concerns regarding the increased barriers in moving from renting to ownership, it does identify how and where access to ownership for lower-income Australians occurs, and provides insight into movement between the sectors and the motivations and strategies that enable people to do so. It also raises issues that challenge the narrowness and orthodoxy of some of the current debate about the affordability of home purchase and appropriate policy responses.

1.3 Research aims and themes

1.3.1 Research aims

This research aims to provide a more detailed analysis of how housing affordability constraint is experienced and negotiated by lower-income Australians. In so doing, it seeks to determine the impact on renters and recent purchasers, and the implications for moving from renting into home ownership. With a focus on affordability at the household level, we have considered in detail how lower-income Australian households negotiate affordability issues over time, and the extent to which the structure of the household itself affects its affordability position.

Table 1.1 outlines the three areas of interest that have structured our research questions and subsequent analysis: the question of household choice and constraint in negotiating and shaping housing affordability concerns; the impact of context and wider 'structural' effects on households' assessment and response to housing affordability issues; and whether the timeframes in which households are affected by housing affordability concerns are changing.

These areas of interest are explored in more detail in the following sections and are joined by a fourth: living with risk. The increasingly pervasive impact of risk, as perceived and negotiated at the individual or household level, emerged as a key defining factor influencing the diversity of household decisions and experiences among both renters and recent purchasers.

Table 1.1: Guiding research questions

Negotiating choice and constraint

How can we define choice in this sector of the market, and how far does choice enter into the housing consumption decisions made by such households?

What is the range of household-related factors that push or persuade high-risk households to consume more housing services than they can ostensibly afford?

What are the trade-offs made by households with poor affordability outcomes? Are they an acceptable result, or do they reflect a lack of affordable alternatives?

The impact of wider housing market and labour market contexts on how affordability is experienced and negotiated

Have affordability constraints heightened as a result of shifting social, economic and labour market factors? How do these effects manifest them spatially?

How do households respond, adapt and re-evaluate housing options according to evolving circumstances?

What coping mechanisms and strategies are adopted by households in response to affordability concerns?

The duration of the household affordability problem

Are affordability concerns cyclical, related to different stages in the housing life cycle, or increasingly a long-term and permanent phenomenon?

Are barriers to ownership primarily related to entry or ongoing costs?

1.3.2 Negotiating choice and constraint

To date, there has been relatively little research undertaken on links between high housing affordability concerns, the trade-offs that households have to make to achieve affordability, and the real and potential personal and community costs that flow from these trade-offs. Decisions made at the household level, which then affect housing outcomes, and the extent to which these are shaped through choice or constraint, are central to this component of NRV3. Many people face relatively few constraints upon exercising choice, e.g. in terms of location, tenure or size of dwelling. For others, choice can only be exercised within limited parameters defined by the level of constraint experienced.

While household decisions take place within a context of affordability, how that affordability is articulated reflects several factors, including self-assessed conceptualisations, expressions of 'need', and the adoption of different financial and risk management strategies (Seelig and Phibbs 2006). Housing costs that in normative terms may indicate stress (e.g. exceeding the '30 per cent of income' benchmark) might be considered 'affordable' by households who have made trade-offs that they can easily identify and articulate or adapted their circumstances to such costs. Thus for some, the costs of rent or mortgage are considered 'fair' or 'realistic', even where those costs lead to significant restrictions in other aspects of household expenditure.

Defining and expressing choice is inevitably a problematic issue. As shall be discussed, many 'choices' made by renters and indeed purchasers involve expressed needs that are in fact non-negotiable. For example, the trade-off between higher costs and a larger property is quite different for a single person than for a family of six. Equally, while the concept of exercising choice is useful in terms of understanding some people's housing pathways, for those under considerable strain it fails to capture either the lack of ability to manoeuvre or the ongoing feeling of insecurity. 'Choice' implies the opportunity to shape outcomes that for some is simply not there.

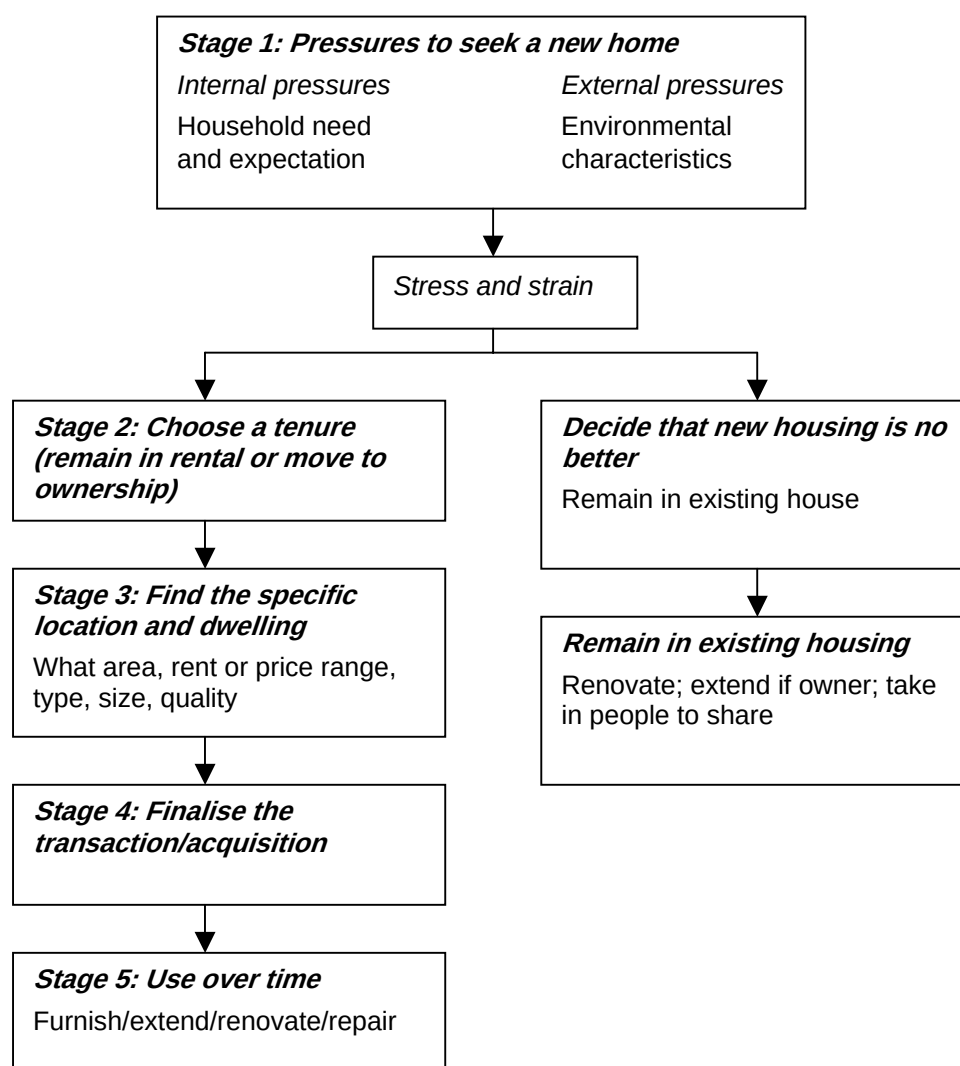
Both renters and recent purchasers typically weigh up options, make decisions and can justify trade-offs made. Both are in an ongoing process of assessing possible forward options in relation to current and potential circumstances. There are significant variations in the contexts in which trade-offs are made, however, and in the strategies developed to negotiate both immediate pressures and longer-term security. At one level, it can be argued that 'choice versus constraint' is less relevant in the context of recent purchasers: no-one has to enter home ownership, and those likely to face the most detrimental constraints within the housing system are likely to be in the private rental sector. Nevertheless, by exploring these issues across tenure, i.e. in relation to both renters and buyers, this research aims to show both similarities and key differences in notions of choice, constraint and household responses to the need for trade-offs. The strategies developed and trade-offs considered acceptable among recent buyers, albeit with resignation, are sometimes more financially debilitating in the short term than those made by renters.

Academic debate regarding housing tenure choices in Australia and the dominant preference for home ownership has been described widely elsewhere (Baum and Wulff 2001; Burke et al. 1984; Kendig 1981; Troy 1991; Winter 1994; Wulff 1993;). Rather than reiterating that debate, this research seeks to understand the trade-offs made by renters and purchasers in reaching the position in which they now find themselves, and how these trade-offs affect affordability considerations.

In analysing household affordability choices and associated trade-offs, this study has been guided by a decision-making model adapted from Brown and Moore (1971) and summarised in Figure 1.1. The model illustrates the processes leading up to the act of rental or purchase. The decision to rent or buy a new dwelling, or move into independent living for the first time, is typically kick-started by a feeling that the current dwelling or location is not appropriate to a household's financial, lifestyle and/or stage of life circumstances (Stage 1).

This could be a result of conditions within the household or person, or a response to the current living situation, such as a perception that more space, greater privacy or enhanced status is needed. Alternatively, it could be a response to external conditions, such as eviction, amenity or employment prospects. This creates the 'stress and strain' pressures to consider whether to move or remain in the existing home. If a household decides to move, or is forced to, the next stages involve the choice of a tenure (Stage 2), the search for a location and an appropriate dwelling (Stage 3), the finalisation of the search process (Stage 4) and use of the chosen dwelling over time (Stage 5).

Figure 1.1: The decision-making process



Source: adapted from Brown and Moore (1971)

Households differ greatly in the choices and trade-offs exercised at and within each stage, and their housing problems can occur at any or all of these stages. For example, affordability constraints may restrict choice to a limited range of locations, a dwelling of poor quality or a dwelling inappropriate to needs. Alternatively, at the point of finalisation of the search process and when acquiring finance, households may put themselves in a position of debt that renders them at risk of loss of a dwelling or living in severely constrained circumstances. This study asked questions at every stage of the decision-making process.

The diversity of households' negotiations of 'choice and constraint' are perhaps better understood as a choice–constraint continuum rather than seeking to balance these dichotomous terms. On this continuum, some by virtue of income, wealth and household stage have almost complete choice, a small percentage are at the other extreme, and most are somewhere in between. Those at the bottom of the income ladder have virtually no choice, whether of location, size, quality or type. As income increases, choice increases. At a certain threshold within the continuum, 'choice' can also include a choice of tenure, i.e. income is sufficient to enable households to move out of rental and into ownership. Before that point, the choice is only in rental.

1.3.3 Affordability and changing market structures

The way in which both renters and recent purchasers perceive the affordability (or lack) of their housing costs will be shaped by their understanding and interpretation of their own financial, lifestyle and life stage circumstances within the context of wider labour and housing market trends at the structural level. The household acts as the nexus through which housing market drivers are focused and where residential decisions are taken. The relationship to, and position of, a household within that market clearly affects the options and constraints available. For both renters and purchasers, however, perceptions of those markets can affect how they, and in turn the market, respond, as much as the finite ability to pay a particular price for a given product.

This report will not detail the wide range of structural factors that potentially affect the housing market, such as transport policy, taxation, immigration, and finance and investment (see NRV3 Research Report 4 (Berry 2006b)). However, understanding recent trends within these policy areas is central to comprehending the choices, limits and strategies adopted by lower income households. This relates not only to absolute costs, which may lead to affordability constraints, but how households understand and negotiate their capacity to meet housing costs over time. Rather than providing a detailed analysis of their relative impact, this section offers background consideration of how these wider trends translate more generally into individual and household decision-making and negotiations, in a material sense, and also subjectively, regarding housing choices, constraints and outcomes.

Recent dramatic dwelling price increases have provided a headline concern regarding affordability and housing choice. However, changing housing and labour market dynamics perhaps have a more substantive impact upon people's experiences of, and management of, affordability. Home ownership has long been supported by Australian governments, both implicitly and explicitly. It is the preferred tenure of both renters and owners and ingrained within the Australian 'settlement' (Kelly 1992) and 'dream' (Wulff 1993). Over the past two decades, long-term structural shifts have challenged the traditional foundations of ownership.

Changing labour markets

For most households, the labour market is the source of past, present and future income. It is therefore important in shaping both perceptions and the reality of housing market decisions. Historically, Australia has not relied on a welfare program of income support as the platform from which to build wellbeing and ameliorate the harshest elements of a market system. As Henderson (1978), Castles (1985) and Bryson (1992) point out, for most of the four decades following the Second World War, Australia relied on labour market regulation to ensure a fair and stable income for households or, at least, those with a male worker. This was a major factor underpinning the growth of home ownership. Progressive labour market deregulation since the 1980s has meant, however, that more and more households have no guarantee of a stable or adequate income from which to meet housing costs.

Furthermore, for those on minimum or low incomes, housing options that provide stability and enable greater protection in an environment of uncertainty have been eroded. This has occurred through the changing role of public housing provision and allocation and, more significantly, the long-term transition from supply-side measures to those on the demand side, through the growing dependence on private rent assistance. While the merits or otherwise of stimulating the private rental sector to provide housing for lower-income people and households can be debated, it has

become increasingly apparent that the market, and the policy and institutional incentives currently shaping the market, find it hard to provide new affordable supply.

While the economy has enjoyed strong growth over the past ten years, with unemployment at historically low levels and the size of Australia's workforce at its highest level, a significant proportion of the labour market is arguably less secure and is required to be more flexible. Individual households are increasingly being asked to take on and internalise these structural risks, creating an ongoing need for heightened risk management within housing choices made by both renters and home owners, and in particular 'marginal' home owners. The sustainability of ownership in this context is not necessarily restricted to short-term affordability concerns or recession shocks, but creates long-term persistent fears regarding security.

There are a number of questions to be explored in this regard. Economic restructuring has paralleled the shifting nature and timing of household formation, dissolution, size and longevity. The extent to which these changing lifestyle, life stage and household patterns are both facilitators and a response to more flexible labour markets raises interesting issues. On the one hand, it can be argued that the housing market, although imperfect, adapts and responds to the shifting nature of these parameters shaping the market. On the other, it can be contended that concerns regarding affordability reflect a structural inability in the housing market, within current policy frameworks and associated subsidies and incentives, to adequately and equitably respond to the challenges of restructuring.

Changing housing markets

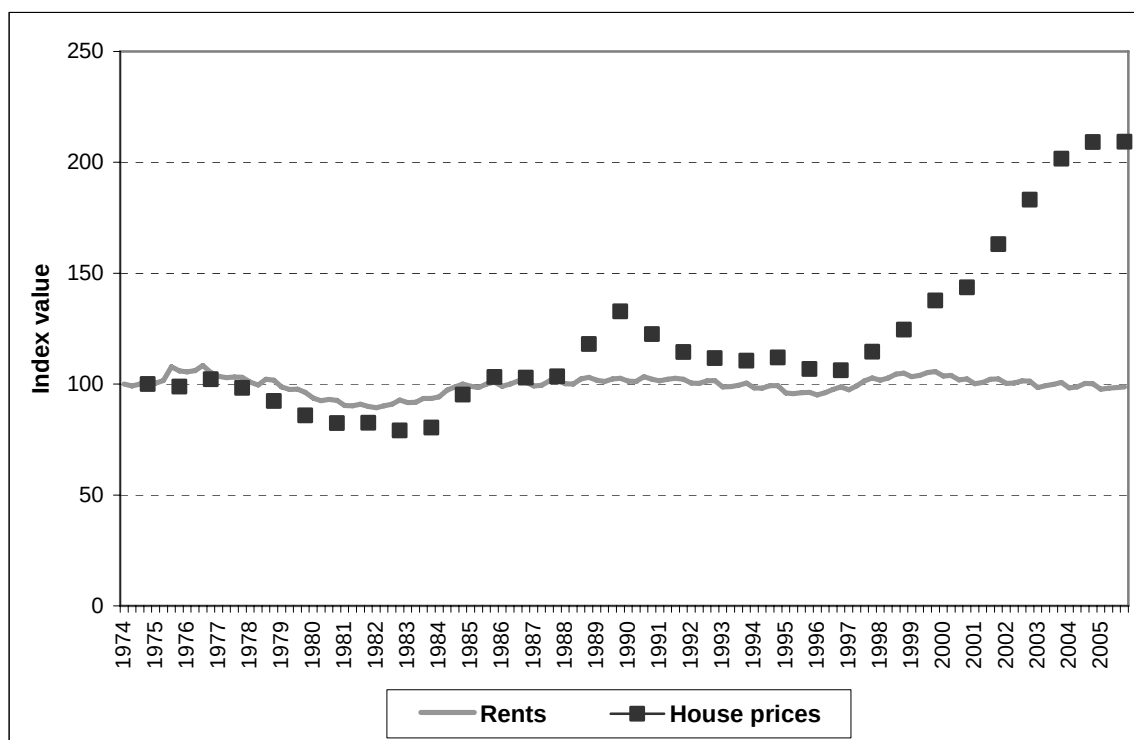
The housing market is incredibly varied in composition and performance, making it difficult to talk about a single market trend or trend averages. Nonetheless, housing market trends are the key element in making 'affordability' a recent headline issue.

Other papers in the NRV3 series have documented the broad changes in dwelling prices and income in the past decade, and the serious impact on affordability of these trends. It is important to point out that the submarkets surveyed in this study, while broadly sharing in the same national patterns of dwelling price increase, have their own drivers and patterns that shape the opportunities, constraints and experiences of renters and recent purchasers in those submarkets. For instance, renters looking to purchase a home in Woodridge (Brisbane) or Northcote (Melbourne) have faced increased barriers due to strong dwelling price growth in the past five years, while recent purchasers in Campbelltown in New South Wales and Dandenong in Victoria are, after a period of dwelling price increase, potentially faced with negative equity or at best stable prices. Outer urban areas have experienced growth, for example, Pakenham in Victoria, but not on the scale of inner areas and many coastal towns.

The rental market has received less media commentary until recently, and has been less subject to critical analysis. In contrast to recent dwelling price escalation, average rent rises have been relatively modest, and more in line with the CPI and below household income growth. A recent report by the Reserve Bank of Australia (2007) suggests that the 175 per cent increase seen in capital city dwelling prices since the mid-1990s 'has been sharply at odds with developments in rents; the ABS measure for average nationwide rents increased by around 35% over the same period'. Figure 1.2, which uses Melbourne data over a much longer time period, shows real rent changes for the past 30 years compared to those of house prices (as measured by the Valuer General's median house price statistics). The data confirms that there is no tendency in the past for rents to increase with house prices. Rents, unlike dwelling prices, are much more constant over time. The effect of the lack of responsiveness of

rents to changes in house prices has been an approximate doubling in price–rent ratios, or a halving in rental yields (Reserve Bank of Australia 2007).

Figure 1.2: Rents and house prices, Melbourne, 1974–2005 (constant 2005 dollars)



Sources: ABS, Consumer Price Index, Rental Series, 1974–2005; Office of the Valuer General, Victoria, Property Sales Statistics, 1974–2005

The reasons for this are complex and multifaceted, but generally include: that investors may trade off yields for capital gains; that average measures disguise variations within the rental sector; and that low-cost rents have been rising and high-end rents falling (Wulff and Yates 2001); and that the sheer number of lower-income earners puts a check on the ability of the sector to push up rents. As Hulse (2003) notes, almost 50 per cent of all renter households are in receipt of Centrelink Rent Assistance (RA). This payment is not indexed to the rate of rental increase, and therefore is not likely to allow lower-income households to pay for higher rents through any increase in RA.

Across our case study locations, consistent with national trends, the level of rent increases has also been less than commensurate with dwelling price rises. However, the scale of upward pressure on rents across the study areas is quite different. In the case of Sydney, in real terms, rents barely increased in the five years to September 2006. In Melbourne, real growth 12.8 per cent) was seen in smaller rental properties, mainly in inner areas, while more modest growth was identified in larger properties in the outer suburbs. By contrast, it is clear that pressures have been significant in Brisbane, with many areas seeing increases of 20 per cent and above in real terms in just two years. These pressures have also been seen in non-metropolitan coastal areas, where demand across both the purchase and rental housing markets has been high. Nevertheless, even where there have been major increases in rents by historical standards, they still have not restored price–rent ratios of the order that characterised previous decades.

The potential implications of a stretched price–rent ratio are important in framing our analysis of respondents’ understanding and experience of housing affordability and associated choices. It can be contended that for long-term renters with significant affordability concerns, debates regarding the relatively ‘good value’ of renting versus ownership are likely to be superficial: while rents may be still low compared to the indicated capital value of the dwelling, the ability of lower-income renters on fixed incomes to respond to market signals is highly constrained. Any rent increase translates into an added burden on already stressed household budgets. However, for some renters, the impact of the differences between dwelling prices and rents may be more tempered and may affect judgements about whether to remain in rental or to make the transition to ownership.

For those wanting to get on the housing ladder, the decision to purchase and the perceived benefits of ownership are not simply based on financial calculations. It will arguably be wrapped up in the intangible benefits of security, of ‘establishing a family home’, and is driven by long-term rather than economic rationales. Nevertheless, in the context of escalating dwelling prices and more modest increases in rents, the rationale and attractiveness of house purchase might be questioned. For some renters aspiring to own, the relative affordability of rents may make saving up for a deposit easier. However, the goalposts have dramatically changed in terms of the amount required.¹ A stretched ratio between prices and rent may also exacerbate the inefficiency of allocation of affordable housing stock, acting as a disincentive for those who, in more ‘balanced’ conditions, would make the move into home ownership over a shorter timeframe.

For recent purchasers, who are often long-term renters before buying their own home, affordability comparisons between renting and owning are only part of the complex motivations behind a purchase decision. Depending on the time of entry into the market, the growing gap between ownership and renting costs is likely to have contributed to significantly increased housing costs for many as they moved from being renters to owners.

1.3.4 Duration

The third guiding issue in our analysis of affordability for lower-income Australians relates to its impact over time, and whether the effects of affordability problems are temporary or long-term. Arguably, duration is important in defining different types of affordability concern, and therefore solutions to that concern. Gans and King (2003) suggest that affordability problems can be considered as either long-term or short-term. Long-term problems involve households who, for the foreseeable future, will be unlikely to have an income that would allow them to purchase appropriate housing; short-term problems involve those who over time have an average income that would be sufficient to purchase appropriate housing in the private market.

Short-term issues might encompass the threshold costs of moving within the private rental market or moving into home ownership, but may also arise due to ‘episodic’ unforeseen circumstances that affect the ability to meet ongoing housing costs. An example might be job loss or costs incurred due to ill health. This distinction is useful in helping identify structural factors affecting affordability, and thereby affects the potential role played by policy responses. However, a simple dichotomy risks undermining the complex and dynamic interrelation between these two cycles. It risks

¹ In June 2007, the HIA announced that the average first-time buyer in Sydney currently requires a deposit of over \$100,000 (assuming a 20 per cent down payment) and the ability to pay \$3,000 per month in home loan repayments.

the assumption that those experiencing long-term concern are symptomatic of failures within income and welfare policy, rather than housing policy per se, leading to a negation or deflection of the role that housing policy (or its lack) plays in this regard. Equally, without appropriate support and meaningful policy intervention, episodic events can expose households in short-term strain to the risks of a constraint cycle similar to those for whom housing circumstances have been a long-term and ongoing struggle.

A more nuanced assessment of duration is central to understanding affordability concerns and experiences across the tenure divide: for renters, for households in transition from renting into ownership, and for those in home ownership. With recognition of a significant cohort of long-term, indeed, 'lifetime' renters, traditional conceptualisations of private renting as a 'transition tenure' or a step on the housing ladder between leaving home and purchasing have rightly been problematised (Kendig 1984; Wulff 1997; Wulff and Maher 1998). Wulff (1997) identified a growing number of 'continuals' – those who had been renting for ten years or more and had often rented since leaving home. Reasons behind this increase include reduced opportunities to enter public housing and changing propensities (whether affordability-driven or not) to move towards home ownership. Recognising the private rental sector as a long-term tenure for an increasing number of lower-income Australians raises a number of affordability, and related policy, concerns.

For example, the social security net for old age that asset building through home ownership has provided for lower-income groups in Australia has started to fragment. For these long-term renters, affordability constraints may have an impact in both the short and the long term. Even for those for whom renting is a realistic and relatively comfortable prospect in their current situation, the risks of deeper financial concerns if still renting into retirement, to both individual households and the state, raise important policy issues.

Households appear to be extending the average time spent in rented dwellings (Bourassa et al. 1995). Considerable attention has been paid to whether the commensurate decline in overall ownership rates, particularly among younger age groups, points to increasing difficulties for young people in making the transition to ownership (Beer 1999; Beer et al. 2006; Burke and Ralston 2003; Percival 1998; Wood and Stoakes 2006; Yates 1997, 2000). The complex interplay between socio-demographic change, life stage and lifestyle preferences, changing labour markets and the deterioration of affordability, underpins debate as to whether visible trends are reflecting factors that prevent or postpone entry into ownership. Longitudinal studies have suggested that within this general trend, ownership decline is most significant among lower-income groups, and couples with children in particular (Winter and Stone 1998; Yates 2000).

In recent research on transitions into home ownership in Victoria between 1981 and 2001, Wood and Stoakes (2006) identified a systematic increase in lower-income purchasers with high housing cost burdens, and a parallel decline in households making the transition from renting to ownership (from 28 to 18 per cent). The increased burdens in terms of access also provide pointers to the duration of potential affordability problems experienced by home owners over the longer-term. In recent years, purchasers have entered ownership at relatively high price points and have assumed high levels of debt. While high cost burdens in the early years of ownership have traditionally been an inevitable component of purchase, the duration of affordability constraint is potentially stretched by the emphasis placed on controlling inflation and ensuring economic stability through low interest rates. Although high inflation/high interest rate environments cause severe strains on affordability in the

early years of a mortgage, within three to four years the value of the capital initially borrowed reduces relative to rising income. For many purchasers in a low interest/low rate environment, initial shock followed by expectation of reduced payments and much improved affordability has been replaced by affordability concerns stretching to the horizon.

1.3.5 *Living with risk*

As noted above, these three areas of research interest structuring the focus of our enquiry into the drivers and effects of housing affordability concern at the household level can be considered within the broader observation of the importance of risk – living with risk, developing strategies to cope with, avoid or work with risk – in shaping household decisions, whether renters or recent purchasers. As shall be discussed, the pervasiveness of ‘risk’ in terms of how housing affordability is expressed and experienced, and the presence of risk at both the household and the structural level, has become increasingly apparent. This pervasiveness can be identified in its impact on determining parameters within which choice and constraint become defined, its direct association with changing labour market (and therefore housing market) conditions, and implications for the length of time over which affordability concerns are experienced. In this section, a brief introduction to the concept of ‘risk’ and ‘risk society’ is provided.

By virtue of housing being for most the principal expenditure in the household budget, decision-making related to housing options has always involved risk. The concept of risk is central to understanding the impact of housing affordability, as is its negotiation over time at both structural and individual household levels. It is inevitably part of the household consumption decision process, whether in rental or ownership. Those who are unable to pay the rent or mortgage risk eviction or a mortgagee sale, along with associated loss of wellbeing and financial stability. Equally, providers are concerned with risk, since the act of renting out a dwelling or providing finance has a potential risk if households will not or cannot pay their housing costs, or if market relationships mean a reduction in the level of demand that will sustain a viable financial situation for provider organisations.

Beck's (1992) *Risk Society*, although not written with explicit reference to housing, identifies a period of ‘reflexive modernisation’ in which the prevailing assumptions guiding industrial society are increasingly called into question, and a logic of risk comes to play a more central role in the organisation of social relations. Beck contends that growing public scepticism about the limits of universal welfare has resulted in a new emphasis on individualised solutions to social problems, reflected in a withdrawal of nation-states from collective provision of safety nets (whether through welfare provision or regulated labour and financial markets) in favour of individualised solutions such as private insurance and financial planning. As Forrest and Kennett (1997: 343, 345) argue, while in the past ‘risk was socialised in that the state was seen as the primary guarantor against the vagaries and uncertainties of everyday life’, today ‘individuals are required to protect themselves against increasing uncertainty either through the labour market in the form of fringe benefits or through the purchase of private insurance in the marketplace’.

Thus, within a risk society, individuals are required to develop skills in order to manage risks increasingly at the household level. This can provide benefits in terms of control and improved life skills such as the ability to anticipate and plan for future dangers and risks. However, there is also the danger that if households are unable to develop these skills or to back them with the necessary financial resources, there is less of a safety net available to assist. In the context of housing, ‘risk aware’ strategies may (while economic conditions remain robust) mitigate shocks, but this creates an

ongoing need for heightened risk management within housing choices made by both renters and home owners, particularly 'marginal' home owners. The sustainability of ownership in this context is not necessarily restricted to short-term affordability concerns or recession shocks, but creates long-term persistent fears regarding security. Home ownership has traditionally required a line of credit underwritten by expectations of long-term, stable and typically rising income through full-time employment. Significant structural shifts in recent years have challenged these foundations, and the risk profile of lending has had to adapt, with much of that risk now being passed on to the mortgagee (Beer 1999; Ford and Wilcox 1998).²

Perri 6 (1998) notes that housing risks differ from other forms of risk in that they are generally chronic, ongoing rather than acute, and rarely fatal. Housing risk may fall upon whole systems and local communities, not just individuals. For example, access to cheap finance enabling people to take on possibly unwise levels of housing debt increases the risk of a system-wide impact if there is widespread foreclosure from any associated debt glut. The 2007 United States housing market and collapse of a number of the sub-prime lenders highlights this risk. Foreclosure has pushed a number of financial institutions to the edge and depressed dwelling prices, and in turn threatens economic growth (Foley 2007).

Until the early 1980s, the Australian housing finance sector was largely insulated from the wholesale money markets. A string of regulations governed how and at what price banks could raise and lend funds. By restricting the interest rate that could be charged on loans, these prevented the banks from offering fully competitive interest rates to depositors when interest rates increased on alternative investments offered by non-regulated parts of the finance system. This in turn caused banks to ration loans by imposing restrictions on who was eligible. This restricted the level of loans and protected households from excessive debt and meant that housing finance was more affordable than it otherwise would have been, but only for those eligible for a loan.

Throughout the early 1980s, the finance system was deregulated. Thus the provision of finance for housing was deeply affected by what happened in other parts of the finance sector in general, with all institutions competing for deposits, and all borrowers – whether businesses, home buyers or car buyers – effectively competing with one another for their share of funds. Housing, particularly affordable housing, no longer has any special status. Another outcome has been a broadening of the source of mortgage funds and the emergence of new mortgage 'actors' (e.g. mortgage brokers, managers and originators), with financial institutions now making use of sources traditionally only available to business, and of previously unavailable overseas sources. With more funds and competition, free from regulation, many of the practices that protected borrowers from risk have disappeared, to the degree that it is not unusual that no deposit is required, that repayment to income requirements have relaxed (30 per cent is now a minimum, not a maximum), and the definition of household income is more fluid. There is also risk in process. Research by Hall and Berry (2006), for example, indicates that there are greater risks attached to pursuing

² By contrast, the private rental sector in Australia has always been inherently risky for tenants, which in part creates the desire for ownership. Where in many other advanced industrial societies residential tenancy legislation removes the risk of eviction, other than for non-payment of rent or property damage, in Australia being a good tenant is no protection from eviction.

particular policy options, and recommend that governments consider such risks when determining an appropriate policy mix.³

In summary, risk in relation to housing has a number of dimensions and takes different forms, and the context in which households are negotiating their housing choices is a much riskier one than in the recent past. Table 1.2 summarises the trends that are potentially creating housing risks for the households central to this research, and identifies possible risk outcomes for households, organisations and society.

Table 1.2: Key household groups and potential housing risks

<i>Core group</i>	<i>Possible trend</i>	<i>Household risk</i>	<i>Societal and organisational risk</i>
Long-term renters	Increase in rents ahead of increases in income	Households move to remoter locations to find cheaper housing, leading to increase in length of commuting – this generates extra pressures on household budgets and family wellbeing Increases in homelessness and overcrowding Arrears, eviction and high mobility rate, resulting in lack of community integration, high transaction costs for those who can least afford it, non-shelter outcomes (especially affecting schooling), finances putting a strain on family relations	Increasing greenhouse gas emissions through increased vehicle usage Increasing social polarisation Health and safety concerns High mobility rates in specific locations can affect sustainability and create potential for polarisation between urban areas, reducing social cohesion
Aspirant purchasers	Increase in rents/dwelling prices ahead of increases in income	Inability to save and bridge deposit gap. Creates blocked aspirations and household stress	Frustrated potential owners creates political problem. Loss of faith in government and governance. Weakens value of home ownership. Tension between purchasers and non-purchasers grows. Puts pressure on retirement policy as housing costs absorb large proportion of retirement savings/income. Leads to increased need for housing support of the aged Cities with high barriers to home ownership become unpopular places for low- to middle-income groups. Labour market pressures and skill shortages increase

³ For example, governments need to make trade-offs between minimising subsidy costs and supporting a housing system that is not vulnerable to significant shocks. Notably, conventional public housing performs well across different housing markets when subject to such risk analysis in comparison to other housing assistance measures.

<i>Core group</i>	<i>Possible trend</i>	<i>Household risk</i>	<i>Societal and organisational risk</i>
Recent purchasers	Increase in dwelling prices	Households buy in more remote locations with cheaper housing, leading to increase in length of commuting – generating extra pressures on household budgets and family wellbeing	Increasing greenhouse gas emissions Increasing social polarisation
	Increase in interest rates	Risks are balanced by tenacious preference for home ownership, but there is already evidence in south-western Sydney of increased repossessions. Levels of debt are historically high. Loss of homes for some. For those who remain in homes, reductions in consumption in other areas Reductions in disposable income affect family relations and non-shelter outcomes like health and education	Public loss of confidence in housing market (prices fall) and in financial system. Loss of general economic confidence as a result of loan failures Reductions in consumption put pressure on other sectors In extreme cases, some pressure on financial institutions carrying bad loans Households withdraw from community, affecting social capital
	Increase in the divorce rate	High debt level households depending on two incomes for repayments forced to sell property	Financial pressures resulting from increases in housing costs puts extra pressure on social support systems
	Increase in job loss, less availability of secure work	Recent home purchasers have not been exposed to recession. A large number of mortgages depend on two incomes. High levels of debt make this a particular issue	Loss of economic confidence associated with loan failures
	Expansion of unregulated finance sector, low doc loans, high loan to value ratios	Increased risks of loan failures resulting in high personal costs	Loss of economic confidence associated with loan failures Resentment about failure of governance

Together these research themes have structured our enquiry and provided a lens for subsequent analysis.

1.4 Report structure

This report represents an extensive and rich resource of both quantitative and qualitative data, and a detailed route map for the reader is required. As noted, while both the quantitative and qualitative research explore similar core interests, the value of the insight provided through each has particular strengths and foci.

Chapter 2 provides a brief overview of the research methods used, how they work together (the challenges and limitations in this regard need to be acknowledged), and the implications for subsequent analysis.

Chapter 3 presents an in-depth overview of our postal survey sample populations. It does not report on the full extent of findings, but at this stage focuses upon offering a detailed understanding of the characteristics of our sample sets, disaggregated where feasible (and appropriate) by household type, income and levels of financial stress. This provides insight into core factors shaping the different drivers of housing affordability issues, the extent of those drivers, and through this the levels of affordability concern being experienced by both renters and recent purchasers. In drawing out this diversity represented within those captured (or not) by normative measures, this aspect of our survey analysis helps contribute to the shaping of renter and recent purchaser archetypes (see Chapter 4). Elements of the survey that help contribute to our wider discussion on how housing affordability concerns affect household decisions, experiences and outcomes are not reported in Chapter 3. They closely parallel the focus of the group discussions and in-depth interviews and are reported alongside these qualitative insights in Chapters 5, 6 and 7.

While this initial cut of survey findings helps consolidate existing insight into who is most affected by housing affordability problems in terms of household type, age and income groups, the qualitative research delivered a wealth of information on people's lived experiences in relation to affordability, including their perceptions of their own situations, and the choices and strategies they were adopting to navigate affordability issues and constraints. By drawing upon both the disaggregated analysis of our survey samples and the emergent patterns in terms of how households negotiated housing affordability issues, the use of a typological approach, and consequent identification of renter and recent purchaser archetypes, are introduced in Chapter 4.

These include strugglers, backsliders, pragmatists and aspirant purchasers among the renters, and the stretched, focused and ambivalent among recent purchasers. It is important to stress that these typologies were not determined through analysis of survey data alone, nor was our qualitative research framework dictated by exploration of these types. Rather, the typologies benefit from insight provided by, and reflect an outcome of, both the quantitative and qualitative components of the research. They are presented at this juncture because subsequent analysis in Chapters 5, 6, and 7 draws upon these typologies to explore diversity seen not only in terms of the underpinning household and income characteristics, but also the impact of different responses and attitudes to similar situations which shape perceptions and actual experiences of affordability constraint.

Chapters 5, 6 and 7 provide the heart of our analysis, and are structured to benefit from the mixed methods and cross-tenure nature of this research. As noted above, this research has a particular interest in housing affordability issues for lower-income Australians, and the impact that these may have on long-term renters, renters aspiring to move into home ownership, and recent purchasers. These provide the framework for the three chapters, exploring key housing affordability issues and themes within each of these market sectors. Chapter 5 focuses on our long-term renters, and how housing affordability is negotiated through choices made and constraints faced. We look in more detail at the current experiences and outcomes for those trapped in the private rental sector, explore how trade-offs are made (and understood and articulated by the renters themselves), and the potential implications of these trade-offs. In Chapter 6, the transition from renting to home ownership is considered from both renter and recent purchaser perspectives, and Chapter 7 explores the subsequent experiences and affordability faced by our home owners. Across these sections, the different renter and purchaser types introduced in Chapter 4 are contextualised.

Chapter 8 draws together findings from the report as a whole to identify key areas where policy interest should be focused. Taking forward the key themes and issues

identified in Chapters 5 to 7, it suggests ways in which policy might reflect more specifically the different drivers and outcomes for our renter and recent purchaser archetypes of core concern and interest. In particular, in understanding how households navigate and respond to affordability issues, policy responses can be structured not only to be more targeted in terms of those groups of most pressing concern, but also to present viable solutions that are appropriate to the contexts in which those households understand their situation.

2 RESEARCH SAMPLE AND METHODS

2.1 Introduction

This chapter provides an overview of the methods used to build up this detailed picture of housing affordability as experienced at the household level. While previous research has presented a significant amount of fairly consistent information about which groups are most vulnerable to affordability problems (Australian Bureau of Statistics 2000; Burke and Ralston 2003; Landt and Bray 1997), NRV3 seeks to provide more detailed insight into how those problems are experienced and negotiated at the household level. In doing so, a range of quantitative and qualitative methodologies have been engaged.

Underpinning the use of both quantitative and qualitative approaches has been a desire to address a number of perceived deficiencies of preceding studies, and in particular the need to distinguish the drivers and impact of affordability in temporal and spatial terms. In the case of the former, snapshot pictures typically fail to provide an indication of the duration of affordability problems for households indicated as in stress at a particular point in time, and give no indication of the extent to which the problems observed are affected by the operation of housing markets (are they cyclical or structural?). Similarly, the evidence base has been limited in providing a means of determining the extent to which affordability problems – and their potential solutions – are spatially driven. The design of both survey tools, and the geographies over which they were administered (and where qualitative research elements were subsequently held), aims to address these issues.

As noted in our introductory chapter, a multi-methods approach provides a number of strengths but also presents a number of challenges. While the quantitative and qualitative components are structured around a shared set of aims, objectives and guiding questions, the foci of their insight is necessarily and intentionally more distinct. Our qualitative research was intended not simply to provide further depth to issues arising through each of the surveys (although it does this), but also to explore issues which act to challenge assertions that may be inferred through analysis of surveys alone. This adds to the richness of the information gathered, but points to the need for the reporting of our findings to be analysed and structured in a way that recognises both these strengths and challenges.

As discussed in Chapter 4, determination of a set of renter and recent purchaser archetypes in this report seeks to provide a framework where both characteristic and attitudinal insight can underpin a more nuanced approach to understanding how affordability constraints act, and upon whom. As such, the typologies developed reflect not only clusters of particular household types and circumstances that resonate in part with our survey findings, but are in large part shaped and determined by household reactions, responses and attitudes towards housing affordability constraints that may cut across disaggregation based upon survey analysis alone.

In the following section, the two postal surveys – one with renters, one with recent purchasers, both focused on lower-income Australian households living in a range of metropolitan and non-metropolitan areas – are introduced, and a number of methodological issues are considered. The links between this quantitative element of the research and subsequent focus groups and in-depth interviews are then discussed. Finally, a brief introduction to the qualitative aspects of the research is provided.

2.2 Postal surveys

In developing a comprehensive research framework, it was determined that two special-purpose quantitative surveys would be used in order to underpin the NRV3 team's understanding of the drivers of affordability problems, who has an affordability problem, and how affordability effects differ both spatially and over time. The surveys were designed to enable the exploration of similar issues with both renters and recent purchasers. Together, they provide a wealth of material on the characteristics and experiences of long-term renters who are likely to remain 'trapped' in the tenure and of those who have recently purchased, and highlights many similarities but also key differences between the two, which help explore in detail the barriers faced in accessing home ownership. A copy of the postal survey is attached as Appendix 2.

The rental survey was administered via a large-scale mail-out to 11,250 households in New South Wales, Queensland and Victoria. With the cooperation of the rental authorities in each state (Rental Bond Board in New South Wales, Residential Tenancies Authority in Queensland, and Residential Tenancies Bond Authority in Victoria), household addresses were located within the suburbs/postcodes specified by the research team, with the further specification of an upper rent range cut-off for each suburb/postcode, and the surveys were distributed only to households below this upper rent limit. In total, 1,381 usable responses were returned.

Due to privacy concerns in Queensland, the recent purchaser survey was limited to New South Wales (with the co-operation of Residex) and Victoria (REIV). This was administered to 3,750 households in Victoria and 3,300 in New South Wales, providing a total sample number of 6,050 households. In total, 399 usable responses were returned (see Table 2.1).

Table 2.1: Sample size by state

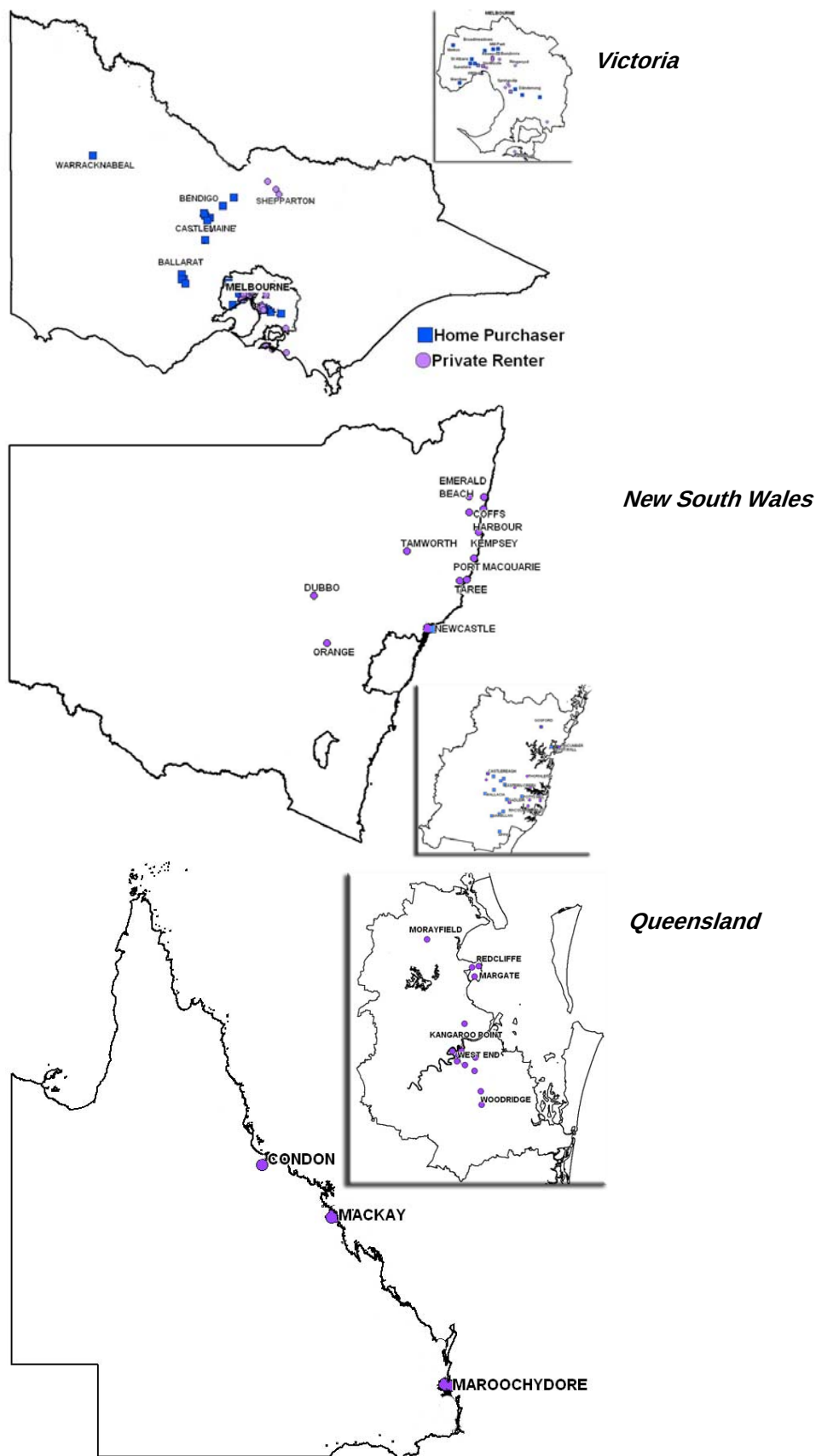
<i>State</i>	<i>Renter sample</i>		<i>Purchaser sample</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
NSW	375	27.2	222	56
Queensland	502	36.4	N/A	N/A
Victoria	504	36.5	177	44
Total	1,381	100	399	100

The areas for sample selection within each state were drawn from ABS collector's districts with high concentrations of low- to moderate-income private renters and purchasers (given the focus of NRV3). As such, the surveys are not intended to be representative of all renters and purchasers in Australia. The study sought a balance between metropolitan and non-metropolitan areas; within the metropolitan areas, it focused primarily on outer lower-income districts, although a number of inner and middle-ring suburbs of the capital cities where gentrification pressures have been felt (for example, Thornbury in Melbourne and West End in Brisbane) were also included in the renters survey. The collector's districts were also chosen to exclude those with high concentrations of students, as their low incomes would have skewed the sample.

Figure 2.1 shows the locations of collector's districts in Victoria, New South Wales and Queensland to which the surveys were administered. Given the identification of areas relevant to the sample profile desired in each case and a desire to target areas either with high levels of private renting or the 'recent mortgagee' neighbourhoods respectively, the two surveys have different geographies across each state. For example, renter non-metropolitan interest in Victoria focused on Shepparton to the

north and Bass Coast to the south, whereas the recent purchaser survey went to the regional cities of Ballarat, Bendigo and Castlemaine. In the metropolitan areas, there are some areas where these markets overlap to a certain extent, such as in Penrith (NSW) and the south-eastern suburbs of Melbourne (Dandenong, Springvale).

Figure 2.1: Distribution of postal survey locations by state



Although the surveys were restricted to three states, it is argued that a robust picture with national relevance in both metropolitan and non-metropolitan teams is captured. As noted in the introductory chapter, housing market and rental trends across our geographies of interest have exhibited significant variation, perhaps most profoundly seen in the rather different trajectories of Sydney and Brisbane post-2004.

The response rates were mixed; a total of 1,381 usable returns for the renters survey were fairly evenly distributed across the three states (from 375 in NSW to 504 in Victoria), whereas the recent purchaser survey had a poor response rate, compounded by the fact that it only went out to New South Wales and Victoria. Just 399 usable returns were received. A number of reasons can be postulated for this. First, the original data sources (whether from REIV or Residex) are not as reliable as those of the rental authorities, and may include properties that were as yet not occupied or had address errors and were returned 'address unknown'. It is also likely that purchasers are less willing, or feel less need, to talk about their circumstances. The sampling frame for both surveys is summarised in Table 2.2.

Table 2.2: Sampling frames

<i>Renters survey sample frame</i>	<i>Purchasers survey sample frame</i>
All ABS collector's districts (CDs) for the three states were extracted from CData 2001 and ranked by the SEIFA (Socio-Economic Indexes for Areas), with the lowest four deciles (the bottom 40%) of SEIFA CDs selected	Areas of low to moderate dwelling prices (relative to their regional markets) were identified using Valuer General property sales statistics
For all the CDs selected, those with the lowest 40% of income were identified	Upper price limits were specified for each area, reflective of its housing market
CDs with less than 40% of households in the private rental market were excluded	Sale date ranges were specified to target recent purchasers
Those with more than 20% of households renting from a state or territory housing authority, and those with more than 20% of residents attending university, were excluded	

Detailed statistical analysis of the socio-economic characteristics of the survey areas indicates that our sample is a good representation of households in these areas. Table 2.3, for example, shows for household type the sample responses for the renter survey compared to census rental data for the same areas, and reveals very high concordance. For purchasers, such comparison has limited validity as they are not equivalent data sets. Our survey was of recent home purchasers, whereas that of the census is of all purchasers. This could include households with mortgages of more than twenty years. Two observations regarding the purchaser survey can be made. Firstly, there is sufficient representation of all household types. Secondly, the greater representation is from couples with children and childless couples, as would be expected in suburban areas of moderate income.

Table 2.3: Distribution of household type. Renter survey compared with census data for private renters.

<i>Household type</i>	<i>Urban</i>		<i>Rural</i>		<i>Total</i>	
	<i>Sample</i>	<i>Census</i>	<i>Sample</i>	<i>Census</i>	<i>Sample</i>	<i>Census</i>
Single or sole person	33%	30%	29%	29%	31%	30%
Couple without children	19%	20%	18%	16%	18%	19%
Couple with children	18%	23%	20%	25%	19%	23%
Single parent with children	18%	14%	25%	22%	20%	16%
Group of unrelated people	12%	13%	7%	8%	11%	12%
Total	100%	100%	100%	100%	100%	100%

Nevertheless, the wide spatial distribution of the renters, together with the poor response rate of recent purchasers, placed significant constraints on the degree to which spatial disaggregation of our quantitative data can be undertaken.

2.3 Creating income comparability

The question of income, both its level and its nature, is inevitably central to understanding how housing affordability constraints are determined and negotiated. Guiding this study (and NRV3 more generally) is a general assumption that households in higher-income groups – whether rental or ownership – are faced with fewer constraints and therefore where affordability concerns arise this is largely through the exercising of choice. Nevertheless, while our focus is on lower-income households, the results from both surveys offer good representation of higher-income quintiles, enabling comparison between lower-income households and those on higher incomes. Thus, for both renters and purchasers, two broad income categories have been used:

- a lower-income cohort: those who fall in the two lower-income quintiles and whose housing costs exceed 30 per cent of income;
- a higher-income cohort: covering all other income categories, irrespective of whether their housing costs are above or below 30 per cent.

However, one of the problems in any survey analysis where income is a key variable is the problem of comparability. Two issues of comparability had to be addressed in this study: that between households within the two tenure categories, and that between renters and purchasers.

A household with a higher income might appear better off, but it depends on household size. A household of several renters, for example, requires a higher income than a single renter in order for both households to enjoy a comparable standard of living. Thus, to compare incomes across different household types, the income has to be equivalised, i.e. adjusted for the living costs associated with different household sizes. Using appropriate equivalence measures, all households have been so equivalised, except for group households which, given the problems of equivalising such households and the fact that there were so few in the sample, have been excluded from the sample.

Table 2.4 shows the income ranges for the various renter household type in the lower and higher income categories before and after equivalisation.

Table 2.4: Renters, pre- and post-equivalised incomes

<i>Household type</i>	<i>Household quintiles</i>					
	<i>Lower income</i>			<i>Higher income</i>		
	<i>Number</i>	<i>Maximum non-equivalised</i>	<i>Maximum equivalised</i>	<i>Number</i>	<i>Maximum non-equivalised</i>	<i>Maximum equivalised</i>
Single or sole person	248	\$442	\$442	302	\$2,885	\$2,885
Couple without children	100	\$654	\$436	183	\$4,423	\$2,949
Couple with children	176	\$1,135	\$441	112	\$3,846	\$2,137
Single parent	208	\$923	\$445	52	\$2,500	\$1,923

The other comparability issue is that of renters versus purchasers. Because the income required to enter ownership is so much greater than that of most renters, the lowest income quintile points had to be different for the two groups. For renters, the method of creating the two lowest quintiles was to identify the cut-off point for the fourth decile from the 2001 census indexed to September 2006 (the time of the survey) and apply this to the renter sample. Hence the data in Table 2.3. If these cut-off points were used for purchasers, however, there would hardly be any purchasers in the sample; how many single person households, for example, would be able to purchase on \$23,000 per annum, or couples without children on \$34,000? To overcome this problem, the cut-off point for the two lowest quintiles of purchasers was not externally created, i.e. linked to census data, but was an internal one created from the sample itself, i.e. for each household type, the lower income point was that at which 40 per cent of the sample of that household type was reached. This means that the purchasers and renters are not strictly comparable groups and therefore only limited comparisons are made throughout the study.

2.4 Linking qualitative research to the surveys

Recruitment for the qualitative components of the research was enabled through those completing a form separate to the postal survey indicating willingness to participate in further research activities related to this project. Thus our sample was drawn from survey respondents. Furthermore, questions to be explored in group and interview discussions could build upon issues and themes emerging from the postal surveys. By drawing respondents from a shared population, the method presented opportunities to extrapolate back in-depth insight gained through the qualitative research to the larger survey sample.

While this link provides a number of benefits, the opportunity to maximise these was mediated by a need for pragmatism, not least due to the limitations placed on segmentation given the sample sizes and their spatial distribution. In part this reflected the breadth in number of postcodes to which the surveys went out, but also the variable 'conversion' rates in terms of expressing interest in taking part in further work between states and localities. In a number of localities, the numbers were simply insufficient to feasibly recruit and hold groups; in others, recruitment would require a high acceptance rate from the small prospective respondent pool.

Inevitably, qualitative research could not be carried out in all the areas where the postal surveys were administered. Selection of potential locations for groups and interviews drew upon background socio-economic and housing market analysis of the

postcode areas, and an initial analysis of their response profiles. With initial analysis of responses from the renters survey available, there was opportunity to inform the appropriateness of locations and the likelihood of being able to recruit participants. Analysis based on selected variables from the survey was run to distinguish between long-term renters and aspirant purchasers, with each cut producing a breakdown of respondents in terms of whether they met appropriate criteria, by postcode.⁴

While this analysis helped identify areas where renters – based upon those variables selected – can be segmented, it does not necessarily mean that respondents from those areas were then also included in the sample of those willing to take part in further research. Nevertheless, and despite the small sample sizes, the analysis provided a broad indication at the locality level of respondent profiles, helping steer research teams as to where groups could be held, sample numbers allowing. Given the focused targeting of the purchaser survey and the relatively small sample pool from which to recruit geographically defined groups, determining where purchaser groups should be held was more straightforward. Although the survey went out to metropolitan and non-metropolitan regions, it was decided to focus attention on affordable market locations in outer areas of Melbourne (Dandenong, Sunshine) and Sydney (Penrith, Campbelltown). With the purchaser survey not going out in Queensland, it was not possible to recruit groups in that state.

It is important to acknowledge that from those completing the survey, expressing willingness to be involved in further research, who were contactable, and able to actually attend groups, it is likely that the sample missed some of those that the research ideally would have liked to reach. Inevitably, participants were self-selecting, which potentially reflects a degree of confidence and/or interest in taking part in research, or equally an interest in having an opportunity to voice concerns.⁵ An observation from the recruitment process was the high occurrence of disconnected or unavailable telephone numbers when attempts to contact them were made. There was a gap of four to five months between respondents completing the renters postal survey and subsequently being contacted at this stage, and it is likely that those changing addresses frequently may have dropped out of reach as a result.

2.4.1 Focus groups

The research framework had planned for a total of eighteen focus groups across the three States: six groups to be held in each state; with renters (ideally, two with

⁴ Dataset cuts based on survey responses.

Cut	Aspirant purchaser	Long-term renter
1	Did not agree with question 26d (it is a constant struggle to pay regular bills) Employed full-time or on a pension with children Age below 65	Debts >\$2000+ All agree with question 26d Of all age groups
2	'Likely' response to question 13 (how likely to one day purchase own home?) Employed full-time or on a pension with children Age below 45	'Unlikely' response to question 13 (how likely to one day purchase own home?) Debts >\$2000+ Of all age groups

⁵ Although a participant incentive was paid (\$45), the extent to which this shaped willingness to attend groups was not clear. Despite this incentive, recruitment was difficult in a number of cases, particularly in Victoria; on the other hand, some said that it made a long, inconvenient trip by public transport worthwhile (for example, travelling from Liverpool for a group in Penrith in Sydney's outer west), and others commented on it making a real difference to their budget that week.

aspirant purchasers, two with long-term renters) and two with recent purchasers. In the event, seventeen groups were held, involving approximately 100 participants. Just four purchaser groups were held (two each in NSW and Victoria), due to the survey not going out in Queensland. Additional renter groups were held in Woodridge (Qld) and Ryde (NSW) in response to recruitment difficulties in Queensland (see Table 2.5).

Table 2.5: Focus group locations

	<i>Victoria</i>	<i>New South Wales</i>	<i>Queensland</i>	<i>Total</i>
Renters	Thornbury	Penrith (2 groups)	West End/ Kangaroo Point	13
	Dandenong	Ryde	Maroochydore	
	Shepparton	Coffs Harbour (2 groups)	Redcliffe	
			Woodridge (2 groups)	
Recent purchasers	Sunshine	Penrith	n/a	4
	Dandenong	Campbelltown		

Among the renter groups, seeking to differentiate between long-term renters and aspirant purchasers during recruitment was difficult. As a result, attempts to provide different foci in discussions became rather more blurred, certainly as it became evident that many who considered themselves aspirant purchasers were perhaps further away from achieving those aspirations than they had hoped. Recruitment for recent purchaser groups was more straightforward, and arguably the respondents demonstrated greater homogeneity in age, household type and income profiles. Despite these recruitment challenges, and observations noted above regarding those groups perhaps less well reached given the self-selection process, the respondent profile provides good representation across the range of lower-income household groups seen in both postal surveys.

Among the renters, respondents included those who had lived in the private rented sector since leaving their childhood home – sometimes for more than twenty years; those who had started or returned to renting following life-changing events such as marital breakdown; and those for whom renting was seen as a short-term inevitability. Reflecting the postal survey samples, many of our group participants were not in full-time employment (but had been previously) and were more likely to be female than male. Where the sample did veer away from the profiles seen in the surveys, participants tended to be skewed more towards older age groups; with particularly good representation of those aged in their late forties and above. The recent purchaser groups reflected the tighter profiles seen in the corresponding postal survey, with respondents more concentrated between those in their mid-twenties to mid-forties (although with good representation across this age band). Reflecting the survey sample, the large majority of group respondents were in full-time employment. The groups benefited from a broad range of household types (including single households, couples with and without children) and a breadth of pathways towards owning their first home (some had moved straight from their family homes, some had been long-term renters, a number had rented public housing).

Collectively, the groups produced a wealth of insight which picked up and explored key areas and themes emerging from the postal surveys. These are summarised in Figure 2.2; full schedules are provided in Appendix 3. While not ‘statistically’ valid, there is some confidence that the insight provided, and in particular the range of housing histories shared and discussed, strongly captures the breadth of issues indicated by the two surveys.

Figure 2.2: Group discussion themes

<i>General</i> → What are affordability concerns? → Are affordability concerns persistent or associated with life stages/market cycles? → Understanding local housing markets and how this has shaped their experiences → Behavioural trade-offs made when choosing accommodation → Impact of affordability on family/social/economic/health (non-shelter) outcomes <i>Long-term renter groups – added emphasis on:</i> → Uncertainty of moving towards more secure/improved housing outcomes → Factors which would help alleviate affordability concerns → Perceptions of public housing options/affordable housing options → Perceptions of future housing options (improving/deteriorating situation) → Exploring views on what the government should do or not do <i>Aspirant groups – added emphasis on:</i> → Do declining ownership rates reflect changing attitudes or affordability constraint? → What factors shape decisions/delay to purchase (economic? circumstance?) → Are assumptions regarding costs involved in home ownership realistic? → Is there any interest in shared ownership/other models of access to market? → Exploring views on what the government should be doing <i>Recent purchasers – added emphasis on:</i> → Factors shaping their decision to buy, the timing of the purchase, and where → Experience of purchasing process and becoming a home owner → What are the costs/benefits associated with becoming a home owner? → How have housing costs relative to income changed as a home owner? → Are affordability concerns (if any) perceived to be short-term or long-term? → What impact would a change in circumstances have on meeting costs?
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2.4.2 Building housing histories through interviews

In total, twenty in-depth interviews were conducted in New South Wales, Queensland and Victoria (in the case of the latter, with renters only). Together, they provide powerful insight into how affordability constraints are negotiated and how experiences have been shaped over time. In no way are they intended to provide the basis for generalisation across the wider population, either in the breadth of the stories reported or in the relative proportion of possible 'renter' or 'recent purchaser' types spoken to. That having been said, a range of narratives and histories needed to be heard. The resulting incorporation of those narratives in our analysis offers insight into how housing affordability issues are negotiated and lived, and how they relate to broader context, experience and circumstance, which cannot be garnered by quantitative assessment alone.

Recruitment for interviews took place through the focus groups, with the exception of interviews held with recent purchasers in Queensland, where a newspaper advertisement seeking respondents was posted. This connection between group and

interview participation enabled the research team to build up a good picture of the respondents' housing histories and identify those who, in a sense, either had 'interesting' stories to tell or whose circumstances were seen to reflect more 'normal' trajectories over time.

Interviews were held in both metropolitan and non-metropolitan locations with a broad range of participants, and played an important role in helping consolidate the team's development of renter and purchaser typologies. Interviewees ranged in age from their late twenties to their mid-fifties. Each of our interviewees are introduced in more detail from Chapter 4 onwards. They include: a single mother in her early thirties who has rented since leaving home and is struggling with high rental costs; a long-term renter in his early forties now providing care for his wife; and a full-time graduate worker in his early thirties who is hoping to buy his first home soon. Amongst our recent purchasers, we spoke to: a recently married woman in her late twenties who saved up by staying at home with her parents rather than renting; a woman in her mid-thirties who lived in public housing prior to buying and who is now overpaying her mortgage to get 'it out the way as quickly as possible'; and a woman in her early forties who had finally bought her first home with her husband after over twenty years as a renter.

Interviews with renters were structured around changes in housing circumstance (whether in situ or initiated through a move) over time or housing 'events', providing a framework for discussion (see Figure 2.3)⁶. Full interview schedules are provided in Appendix 3.

Figure 2.3: Issues explored in interviews

- Changing drivers/factors behind property/location choice (or lack of)
- Changing attitudes to renting/ownership at different times/given different factors
- Did they think they were going to be a home owner; do they think they still will be?
- Have trade-offs been different at different life stages/events/at different properties?
- Notions of affordability at each stage/move (both real and perceived)
- Duration: ongoing struggle and events/short-term/unexpected expenses
- Sense of security/stability/wellbeing/opportunities while living at that property

Some of our renters had moved 15 to 20 times in as many years. Often in tracing their housing histories, they initially missed locations lived in during times of frequent moving or during more turbulent events, but these were gradually recollected and pieced together as the interview continued. Interviews with recent purchasers also built up a temporal picture – most had been renters, and often long-term renters, prior to purchase – but concentrated more on the experience and process of moving from renting to being a home owner. Although interviews were constructed around a semi-structured guide, they were inevitably free-flowing, giving people time to talk around their biographies.

⁶ The in-depth nature and subject matter of the research has provided invaluable insight into issues of housing affordability as experienced over time, although this richness also presents challenges for the researcher in distilling and articulating those histories in ways where full privacy and confidentiality are ensured. The approach provided an environment in which respondents felt prepared to share personal and family-related issues: vital in terms of understanding the significant impact these have on their housing contexts, yet very difficult to translate into broader debate and potential policy implications.

3 SCALE AND EXTENT OF HOUSING AFFORDABILITY CONSTRAINT

3.1 Introduction

A core aim of the primary research undertaken to underpin NRV3 was to gain greater clarity on the drivers of affordability, who was most affected by the problems caused by affordability problems and, in turn, the implications of those difficulties at the household level. Through insights gained from our sample sets, the aim has been to disaggregate the scale and extent of affordability concerns for lower-income Australians, problematising the affordable/unaffordable dichotomy encouraged by the use of normative measures in isolation.

This chapter provides a detailed analysis of housing affordability concerns for both our renter and recent purchaser samples. Based on quantitative data derived from the surveys, it seeks to disaggregate where feasible (and appropriate) by household type, income and levels of financial stress. It does so in order to provide insight into the core factors shaping the different drivers, the extent of those drivers, and the level of constraint faced. This rich survey information is presented to identify differentiation within tenure samples, as well as highlighting differences and similarities across the renter and recent purchaser surveys.

As well as helping add to what is already known about where such constraints are of most concern (Australian Institute of Health and Welfare 1995; Milligan 2003), the analysis helps draw out variation in the degrees of housing affordability stress experienced. This disaggregation contributes to the development of the archetypes identified in Chapter 4 and helps identify the potential proportion of our sample that corresponds to each of the archetypes to be proposed.

Material derived from the surveys exploring the more nuanced and complex nature of renters' and recent purchasers' experiences and strategies adopted are not the focus here – these will be drawn out in more detail alongside insight from focus group discussions and interviews around a series of themes and issues related to long-term renting (Chapter 5), entering home ownership (Chapter 6) and remaining in home ownership (Chapter 7).

3.2 Income and costs

As outlined in Chapter 2, the renter and purchaser samples have been divided into 'lower-income earners' (the 30/40 group consistently used throughout the NRV3 report) and 'higher-income earners'.

3.2.1 Median-income renters and owners

While it was pointed out in Chapter 2 that renter and purchaser data were not equivalent and that therefore comparison is inappropriate, we can compare the median pre-equivalised incomes for what it tells us about their different housing opportunities. As Table 3.1 shows, the median income of our renter sample is \$32,000, compared to the purchaser median of \$65,000. Some of this difference is explained by the fact that many more purchasers are two-income households, illustrating the importance of a second income for purchase, and that some of the difference is a labour market one – that is, more purchasers are professionals and full-time workers. Probably the most significant point here is the scale of the income difference. This is data about purchasers and renters in some of the cheapest house purchase markets in Australia, and yet even here there is a \$33,000 income difference, in some respects being seen as the scale in income increase necessary to

make the transition from rental to ownership. Looked at this way, it is easy to understand, as later survey and focus group analysis illustrates, that many renters are permanently locked out of ownership.

Table 3.1: Renter and purchaser median incomes by household type

<i>Household type</i>	<i>Median income</i>	
	<i>Renter</i>	<i>Purchaser</i>
Single or sole person	\$28,248	\$50,000
Couple without children	\$55,000	\$88,000
Couple with children	\$40,000	\$75,000
Single parent with children	\$25,000	\$45,000
All households	\$32,000	\$65,000

3.2.2 Renters

Appendix 1 contains data on the overall socio-economic characteristics of the survey population and highlights the broad representation in age, ethnicity, gender etc. We have not provided any analysis of these variables as they do not appear to be causally connected to any stories or policy relationships that came out of the survey data, focus groups or interviews. However, household type, workforce status, income and rent levels do warrant some brief analysis as context for subsequent chapters.

While 73 per cent of all respondents in our renter sample were engaged in the workforce in some capacity (from employed full-time through to unemployed but looking for work), clearly the key differentiation between our lower-income and higher-income renter cohorts in shaping their situation reflects their respective levels of permanent and full-time employment (see Appendix 1). Just 16 per cent of lower-income households were employed full-time (11 per cent permanent, 5 per cent casual), whereas 73 per cent (65 per cent permanent) in the higher-income cohort had full-time employment. The significance of workforce participation is mirrored in government pensions and allowances providing the principal source of income for the lower-income cohort (61 per cent, compared with just 4 per cent of our higher-income cohort), rather than wages or salary (32 per cent, compared with 90 per cent). There is also a significant difference in the proportion receiving Commonwealth Rent Assistance (81 per cent of households on lower incomes, 13 per cent of those on higher incomes).⁷

An overview of median rents paid by income cohort and by household type without applying the 30/40 rule gives insights in helping develop a more nuanced understanding of where affordability constraints have the greatest impact (see Table 3.2). Even among lower-income renters, 18 per cent do not have rents in excess of 30 per cent of income, although the bulk of these were of the one household type: couple with children. However, the vast majority of lower-income renters are facing affordability stress, with single person (96 per cent) and single parent households (90 per cent) of most concern.

Single parents typically pay more rent than childless couples, despite having only one person's earning capacity. Furthermore, lower-income singles with affordability concerns do so despite paying median rents of \$145. Although clearly a high cost for these households, on objective measures these rent levels are fairly 'low' and one wonders whether they can remain so low in the face of continuing rental shortages.

⁷ This is as should be expected, and provides some assurance regarding the effectiveness of targeting.

This question can also be applied to the lower-income renters without an affordability problem, as it is difficult to see the low rents that enable them to fall below the 30 per cent benchmark being sustained.

These low rents highlight the complexity of housing affordability concerns vis-à-vis general concerns of low income, when even for what is considered a very 'reasonable' rent there are a significant number of households struggling, particularly single and single parent households. Lower rates of concern, but still high overall, were seen among couples with no children (72 per cent) and couples with children (56 per cent). Of all the lower-income households without an affordability problem, couples accounted for 77 per cent. Having the ability as a couple to bring in two incomes (even if they are Centrelink benefits) makes a big difference.

Table 3.2: Median rent by household type and income cohort

	<i>Lower income</i>				<i>Higher income</i>			
	<i>Rent <30%</i>		<i>Rent > 30%</i>		<i>Rent <30%</i>		<i>Rent > 30%</i>	
	<i>Med</i>	<i>N</i>	<i>Med</i>	<i>N</i>	<i>Med</i>	<i>N</i>	<i>Med</i>	<i>N</i>
Single or sole person	\$105	10	\$145	230	\$170	237	\$203	62
Couple without children	\$150	26	\$180	68	\$221	174	\$300	9
Couple with children	\$185	73	\$210	94	\$240	105	\$304	6
Single parent with children	\$165	20	\$200	181	\$210	41	\$240	11
Total	\$170	129	\$175	573	\$200	557	\$230	88

Note: totals may not equal 100% due to rounding

Table 3.3: Affordability ratio by household type: lower-income cohort

	<i>Single (17–54)</i>		<i>Single(55+)</i>		<i>Couple no children</i>		<i>Couple with children</i>		<i>Single parent</i>		<i>Total</i>
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	
Unaffordable	118	94%	112	98%	68	72%	94	56%	181	90%	82%
Affordable	8	6%	2	2%	26	28%	73	44%	20	10%	18%
Total	126	100%	114	100%	94	100%	167	100%	201	100%	100

3.2.3 Recent purchasers

Among recent purchasers, 64 per cent of our sample is in permanent full-time employment, and wages/salary provides the main source of income for 87 per cent. Income for our higher-income cohort is almost entirely through salary or self-employment; in our lower-income cohort, there is a small proportion (12 per cent) drawing upon government allowances.

Although high levels of labour force participation facilitate income levels that have made ownership feasible, it is interesting to note that this participation was of a more casual and part-time nature for the lower-income cohort.

As one might expect of recent purchasers, the household structure was very different to that of renters. Purchasers had more couples with children (33 per cent c.f. 20.7 per cent, and this applied whether they were higher- or lower-income purchasers) and fewer singles (23 per cent c.f. 40 per cent) or single parents (11 per cent c.f. 18.8 per cent) (see Table 3.4). This is consistent with much other research illustrating that the barriers to ownership are greater for singles or single parents, in part because of the increasing necessity for dual incomes for entry to ownership. While there is no guarantee that all couples have two incomes, there is the capacity to create such.

Table 3.4: Purchaser income Quintiles by household type

<i>Household type</i>	<i>Income Quintile</i>					
	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Single or sole person	34	23%	50	24%	84	24%
Couple without children	47	32%	70	33%	117	33%
Couple with children	48	33%	67	32%	115	32%
Single parent with children	16	11%	25	12%	41	11%
Total	145	100%	212	100%	357	100%

3.3 Disaggregating the scale of affordability constraint

With this brief background, our analysis can now concentrate on those findings that help provide a better understanding of the scale and extent of affordability constraint experienced by our sample sets. The relationship between income and housing costs is inevitably a key marker of the potential degree of constraint faced.

To assist disaggregation of the sample and of the nature of the affordability problem, questions were asked around the following areas:

- For renters, perceptions of wider financial stress, measures of wellbeing, ability to meet rental payments and likely duration of concerns. These questions help identify where the most significant stress is being experienced, and provide markers regarding the relative levels of strain being felt by different groups within our sample;
- The transition to home ownership, with insights from both sides of the fence (renters and purchasers) regarding intentions, aspirations and perceived barriers being drawn out;
- The use of various form of assistance in to ownership in the FHOG, and potential effects of unexpected costs and interest rate rises amongst our recent purchasers.

Financial stress is an obvious impact where rental costs absorb a large share of household incomes. The postal survey used a range of questions to explore these issues – replicating a number of the financial stress questions use by the ABS alongside some more housing specific queries. As Table 3.5 indicates, levels of financial stress were notably higher for renters in the lowest income quintiles, although they were also of significant concern for moderate-income renters.

Table 3.5: Measures of financial difficulty for renters by income cohort

		<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
		<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
I worry constantly about my financial situation	Agree	461	86%	362	58%	938	72%
	Neither	47	9%	115	18%	185	14%
	Disagree	27	5%	148	24%	187	14%
It is a constant struggle to pay regular bills	Agree	390	75%	223	37%	702	55%
	Neither	73	14%	130	21%	231	18%
	Disagree	60	11%	254	42%	337	27%
My family has sometimes gone without meals	Agree	88	26%	41	9%	143	16%
	Neither	38	11%	21	5%	70	8%
	Disagree	207	62%	386	86%	682	76%
I don't have enough money set aside to meet unexpected expenses	Agree	443	84%	335	55%	889	70%
	Neither	41	8%	79	13%	134	11%
	Disagree	41	8%	192	32%	252	20%
My children have missed out on school activities such as excursions	Agree	94	42%	30	17%	142	29%
	Neither	27	12%	16	9%	54	11%
	Disagree	105	46%	128	74%	288	60%
Costs put stress on household relationships	Agree	201	61%	130	34%	393	47%
	Neither	61	18%	85	22%	170	20%
	Disagree	68	21%	169	44%	274	33%

In terms of the experiences of our long-term renters who find themselves with no room to manoeuvre, a number of the measures used to capture severe financial hardship are arguably more significant than others. While many of us might have to forgo a week's holiday at times in our lives, to go without meals or to have to pawn possessions to survive represents constraint of a different magnitude.

Table 3.6 focuses our analysis further by considering the lower-income renters from the renters' survey sample and illustrating how the degree of financial hardship around selected wellbeing measures alters as the scale of the affordability problem intensifies. Compared to a household below the 30 per cent benchmark, a household paying more than 40 per cent of their income in rent is two and a half times more likely to go without meals, twice as likely to have sold or pawned possessions, and almost twice as likely to have children going without adequate health and/or dental care.

Table 3.6: Effects of housing affordability on wellbeing for lower-income renters

	<i>Rent as a percentage of income</i>		
	<i>Up to 29%</i>	<i>30% to 39%</i>	<i>40% and above</i>
My family has sometimes gone without meals	12.6%	20.5%	29.6%
My children have had to go without adequate health and/or dental care	20.9%	35.1%	38.7%
Approached a welfare/community/ counselling agency for assistance	19.7%	27.9%	32.9%
Sold or pawned personal possessions	17.3%	32.1%	33.7%

Disaggregating our lower-income renters by household type, levels of significant financial difficulty are more pronounced for single households, with or without children, which are generally struggling the most financially. Single-person households are significantly more likely to feel trapped in an area where they do not want to live and with poor job prospects. They are more likely to see the struggle as a long-term one, have had to borrow money, pawned possessions and sought help from welfare agencies. Single-parent households are faced with high and persistent levels of stress, with 54 per cent of the sample being behind with their rent for more than one week in the past three years, having the highest level of difficulty in currently meeting their rental payments, and having the highest level of difficulty in managing on their household income overall after paying their rent.

Of lower-income renter households, 43 per cent had been in arrears at some time in the previous three years, with 71 per cent expressing some difficulty in meeting rental payments as an ongoing concern. Most did not attribute rent costs as the cause of falling into arrears, but rather the arrival of utility bills (54 per cent) and unexpected large bills (52 per cent). While rent is a weekly or fortnightly payment which can be planned for, the greater irregularity of, or longer timeframes associated with, utility bills are the unexpected financial shocks that destabilise household finances.

Table 3.7: How do you manage financially once the rent has been covered?

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Manage very easily	5	1	64	10	75	5
Manage easily	49	9	206	32	283	21
Manage with some difficulty	328	58	313	48	732	53
Manage with considerable difficulty	166	29	57	9	249	18
Can't manage at all	22	4	7	1	36	3
Total	570	100	647	100	1375	100

As would be expected, and as illustrated in Table 3.7, the ability of our renters to manage financially once housing costs have been met is sensitive to income, with those in the lower-income quintiles struggling. Forty-two per cent of higher-income earners are managing very easily or easily, compared to only 10 per cent of the lower-income group. Thirty-three per cent of the lower-income group are not managing at all or with considerable difficulty.

As an indication of the ability of our renters to respond to a significant rent increase in the short to mid-term, the survey asked what the likely effect on housing circumstances would be if there was a \$30 per week increase. As Table 3.8 shows, only 5 per cent of lower-income respondents said they would cope without much of a problem, with another 32 per cent saying they would cope but it would be a real struggle; 57 per cent would have to move or get somebody to share with them. Higher-income groups by comparison were, not surprisingly, more able to cope with a rent increase. This would indicate that the capacity as well as preparedness of lower-income tenants to absorb high rent increases is being ignored in current debate.

Table 3.8: Likely effect of a \$30 per week rent rise on housing circumstances

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
I would cope without much of a problem	29	5	200	32	245	18
I would cope but it would be a real struggle	179	32	214	34	469	35
I would have to move to a cheaper dwelling	315	57	193	30	559	42
I would have to get somebody in to share costs with	33	6	27	4	69	5
Total	556	100	634	100	1342	100

It is important to remember in interpreting these findings that our survey sample was intentionally geared towards lower-income groups in particular localities. It is nevertheless apparent that amongst our renters – and particularly those in the lowest income quintiles – a substantial proportion are assigning a significant proportion of their income to housing costs. As discussed in more detail later sections, for some this will reflect expression of a degree of choice based upon determining acceptable housing outcomes given their particular household circumstances. But it also identifies a large cohort of renters who are struggling with adverse broader outcomes on their wellbeing and their ability to move towards more sustainable circumstances.

Duration also acts as an important measure of financial constraint. Traditional conceptualisations of private renting as a transition tenure, a step on the housing ladder between leaving home and purchasing, have been rightly seen as problematic (Wulff 1997; Wulff and Maher 1998), and distinctions can be made between short-term affordability constraints, which may lead to one set of responses, and longer-term ongoing concerns, which raise others. The contemporary nature of household relationships (increasing separation and remarriage) and the changing nature of income-earning capacity may point to affordability problems as largely a temporary phenomenon that will be resolved by forming a new household or getting employment.

For a significant number, this is likely to be the case. However, for a large cohort it is clear that the difficulties faced due to affordability constraint are of a long-term nature. They are also ongoing (Table 3.9) and, for most, future prospects did not promise improvement (Table 3.10), although couples with children were relatively more optimistic that their current circumstances would be temporary.

Table 3.9: Duration of housing cost problems

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
<i>I have only had these problems in the last six months</i>	58	10%	78	12%	155	11%
<i>These problems have been recurring on and off for some time now</i>	210	37%	152	23%	412	30%
<i>I have been experiencing these problems for a long time now</i>	181	32%	90	14%	316	23%
<i>I experienced problems in the past but these have passed</i>	68	12%	143	22%	227	17%
<i>I have never experienced housing cost problems</i>	47	8%	184	28%	256	19%
Total	564	100%	647	100%	1366	100%

Note: totals may not equal 100% due to rounding

Table 3.10: Likely future duration of housing cost problems by income cohort

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Ongoing	386	69%	179	56%	565	64%
Temporary	93	17%	96	30%	189	21%
Don't know	84	15%	46	14%	130	15%

Note: totals may not equal 100% due to rounding

These long-term constraints are further put into perspective by the observation that 67 per cent of our renters were over 35, and 86 per cent had been continuously renting since leaving home. Clearly a significant proportion of our sample – confirmed in our focus groups – had been renting for 15 or more years.

Table 3.11: Likely future duration of housing cost problems by household type

	<i>Single (17-54)</i>	<i>Single (55+)</i>	<i>Couple no children</i>	<i>Couple with children</i>	<i>Single parent</i>	<i>Total</i>
Ongoing	72%	79%	72%	56%	71%	70%
Temporary	14%	11%	17%	29%	13%	16%
Don't know	14%	10%	11%	16%	16%	14%

Note: totals may not equal 100% due to rounding

Three factors stood out in renters' assessment of the reasons regarding the likely persistence of housing cost problems (Table 3.12). For 47 per cent, even with an improved income, rent would just be too high. For 32 per cent, personal circumstances were recognised as a constraint on those difficulties being alleviated, and 21 per cent felt they were unlikely to ever find a job paying sufficient income to enable them to comfortably meet housing costs.

Table 3.12: Reasons why housing cost problems will be ongoing

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Even with an improved income private rents will just be too high	155	41%	104	60%	259	47%
Personal circumstances (i.e. health, relationship status, disability etc.)	139	37%	38	22%	177	32%
It is unlikely that I will ever get a job that pays a sufficient income	86	23%	31	18%	117	21%
Total	380	100%	173	100%	553	100%

Note: totals may not equal 100% due to rounding

Interesting variations between household type were seen in response to this question, with single households placing much greater emphasis on personal factors (54 per cent), while couples with children had greater concern with a well-paid job (33 per cent) and sole parents were disproportionately concerned with sustained high rents (52 per cent).

3.3.1 Financial barriers: 'Getting in'

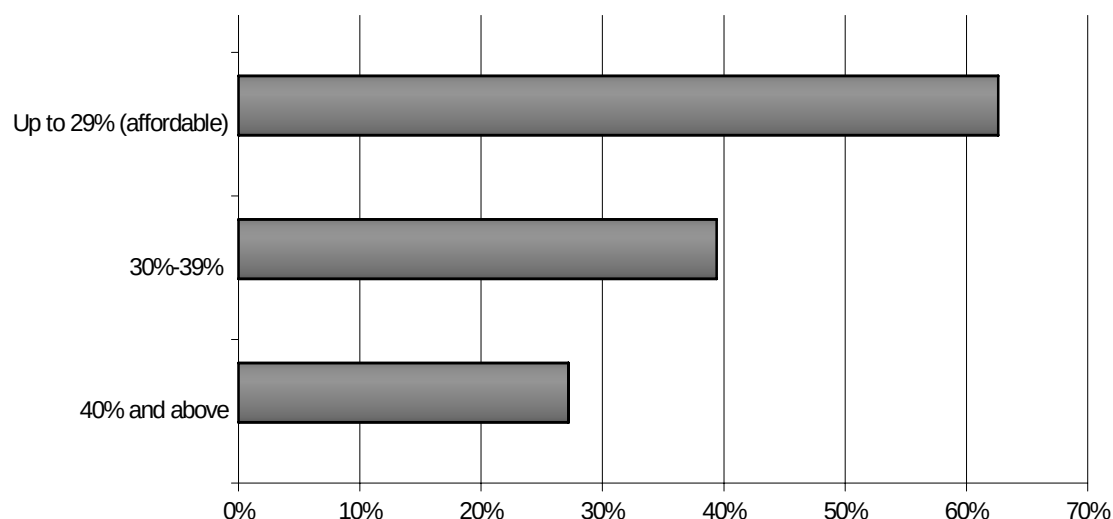
"Time is running out for myself and my partner. I'm 37 and he's 52. We find it impossible to put extra money away each pay for a deposit on a home, because our rent and living expenses are just too high. We feel even if we could purchase a property of our own now, we'd never get it paid off." (Renters survey)

"I can't afford to save for a deposit due to paying \$1,000 per month on rent! I am a sole parent and work two jobs, but am trapped paying \$12,000 a year off someone else's mortgage." (Renters survey)

Respondents who did not own a home at the time of the survey⁸ were asked to indicate how likely it was that they would one day purchase their own home. The majority of the lower-income sample (69 per cent) indicated that it was unlikely (39 per cent of these respondents stating it was 'very unlikely'), compared to the higher-income sample where the majority (66 per cent) indicated that it was likely (35 per cent of whom stated that it was 'very likely'). Focusing on the lower-income cohort in more detail (Table 3.13), the perceived likelihood of moving into ownership declines as the affordability problem intensifies. This significant difference provides important insight into the impact of stress on the household given current constraints to envisage future housing pathways. It can be suggested that those with more comfortable housing costs – nevertheless on low incomes – find their financial planning more manageable. While they may not actually be in a much better position to move into a position where money can be saved towards a deposit, they feel less anxious about their future housing circumstances in the short term.

⁸ 3 per cent (22 people) in the lower-income sample and 11 per cent (70 people) in the higher-income sample indicated that they owned a residential property they did not live in.

Figure 3.1: Likelihood of lower-income renters purchasing, by scale of affordability problem



While income is clearly a key driver enabling access to ownership, having children provides an impetus towards wanting to purchase (and perhaps leading to more optimistic perceptions regarding likelihood than expressed by households without children in similar financial circumstances). As Table 3.13 shows, while 25 per cent of single-person households aged 17–54 in our lower-income cohort felt it likely or very likely that they would purchase a home in future, 36 per cent of single parents did. Equally, couples with children were more likely to be positive about the likelihood of moving into ownership than couples without children (55 per cent compared to 33 per cent), although it can be speculated that this is also highlighting differentiation in age. Nevertheless, half of all lower-income renter households with children feel there is no prospect of home purchase.

Table 3.13: Likelihood of lower-income renters purchasing a home (by household type)

	<i>Single (17–54)</i>		<i>Single (55+)</i>		<i>Couple no children</i>		<i>Couple with children</i>		<i>Single parent</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Very likely	15	14%	3	3%	7	11%	12	14%	20	12%	57	11%
Likely	12	11%	6	6%	14	22%	36	41%	41	24%	109	20%
Unlikely	32	29%	24	24%	20	31%	29	33%	59	34%	164	30%
Very unlikely	52	47%	68	67%	24	37%	11	13%	53	31%	208	39%
Total	111	100%	101	100%	65	100%	88	100%	173	100%	538	100%

In order to further understand the likelihood of accessing ownership, the survey asked what renters would change about their housing situation if their income increased by \$100 per week. For those on higher incomes, 60 per cent would continue to rent and save for a home or purchase immediately (compared with 37 per cent in the lower-income group), while 41 per cent in the lower-income cohort would continue renting but move to a better property or location. Again, amongst our lower-income renters, the preference to channel these funds into saving up to buy was much stronger in

households with children. In terms of providing some indication as to the scale of perceived barrier to ownership, across the lower- and higher-income cohorts this increase would only be sufficient for 8 per cent to be able to purchase in the short term. For 43 per cent, the funds would assist in a longer-term deposit-building strategy, whereas almost half the sample were content, pragmatic or recognised that this additional amount would be insufficient to enable them to purchase.

There are inevitably financial barriers to be negotiated in terms of accessing ownership, most commonly identified in terms of ability to save up for a deposit. A number of limiting factors were identified by the survey, and while each were identified as contributory, as Table 3.14 highlights, the barrier is not simply one of funds or raising a deposit, but is determined by whether our renters had secure well-paid employment or foresaw having a secure income in the future. Outstanding debts and other ongoing commitments will affect the ability to save, but it is the long-term degree of certainty required to enable households to borrow (and for lenders to lend on) which is identified as the key factor affecting the ability to purchase a home.

Thus, in both income cohorts in the survey, low level of income was identified as the principal factor by the largest number of respondents, and seen as a major or moderate consideration by 85 per cent of those identifying it as a factor. The second most significant factor, again in both income cohorts, was the uncertainty of future income. While these factors restricting access to ownership were shared by both lower- and higher-income renters, the intensity of these concerns for the lower-income cohort was, as might be expected, more extensive. Among this cohort, it is also clear that restricting factors are not only more intense, but multiple.

Table 3.14: Factors that have/have not limited the ability to purchase a home

<i>Factor</i>	<i>Extent of limitation</i>	<i>Lower income</i>		<i>Higher Income</i>		<i>Total⁹</i>	
		<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
HECS debt	Major	15	19%	23	16%	44	17%
	Moderate	24	30%	36	25%	70	27%
	Minor	30	37%	53	37%	91	35%
	No	12	15%	33	23%	52	20%
Compulsory superannuation contributions	Major	4	3%	3	1%	10	2%
	Moderate	15	13%	25	8%	45	9%
	Minor	36	31%	93	30%	147	30%
	No	62	53%	194	62%	288	59%
Low level of income	Major	438	88%	222	45%	769	68%
	Moderate	45	9%	125	25%	197	17%
	Minor	10	2%	99	20%	113	10%
	No	5	1%	52	10%	59	5%
An uncertain future income (e.g. from casual work)	Major	186	58%	108	31%	337	44%
	Moderate	70	22%	95	27%	192	25%
	Minor	44	14%	71	20%	130	17%
	No	18	6%	75	21%	109	14%
Age (e.g. too old for a mortgage)	Major	163	50%	85	25%	268	36%
	Moderate	52	16%	53	16%	121	16%
	Minor	59	18%	63	19%	141	19%
	No	54	16%	136	40%	213	29%
Children (e.g. cannot afford to purchase a home as well)	Major	121	48%	58	26%	214	38%
	Moderate	60	24%	52	24%	144	25%
	Minor	46	18%	54	25%	123	22%
	No	26	10%	55	25%	89	16%

Note: totals may not equal 100% due to rounding

A similar question was asked in the recent purchasers' survey in terms of the factors that may have delayed their entry into ownership (a number of the measures were direct). Interestingly, the barriers identified were more widespread across the factors presented in the survey. As shall be discussed later, this potentially reflects an all-encompassing focus on all finances during the deposit-saving period.

⁹ The 'Total' column does not equate to the sum of lower-income and higher-income groups, as the lower-income category excludes lower-income households who do not have an affordability problem. The total is the outcome for ALL respondents, including this group. Respondents who indicated that a factor was 'not relevant' to them have been excluded.

Table 3.15: Barriers to home ownership identified by recent purchasers

		<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
		<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
HECS debt	Delay	18	45%	33	46%	51	46%
	No delay	22	55%	39	54%	61	54%
Credit card debt	Delay	35	49%	55	43%	90	45%
	No delay	36	51%	73	57%	109	55%
Personal loan	Delay	27	47%	55	53%	82	51%
	No delay	31	53%	48	47%	79	49%
Low level of income	Delay	97	84%	87	67%	184	75%
	No delay	19	16%	43	33%	62	25%
Lack of permanent income	Delay	41	87%	30	49%	71	66%
	No delay	6	13%	31	51%	37	34%
Unstable or uncertain income	Delay	39	91%	31	53%	70	69%
	No delay	4	9%	28	47%	32	31%
Children	Delay	29	63%	31	46%	60	53%
	No delay	17	37%	37	54%	54	47%
Stamp duty costs	Delay	60	70%	82	63%	142	66%
	No delay	26	30%	48	37%	74	34%
Ongoing ownership costs	Delay	57	56%	80	54%	137	55%
	No delay	44	44%	69	46%	113	45%

Note: totals may not equal 100% due to rounding

3.3.2 Financial stress: 'Staying in'

Overcoming the barriers to purchase is the first but not the last hurdle of getting in to ownership; there is also the ongoing financial challenge of ownership itself. This section draws out key findings from the purchasers survey which help us gain a better understanding of the affordability constraints being experienced by recent purchasers, reflecting upon both the experience of purchasing and also the subsequent challenges faced. As with the renters survey, how our respondents have adapted and developed coping strategies – or found themselves not coping – will be explored in more detail in later sections, drawing upon insight offered through the focus groups and individual interviews. Here, the scale and nature of potential affordability concerns are highlighted.

Perceptions of financial wellbeing by our purchasers are shaped by both income and housing costs. As might be expected – based on the fact that being in a position to access ownership in recent years indicates a degree of financial stability and security, and recognition that the average income of our purchaser sample is approximately twice that of our renter sample – their responses to key measures of financial and personal wellbeing are not as pronounced as seen among renters.

Table 3.16: Measures of financial difficulty: recent purchasers

		<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
		<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Worry constantly about financial situation	Agree	93	65%	107	52%	200	57%
	Neither	28	19%	33	16%	61	17%
	Disagree	23	16%	67	32%	90	26%
It is a constant struggle to pay regular bills	Agree	66	46%	51	25%	117	34%
	Neither	27	19%	51	25%	78	23%
	Disagree	50	35%	101	50%	151	44%
My family has sometimes gone without meals	Agree	9	8%	9	5%	18	6%
	Neither	10	8%	4	2%	14	5%
	Disagree	101	84%	168	93%	269	89%
Don't have enough money to meet unexpected costs	Agree	84	59%	88	44%	172	50%
	Neither	26	18%	31	15%	57	17%
	Disagree	32	23%	83	41%	115	33%
My children have had to go without adequate health and/or dental care	Agree	14	21%	15	17%	29	19%
	Neither	5	8%	6	7%	11	7%
	Disagree	47	71%	66	76%	113	74%
Our housing costs put stress on family/household relationships	Agree	55	50%	52	32%	107	39%
	Neither	22	20%	26	16%	48	18%

Note: totals may not equal 100% due to rounding

Nevertheless – and bearing those healthier income levels in mind – the levels of perceived stress are highly instructive. A large proportion of purchasers constantly worry about their financial situation (57 per cent overall, 65 per cent of the lower-income cohort), half do not have enough money set aside for unexpected costs, 39 per cent feel that housing costs are having a negative impact on household relationships, and 34 per cent find it a constant struggle to pay bills. While such measures point towards some strain, on those measures that suggest a high degree of stress – going without meals, children missing out on school activities – problems remain, but are not as intense as seen among renters.

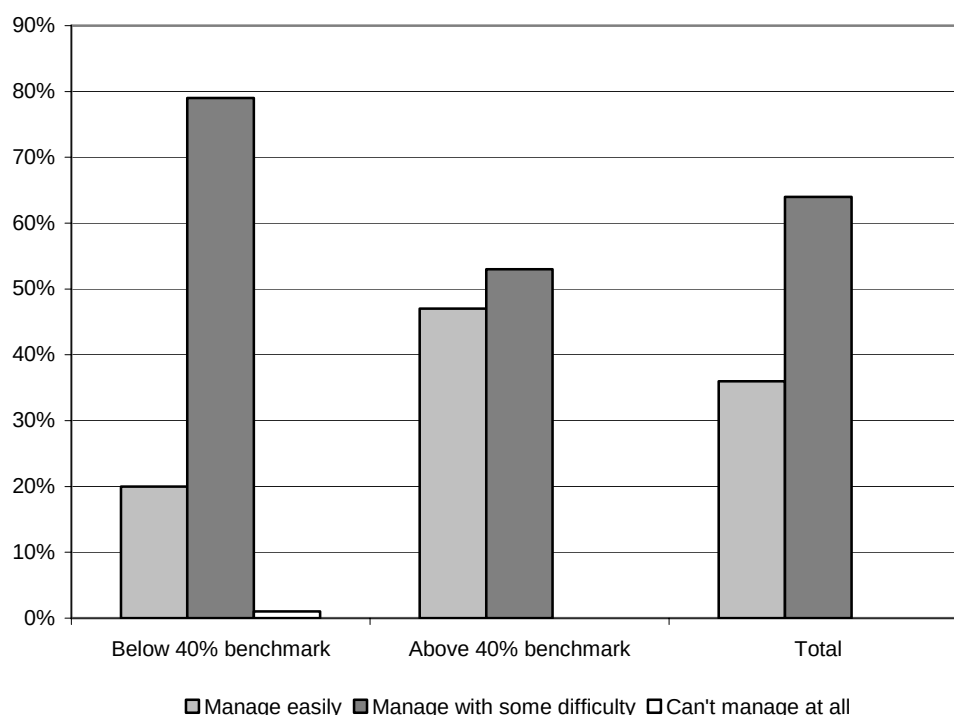
Although many were paying in excess of 30 per cent of their incomes towards their mortgage, fewer purchasers than renters in our samples were spending over 40 per cent on housing costs. Nevertheless, as Table 3.17 indicates, for many, taking on a mortgage represented a significant increase in housing costs compared to previous circumstances; just 10 per cent said that mortgage repayments were about the same or less, and 60 per cent that they were more. Almost a third of our recent purchasers had not paid rent previously (and, as made apparent through the focus groups and interviews, chose to stay in the family home and save).

Table 3.17: Comparison of current mortgage repayments with previous rental payments

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Have not previously paid rent	45	31%	59	28%	104	29%
Mortgage repayments are more	78	54%	136	64%	214	60%
Mortgage repayments are about the same	10	7%	12	6%	22	6%
Mortgage repayments are less	11	8%	4	2%	15	4%
Total	144	100%	211	100%	355	100%

Note: totals may not equal 100% due to rounding

The ability to meet mortgage payments provides a key measure in determining the potential strain faced by recent purchasers. While the large majority had managed to fully keep up with payments over the past 12 months, 13 per cent had been unable to meet payments at some time during the last year. A more general – if less dangerous – level of strain is highlighted by the proportion of purchasers acknowledging that, while managing on the income remaining after the mortgage had been paid, they were doing so with some difficulty (see Figure 3.2).

Figure 3.2: How households manage on their income after paying their mortgage

This was especially so among the lower-income cohort, with 79 per cent indicating some difficulty. Nevertheless, only a handful of our recent purchasers said that they could not manage at all. The large degree of general strain, but limited degree of high-level stress, suggested by these responses is important to note, particularly in the context of significant media coverage during 2006 and early 2007 about the potential strain out in the 'battler belt'. While mortgagee-in-possession sales have significantly increased over the past two years in a number of research locations (notably, western Sydney and outer Melbourne), this is from a relatively small base. Again, how this

strain is being experienced and negotiated was explored in more detail through the focus groups and interviews.

For those having some difficulty juggling mortgage costs and other household expenditure, as seen with our renters, a number of coping strategies are used by recent purchasers (Table 3.18). A similar list of options spanned both renter and purchaser surveys, enabling interesting comparisons to be drawn. Labour market related strategies are the most prevalent, especially for our lower-income cohort. With 39 per cent of this group identifying overtime as a coping strategy in this regard, the importance of a relatively strong economy and employment market at present can be seen as pivotal in helping many recent purchasers keep their heads above water. Non-income-raising strategies were also used by a significant proportion of our lower-income purchasers, including increasing the balance on credit cards (30 per cent), borrowing from family and friends (27 per cent) and drawing on savings (23 per cent). Despite incomes being sufficient to get them across the line into ownership, 5–6 per cent had recently approached welfare agencies for assistance. This could be because their income fell after achieving ownership, perhaps because of retirement or loss of employment (12 per cent of the lower-income purchasers were on government benefits). It does, however, act as a reminder that serious strain can be felt in ownership as much as in rental.

Table 3.18: Strategies undertaken to meet mortgage repayments in the past three years

	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Find a job (if not previously working)	13%	6%	9%
Find a better job	27%	19%	22%
Take on a second job	20%	12%	15%
Work overtime	39%	29%	33%
Postpone having a child	14%	18%	16%
Borrow some money from family or friends	27%	10%	17%
Drawn on accumulated savings or term deposits	23%	9%	15%
Increased balance owing on credit cards by \$1,000 or more	30%	16%	21%
Entered into a loan agreement with family or friends	4%	3%	4%
Taken out a personal loan	6%	3%	4%
Sold or pawned personal possessions	6%	3%	5%
Approached a community/counselling agency for assistance	5%	2%	3%
Decreased general expenditure	1%	2%	2%
Other	1%	2%	1%
No, none of these	21%	40%	33%

Note: multiple response answer

While the survey indicates a general level of strain on finances caused (in part) by mortgage repayments, but not significant levels of extreme stress, questions in the purchasers survey also sought to build up a picture of potential risks for households associated with the levels of debt held in the mortgage and ability to respond if housing costs were to rise significantly in the short- to mid-term. Purchasers' profiles in terms of loan to value ratios for first-time buyers, levels of non-mortgage debt,

savings and ability to meet an additional cost of \$100 per month caused by interest rate rises were considered.

As Table 3.19 shows for our first-time buyers, 63 per cent had borrowed at least 90 per cent of the dwelling price at the time of purchase and, reflecting the greater flexibility enabled through financial deregulation, 22 per cent had taken out 100 per cent loans. Three per cent had taken out loans in excess of the agreed market value at the time. The scale of mortgage commitment reflected in these figures is very similar to that which is coming out of the 2006 census. The amount of equity currently held in properties will depend upon when the purchase was made. The survey targeted those who had purchased over the past five years; for those who bought in 2002, it is likely that increased market values will have provided some cushion. However, for those who had bought since the market had stabilised and stagnated, particularly in western Sydney, the likelihood of negative equity, where the loan is larger than the current value of the property, is higher. Some 13 per cent of the entire sample, mainly from New South Wales, said their house is already worth less than when purchased.

Table 3.19: Loan to value ratio: first-time buyers

<i>Proportion of initial mortgage to initial cost</i>	<i>N</i>	<i>%</i>
Up to 49%	6	3%
50% to 69%	5	2%
70% to 79%	26	11%
80% to 89%	49	21%
90% to 99%	93	39%
100%	53	22%
Over 100%	6	3%
Total	238	100%

Chi² is significant

A sizeable minority (29 per cent) have increased their mortgage since purchase. House renovations have been the most popular reason for extending debt (or withdrawing equity) on the property, although a number have also taken the opportunity to buy a car, go on holiday or purchase an investment property. Only 1 per cent had restructured their loan in order to meet interest rate rises.

Other contributing factors to perceptions of financial difficulty are the degree of debt (over and above a mortgage) that many households are currently servicing, and any savings available to provide a buffer against unexpected costs. Across the full recent purchaser sample, only 17 per cent of households have no debt (see Table 3.20), while 19 per cent have debt in excess of \$25,000. The latter are quite high levels of debt, and are not markedly different across the lower- and higher-income cohorts. It is likely that these will be shorter-term loans, such as car hire purchase, with quite high repayment requirements.

Table 3.20: Level of household debt (excluding any mortgages)

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
None	24	17%	38	18%	62	17%
Less than \$2,000	29	20%	36	17%	65	18%
\$2,001 to \$10,000	39	27%	58	27%	97	27%
\$10,001 to \$25,000	27	19%	38	18%	65	18%
\$25,001 to \$50,000	12	8%	26	12%	38	11%
More than \$50,000	12	8%	16	8%	28	8%
Total	143	100%	212	100%	355	100%

Note: totals may not equal 100% due to rounding

High levels of debt are paralleled by a low level of available savings (see Table 3.21). Almost a quarter of all purchasers had no savings. 54 per cent of all purchasers, and 68 per cent of those in the lower-income cohort, had less than \$2,000. These amounts effectively offer no buffer against any financial shocks for a large proportion of our sample.

Table 3.21: Level of household savings

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
None	50	34%	37	17%	87	24%
Less than \$2,000	50	34%	56	26%	106	30%
\$2,001 to \$10,000	34	23%	80	38%	114	32%
\$10,001 to \$25,000	5	3%	21	10%	26	7%
\$25,001 to \$50,000	4	3%	11	5%	15	4%
More than \$50,000	2	1%	7	3%	9	3%
Total	145	100%	212	100%	357	100%

Note: totals may not equal 100% due to rounding

Purchasers were asked what would be the impact if interest rates increased mortgage payments by \$100 per month (roughly equivalent to a 0.5% interest rate increase on a \$300,000 loan). Sixteen per cent of all respondents, and 28 per cent of our lower-income purchasers, said it would have a major impact. This provides some indication of the level of ability to meet stretching costs within the system and where foreclosure or restructuring of the loan might be required. Around half said it would have moderate impact, more likely to manifest through a cutback in consumption and change in lifestyle.

As with our renters, whether affordability problems faced are considered ongoing and persistent, and the perceived likelihood of circumstances improving, is instructive. 'Housing career' affordability models will pick up the significant constraints experienced by buyers in the first years following purchase. While these are an inevitable component of purchase, the duration of affordability constraint has arguably been stretched in a low inflation and low interest rate environment. Whereas high inflation and high interest rate environments caused severe strains on affordability in the early years of a mortgage, within three to four years the value of the capital initially borrowed reduces relative to rising income, by expectation of reduced payments and, in most cases, an improvement in income.

For many recent purchasers, the high level of debt taken on is a mountain that will be whittled away only slowly, and which would be further compounded were gains through price growth to be more modest in future. Approximately half of our sample (and 57 per cent of the lower-income cohort) felt that their housing cost problems would be ongoing. Three key factors emerged as to why purchasers feel sober about the future. Even with improved incomes, 45 per cent believe their mortgage will simply be too high, 34 per cent believed they were unlikely to earn sufficient income to comfortably pay the mortgage, and 21 per cent recognised the risk of changing personal circumstances, such as health issues or loss of the second income (see Table 3.22). As shall be discussed in the context of our focus group discussions with purchasers, the persistence of affordability concern may in part account for the high proportion having risk management strategies in place and for strongly held perceptions that it had been easier for their parents' generation.

Table 3.22: Reasons why housing cost problems will be ongoing

	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
It is unlikely I will ever get a job that pays a sufficient income	24	36%	16	31%	40	34%
Even with an improved income our mortgage will just be too high	28	42%	25	48%	53	45%
Personal circumstances (eg health, relationship status, disability)	14	21%	11	21%	25	21%

Note: totals may not equal 100% due to rounding

3.4 Summary discussion

The findings from the postal surveys offer a more nuanced understanding of the extent and nature of affordability constraint facing renters and recent purchasers. Considered together, they provide an assessment of the potential scale of the affordability gap faced by those seeking to access home ownership and point towards some disparity between the numbers expressing a desire to purchase and those who are likely to be in a position to do so. The characteristics and profiles of those who have achieved ownership in recent years help to highlight the importance of stable and permanent employment, and preferably two incomes. They also highlight the impetus provided by children to stretch circumstances in order to access home ownership. However, the findings from the recent purchasers survey also indicate that although our recent buyers have managed to get over the immediate hurdles, for many their financial situation remains relatively precarious and dependent upon the continued health of the job market and availability of employment.

This chapter has sought to draw out and identify the levels of affordability constraint across tenures. While many of our renters and recent purchasers are under some strain, it highlights where those pressures are most likely to have an impact and their consequences: for the long-term renters, effectively trapped in the tenure, the aspirant purchasers who experience barriers impeding their 'step up' to their preferred tenure, and recent purchasers who are faced with ongoing higher housing costs.

Trapped long-term renters

- Renters have a more intense and widespread affordability problem than purchasers. The causes of this, given relatively stable rental levels over time, are as much income-related as housing cost related.

- Housing stress is particularly bad for lower-income renters who, with some exceptions, are unlikely to ever improve their income circumstances and alleviate their affordability position. As housing costs in relation to income increase, the scale of problems associated with these costs accelerate. Where over 50–60 per cent of income is going towards housing costs, many renters are having to adopt practices which could be considered unacceptable in an affluent society.
- The bulk of low- to moderate-income renters have little capacity to absorb any sizeable rent increases. Many are already in marginal positions, and rent increases of the type required to restore yields to long-term levels would lead to substantial financial concerns.
- A sizeable proportion of renters are trapped in long-term rental occupancy and are unlikely ever to achieve ownership. This is both because their current incomes are too low and unstable to bridge the substantial gap to ownership and because it is unlikely that they will ever get a job with sufficient income.

Getting in

- While there is a sizeable number of self-defined aspirational purchasers, this is often more dream than reality. Their actual income positions would suggest that many are a long way from achieving this aspiration.
- Labour market status is key: a considerably larger proportion of purchasers than renters were permanent full-time workers, which suggests that stable employment, while not a prerequisite for purchase, is an important contributory condition.

Staying in

- Equally, strong labour market conditions seem essential for staying in ownership. The level of debt, and the high proportion of 100 per cent or near 100 per cent home loans, indicate that any weakening in the labour market, with less overtime and/or full-time employment, would have considerable ramifications for many of our recent purchasers. A small number are facing severe constraints, even with the economy performing well.

4 RENTER AND PURCHASER TYPOLOGIES

4.1 Introduction

In building greater insight and a more layered picture of affordability concerns among lower-income Australians over time, and to understand how these concerns are shaped by and in turn shape wider social, economic and personal factors, typologies for both renters and recent purchasers are introduced in this chapter. The typologies combine the insight regarding the scale and extent of concerns among particular household types, income profiles and the resulting impact on wellbeing through each of the surveys, with the more detailed discussion and appreciation provided through focus groups and interviews as to how such circumstances translate and are negotiated into housing affordability contexts.

In strictly chronological terms, the typologies were developed 'subsequent' to the findings presented in the next three chapters, which draw heavily upon the focus groups and interviews. However, we have chosen to introduce the typologies at this stage of the report, before discussing the qualitative findings, because they contribute strongly to the analysis and organisation of those findings as presented in the next three chapters: 'Trapped? Choice and Constraint for Renters' (Chapter 5), 'Getting into Home Ownership' (Chapter 6) and 'Staying in Home Ownership' (Chapter 7).

The chapter starts with a brief discussion of the typological approach used and the value it adds to our disaggregation of the housing affordability problem. This is followed by an overview of the seven archetypes identified amongst our lower-income renters and recent purchasers. The remainder of the chapter then focuses on presenting the typology in more detail. In doing so, a number of our interviewees¹⁰ are introduced, with a snapshot of their housing histories provided; others are introduced in the following chapters where key issues and themes emerging are explored in detail.

4.1.1 *A typological approach*

Although a typological approach risks compartmentalisation and can signify stasis, the typologies aim to provide an effective means of capturing different ways of negotiating housing affordability by households through capturing particular drivers and similar outcomes. The surveys provide greater clarity in terms of our understanding of which groups are most likely to experience affordability concerns. The typologies take these forward to help build a picture of how those concerns are mediated and how issues of choice and constraint are balanced. Thus the aim is not to duplicate what is already known about those groups and household structures where such concerns are most apparent. Rather, the approach helps articulate why they are vulnerable and how they respond. In disaggregating the affordability problem, it helps inform policy as to how possible activity directed towards such groups can be most effectively structured.

The typologies proposed do not assume or seek alignment between certain household types or income profiles, and particular archetypes. This would have lessened their effectiveness in offering a more nuanced picture than the useful but limited shorthand provided by normative measures. Equally, such assumptions would do little justice to the diversity of people's actual processes of negotiating, mediating and living with the affordability constraints, as uncovered in this research. Typologies reflect a clustering of experiences, attitudes and strategies (a 50-year-old female single long-term renter may align with any of our archetypes, for instance).

¹⁰ Their names have of course been changed.

Nevertheless, the archetypes do complement and confirm the patterns and clusters seen in the survey, and thus there are 'predominant' household and income characteristics reflected in most of the archetypes presented, and in particular those which are primarily articulated through the high level of stress and constraint faced, whether as renters or purchasers. Outside these clusters, where issues can be more neatly identified in very absolute objective terms rather than relative, the clustering and composition of archetypes becomes a little more heterogeneous and rather more blurred.

As with the focus of our surveys, it is important once again to stress that the typologies are not intended to cover all renting and recent purchaser experience and outcomes in Australia. Together, seven archetypes – four in renters, and three in recent purchasers – have been identified. While it is inappropriate to identify the relative size of renters and purchasers related to these archetypes, there were a number which encompassed a greater proportion of our sample than others. The extent to which this reflects the focused sampling strategy of the postal surveys initially, and how respondents for this qualitative research were subsequently recruited, cannot be isolated from the likely size of each of the types defined in this classification across the general population.¹¹

It is also important to note that the archetypes outlined here seek to capture the range of affordability contexts, experiences and responses across our sample. A number fulfil an important role in reiterating that not all lower-income Australians are struggling and discontented in the private rental market, that not all are finding it impossible to overcome insurmountable barriers and enter home ownership, and not all those who have succeeded are struggling to meet the costs of being a home owner. Many of the renters and recent purchasers we spoke to were not experiencing, and have not experienced, significant strain associated with their housing options and costs. Many are, however, and our focus in subsequent analysis is on those for whom concern and the need for policy response is perhaps greatest.

4.2 Developing renter and purchaser typologies

If it is to be of value, an archetype should capture distinctiveness around key aspects and their effects, yet not be overly complicated. It should reflect a nexus of characteristics, issues and factors that are distinct and can help structure possible policy responses. As Chapter 3 has highlighted, differentiation emerges in the nature and extent of affordability concerns for renters and renter purchasers. Based on normative measures alone, our lower-income cohorts are paying too much towards their housing costs relative to incomes. Through the context and insight provided by responses to particular questions and groups of questions, clustering in terms of attitudes and approaches taken in the face of those constraints emerges.

Development of a typology for our renters is a challenging task, not least because our sample ranged from those recently starting out to those who had rented for over 50 years. Their renting experiences and understanding of housing affordability were shaped by different life stage considerations, different market contexts, and different needs and constraints reflecting household structures. Equally, as evidence of declining and/or delayed entry into home ownership and identification of a significant

¹¹ Long-term renters (strugglers, backsliders, pragmatists) were strongly represented in our respondent profile, whereas reaching aspirant purchasers was more difficult, and therefore the proportions indicated through our analysis are perhaps skewed. On the other hand, in the context of recent purchasers, the fact that the 'stretched' were fewer in number than might be envisaged in the light of media coverage regarding financial strain in the outer suburbs was seen, given similar observations from the survey, as a good marker – and an important finding.

proportion of long-term renters emerged, simplistic assumptions about renting as a period of transition have been challenged. As Beer (1999: 258) notes, 'private rental housing is no longer a tenure of transition. For many households, it is the section of the market in which they will be accommodated for a considerable period if not their entire life'. The pathways for transition into home ownership for lower-income Australians have become increasingly stretched, and the realities for long-term renters more diverse and complex.

In our proposed typology, our findings have encouraged us to build upon Wulff's two types of long-term renter: the 'continuals' who have been renting since leaving home and are characterised by low incomes and high unemployment, and the 'returners' who re-enter the private rental sector after difficult circumstances and life-changing experiences, primarily marital breakdown. Closely aligned to Wulff's returners, we use the term backsliders as one of our archetypes, because the research highlighted the fact that a number of those who fall into the private rental sector at a later life stage had never rented previously, having moved straight from their childhood home into ownership. It was also identified that a number facing similar stressful constraints to those who fall 'back' into renting after having owned had been renting for a long time previously, but in more comfortable, stable and affordable contexts.

Rather than continuals, there are grounds to distinguish between long-term renters with pervasive and high affordability concerns – the strugglers – and those in whom an increasing degree of pragmatism may be apparent. Wulff and Maher (1998: 85) recognised that their categorisation overlooks the possibility that renting in the private sector may function as a preferred option; however, they argued that 'if such demand exists in Australia, it remains to be documented. In Australia prevailing cultural preferences, taxation policies, and other financial arrangements definitely favour home ownership over rental'.

While this research concurs that private renting does not provide a long-term tenure of 'choice', it suggests there is a cohort of long-term renters who are perhaps increasingly pragmatic about their position within the housing market and are realistic about, or at least resigned to, the fact that they are likely to remain renters for the foreseeable future. This group should not automatically be aligned with those considered 'lifestyle renters': this pragmatist archetype seeks to capture what appears to be a significant and growing proportion of renters who are essentially 'trapped', alongside our strugglers and backsliders, but who (at least currently) take a considered view of their housing circumstances.

As well as drawing out different circumstances, outcomes and expectations amongst our long-term renters, the complexity of the dynamic between these groups and 'aspirant purchasers' (those renters for whom any affordability constraints associated with renting are conceived as short-term) becomes more fully apparent. Whilst we continue to use the term as our fourth archetype, aspirant purchasers struggle with the tension between the desire to own their own home (which many within the preceding three types would also relate to) and the recognition that they may not achieve this. A particular strength of the research – exploring the position and experiences of both renters and recent purchasers – helps focus on what it actually requires for those aspirations to be translated into reality.

Seeking to identify and build up an effective typology of recent purchasers is equally challenging. Irrespective of diverse backgrounds and subsequent outcomes, all have gone through this experience – the purchase of their first home – and as such there was a great deal of shared insight. Although their housing histories and pathways in achieving ownership are as varied as the experiences of renters, the defined feature of their current position is shared. A more comprehensive typology would be feasible

and necessary where long-term ownership experience, behaviour and expectation is to be understood.¹² However, a 'flatter' typology in the context of recent purchasers, aligned more to strategies pursued rather than to the particular household structures or outcomes that ensue, is perhaps more appropriate.

Three recent purchaser archetypes are presented – focused, stretched and ambivalent – but these differ primarily in the strategies adopted to manage other life stage factors and expenditure. For the first, the ability for home ownership to act as a focus for financial control and accumulation is central to their experience as recent purchasers. For the second, their financial circumstances are more stretched and they are less able to 'over-resource' their housing costs. Nevertheless their motivations for ownership are similar, as are the pressures and risk of ownership. Our third type, the ambivalent, acknowledges a more diverse cohort distinguished from the focused and stretched in having entered ownership through more prosaic or less driven contexts.

While much of the analysis undertaken for the NRV recognises the importance of understanding spatial effects and location trade-offs made as households negotiate affordability constraints, the typology is not structured explicitly on geographical lines. However, as discussed through analysis of the issues and themes emerging in the research, the affordability drivers and outcomes for particular groups are inherently spatial. Housing is a fixed good, and the site of its consumption is spatially fixed. Strugglers were often found in neighbourhoods defined by their affordability (for example, Dandenong and Woodridge) or in those markets where dwelling price increases had put pressure on rents (for example, Redcliffe). Backsliders, seeking to retain ties to their neighbourhood, often faced extreme affordability constraint in order to do so (for example, Ryde and Thornbury). Pragmatists were more prevalent in markets that had experienced stability with little upward pressure on rents (for example, Penrith). Similarly, the stretched and focused recent purchasers were found in the mortgage belt, where rising interest rates and falling values have had the greatest impact (for example, Campbelltown).

Table 4.1 considers our seven archetypes against a number of recent frameworks used to disaggregate the private rental market, based on affordability constraints, duration, and likelihood of accessing ownership. Some important provisos are necessary in this regard. The populations considered by each of these authors are different, as are the intended users; for example, Wulff (1997) is very much focused on the characteristics of the long-term renter, whereas the Genworth Report (2006) is more geared towards the home purchase market.

Similarly, Varady and Lipman (1994) and Goodman (1999) look at the United States private rental market, whereas the NRV3, and our focus of interest in the qualitative surveys reported here, concentrates on lower-income Australians. Hence the absence of lifestyle renters in our proposed typology, although these clearly exist within Australia. The Genworth Report's 'property owner wannabes', the largest cohort of renters indicated in their study, arguably identifies a broader group here than our aspirant purchasers, with the former recognising that within this group a large number are neither in the position to save for a deposit nor able to afford mortgage repayments. It is the complexity of this blurring between aspiration, expectation and objective ability that is central to developing more effective insight and responses to the increasing reality of long-term renting for many.

¹² For example, in their study of home ownership and wealth acquisition across different generations in Adelaide, Badcock and Beer (2000) developed seven types of owners, broadly segmented between winners and losers.

Table 4.1: Comparing typologies of housing consumers

<i>Varady and Lipman (1994)</i>	<i>Dieleman et al. (1995)</i>	<i>Wulff and Maher (1998)</i>	<i>Goodman (1999)</i>	<i>Genworth Report (2006)</i>	<i>NRV3 (2007)</i>
Struggling blue-collar workers Black renters Elderly lifecycle renters Lifestyle renters	Falling out	Continuals Returners	Affordable market Middle market Lifestyle renters	In need of information Content renters Property owner sceptics	Strugglers Backsliders Pragmatists
Recent college graduates Families moving up the housing ladder				Property owner wannabes Searchers	Aspirant purchasers
					Stretched Focused Ambivalent

4.3 Renter typology

4.3.1 Strugglers

There's nothing worse, when Mum and Dad come up, and every week Dad will slip me 50 bucks out of his pension! And you think, I'm 52 years of age, for crying out loud! Then I'm straight over to the shop for food. (F, early 50s, Maroochydore. Queensland)

Box 4.1: Kylie, Noble Park, Victoria

Kylie is an unemployed single mum in her early 30s who has been renting since leaving home at 15. She has moved about 10 times since then, and lived in public housing for two or three years – recollected as 'hell ... emotionally and mentally, it was just killing me'. Currently paying approximately 50 per cent of her income in rent, Kylie has experienced an ongoing struggle and identifies significant location and lifestyle trade-offs made in relation to her daughter's schooling and proximity to parents. She has felt a lack of security renting since leaving her husband, but hopes this will change with the signing of a 12-month lease.

When able to work, she is employed as a cleaner. Given lack of access to finance and unwillingness from banks to consolidate her loans, when she needed a car, her parents were required to take out the loan for her. She now makes repayments to them. Overall she feels as though renting has affected her wellbeing, given that she is forever worried and that, despite her rent always being paid on time, she has had utilities disconnected and has been unable to pay for food in the past. Gaining employment is identified as the only means of improving her situation.

Both the postal survey and focus groups identified a core of renters who have struggled for a long time or who foresee little opportunity to break out of this position in the future. Through a number of interviews, the impact of housing affordability concern for many lower-income renters became startlingly apparent. As the histories of Kylie (Box 4.1) and Voula (Box 4.2) illustrate, strugglers can be of any age group but are often single or in lone-parent households. They are often not working, on a pension and eligible for maximum rent assistance. Despite living in the cheaper parts

of town, they are likely to be paying a significant proportion of their income towards housing costs (often up to 50 per cent or 60 per cent) and represent a core group of long-term renters. The younger ones are likely to remain renters for the foreseeable future.

No security, you just can't plan. You can't decide that this is what's going to happen in ten years time. I know you can't when you own either, you can't see the future, but you've got some sort of stability, more than I have, I think. And just the fact that I know that I'm not earning the money and I know it's money that's coming from the government so it's not really mine. (F, early 40s, Dandenong, Victoria)

Living finances are highly strained, with absolutely no slack in the system, and unexpected costs are debilitating. There is a limited sense of security in terms of living week to week, with bills often not being paid on time and absolutely no margins for putting money aside. Often by the end of the fortnight, the food budget has suffered, and it is an assumed position that there are few luxuries, and certainly no holidays. The increased cost of living but lack of equivalent increase in pensions and allowances is acutely apparent to this group. Costs and finances are tied to a fortnightly cycle, which means bigger expenses or timeframes beyond this are difficult to resolve.

Box 4.2: Voula, Thornbury, Victoria

Voula is single and in her early 50s. She has rented since leaving home, moving 11 times, primarily in shared accommodation. Despite feeling relatively stable in her current dwelling, she identifies renting as 'a transient thing', making bonds with the local community and neighbours difficult. Since the early 1990s she has been forced on a number of occasions to move due to affordability concerns. The last four years have proved especially difficult, suggesting that rent is 'totally not proportional' and that she could be paying her own mortgage with her current level of rent. Her current rent has increased at a much faster rate than her income, and is now more than her pension payment. In order to remain in the property, she offers accommodation to students, has had to sell possessions and receives help from neighbours. By the end of the fortnight she is resigned to the fact that she will have no money. Issues with her current landlord have left her 'worn out with the struggle'. She is also resigned to the fact that she will remain a private renter in the future, although she had considered the possibility of purchasing a campervan or building a bungalow in a friend's backyard.

Struggling renters suffer most from the market failures at the bottom of the housing system, which make it difficult for them to find pathways out of their current situation. It is often the struggle of the general costs of 'living' rather than specific housing costs, and negotiating and juggling these generally, that causes much financial stress for this group, but housing acts as the site of most obvious financial stress. The most disadvantaged renters are trapped, and even with the benefits net working at its maximum, they are arguably failing to provide an adequate quality of life. For a number, affordability is so marginal that any increase in rent was likely to enforce the need to move.

The potential size of this archetype is perhaps more easily identified than a number of the others: a pattern can be seen in our survey responses of those renters for whom there is considerable strain on finances over the short and long term, where housing costs contribute to more general poverty which is clearly affecting their wellbeing and opportunities, and who are essentially restricted to unsustainable strategies – pawning possessions, borrowing from friends, seeking assistance from welfare agencies – in order to cope. Of our sample (and it is important to remember that our sample focused

on lower-income Australians), approximately 30 per cent most closely relate to the struggler archetype.

4.3.2 *Backsliders*

My son is married with four kids and he still helps me out. If I didn't get any help from him, I couldn't survive. I have nothing ... I used to have a different life and it makes it hard, very hard. (F, early 60s, Woodridge, Queensland)

My position was that in 1991 my marriage broke up and my husband was going bankrupt and we lost everything. We had a house, but we lost everything. So I have been on my own ever since. And I have always thought it would be great to get back into the purchasing market, but on my wage I just can't do that. (F, early 50s, Coffs Harbour, NSW)

My situation is due to a marriage breakdown. As my children are so young I moved out, transferred ownership to the ex-wife. That is why I am renting. I am now faced at age 49 with the task of building up a deposit to buy in an over-valued, inflated housing market. (Renters survey)

As Kendig et al. (1987) noted, entry into private rental can be considered either a step up (leaving parental home and saving towards ownership) or a step down ('returners'). Many of our respondents had returned to the private rental sector (some indeed entering for the first time) at a later stage in life, having previously owned their own homes. 'Falling out' of home ownership (Dieleman et al. 1995), through a major rupture in life circumstances – a loss of earning capacity, health difficulties, relationship breakdown – leads to particular experiences and difficulties in how backsliders negotiate affordability. Our research would concur that marriage breakdown is likely to be the single most important factor propelling many home purchasers back into the private rental sector (Khoo 1993).

We split 50/50 when we sold our house so we came out of it with exactly the same financial situation, except he had the ability to work full-time and I didn't, so he could get a loan like that ... His property has now gone up in that short period hugely, which is great for him but it leaves me dragging behind because I didn't have that same opportunity, and now that price range has crept ahead. (F, mid-40s, Redcliffe, Queensland)

It is quite soul destroying to have to rent when I have owned places, and to think of all the money that you have rented and wasted. I guess it is just part of your journey through life. (F, late 50s, Ryde, NSW)

It was often within this group that both articulated stress and objective concern regarding affordability was most apparent. Many frustrated, anxious and stretched renters had found themselves in this position relatively recently in their lives. A number of seniors who had lost a partner, with an associated loss in benefits, found themselves renting after the loss of their own homes. Falling back into rental at this life stage compounds the strain placed on this group: a need to restart their lives, a lack of 'renter knowledge' and lack of skills for negotiating the rental market. For many, the situation in which they find themselves very much reflects that of strugglers, compounded by a sense that there is very little support from 'the system'. A number highlighted the unfairness of loss of rent assistance entitlement on the loss of a partner, and not getting access to the FHOG due to their names being on house deeds from a broken marriage.

Box 4.3: Judy, Shepparton, Victoria

Judy is in her early 50s and is widowed, living with her daughter and son-in-law. Leaving home at 18, she rented for a while, which she remembered as being affordable. Her third move was into a home she and her husband purchased, which, while identified as a 'squeeze' at the time, was 'not as big a squeeze as now'. Judy had always aspired to ownership and always believed she would achieve it, given that her parents had owned their homes. With the loss of her husband, she sold the house through choice, due to the belief that it was too large for her as her daughter had moved out.

After moving back into renting, she feels less secure in where she lives. In the first two years, she especially 'felt very uprooted, very unsettled'. After owning a home for 25 years, she found it hard to get used to the fact that the house was not hers. Current financial stress is seen not to stem from rent, but rather from utility bills, groceries and petrol. Hoping to move back to home ownership, she has a verbal agreement with her current landlord that she will purchase the home she is renting when she retires. She has been unable to save a deposit and will use her superannuation payout to purchase the property outright, but recognises that the market is volatile and may preclude this. She wants to own again because 'it'll be mine' and as she gets older 'nobody can throw me out'.

As Wulff and Maher (1998) observed, while returners display the highest median income, they also have the most varied income, with separation occurring across all income groups. Many of our backsliders were working, but felt they were restricted from getting 'back on their feet' because of their age and little or no access to finance. Often backsliders find themselves paying a significant proportion of their income towards housing costs in order to remain in an area of familiarity, or close to networks of friends or employment. Given that many found themselves in this position at an older age, there was a real fear of moving towards retirement in their situation. They retained strong aspirations of getting back into home ownership, for example, buying with their children, 'doubling up' with other family members to combine budgets or, as in Judy's case (Box 4.3), waiting until they retire and can access their superannuation in order to have the security of their own home.

The proportion of our sample who are backsliders should be considered in the context of duration. Many were struggling (and had been struggling for some time) and therefore strongly overlap with this group, although they were often in employment and held on very tightly to regaining ownership at some point. A number of survey questions point towards the proportion of our renters who had previously owned their own home, or who had enjoyed much more comfortable renting circumstances in the past, and we spoke to a good number through focus groups and follow-up interviews. Of our sample, up to 10 per cent align most closely with our backslider archetype.

4.3.3 Pragmatists

Because I've been on a low income all my life I just see that it's way out of my reach. So I'd just rather rent and accept it and just say, well, I'll make the rental house as much my own as I can, let someone else worry about the maintenance. I'd rather rent than really, really, really struggle and try and buy something. (F, early 40s, Dandenong, Victoria)

I went from \$1,300 to \$580 [a fortnight], it's a big jump but you adjust. It's amazing how you can make money stretch if you have to, and we don't go without anything, we have take-away and we go out, we're not buying top-shelf but we get by. (M, early 40s, Penrith, NSW)

When you're worrying about the rent, that's a major stress. But I wouldn't change my life. I'm dead happy where I live, I'm coping with the rent, I manage

to bank a little bit each week. I'm managing. I'm doing alright. (F, mid-40s, inner Brisbane, Queensland)

While many of the renters we spoke to were under considerable strain, there were also a significant number who were managing, comfortable in recognising the benefits of renting as opposed to owning. They were pragmatic about their housing options. In an important distinction, pragmatic renters paying a significant proportion (in excess of 30–40 per cent) of their income towards housing were often doing so as a result of trade-offs made to reflect lifestyle and family choices.

Box 4.4: Terry, Penrith, NSW

Terry grew up in western Sydney, spending some time in foster care before leaving home at 16. After a series of squats, he and his girlfriend moved into a rented property in the Blue Mountains with bond assistance from the Department of Youth and Community Services. With the help of a reference provided by a local priest, they moved to a townhouse back in Penrith where he was able to secure regular work with a local company. After a few years, they moved to rented accommodation in up North where his partner had family connections.

On the break-up of the marriage, Terry moved back to Queensland and then to south-west New South Wales. As a farmhand, he lived in shared housing, which suited him: it was the 'cheapest option', he was moving around and regularly changing jobs. On moving to Melbourne, he lived in a selection of rented units which he considered affordable. He was now working for a large company as a management trainee. Remarried, he and his wife were 'bringing in a double income and had good money'. Content with their situation, buying a home was not really seriously considered at that time. Terry and his wife then moved back to Sydney to be 'close to family'. He secured a good job at a local manufacturing company, and they were able to rent a nice house.

After the break-up of this marriage, and unable to keep the lease, he was offered and accepted a 'grubby bedsitter' from the Department of Housing. While far from ideal, it sufficed 'until I found out what I was doing'. He first moved into a shared unit with an old friend and, on meeting a new partner, the three of them moved together into a larger house. With the arrival of a new baby and his wife being hospitalised, Terry had to give up work and apply for a disability carers' pension. At one point, a debt collector came around and issued him with a summons. Things were so bad that the phone was taken off the hook. They received some help from his partner's parents, sometimes without him knowing: 'We'd go and pay the rent and the lady said, "You're already two weeks in front". Her parents had gone in and slipped a cheque or something.'

Recognising that they could not stay where they were, he 'looked around for a good part of a year', pinpointing the street he wanted to live in. He knew his new budget, and the need to be close to shops, schools and health services. Terry is pragmatic about his present housing situation. He identifies few affordability concerns, having paid off all outstanding debt, considers his rent 'reasonable' and is 'holding the bills': 'I ain't moving. I'm comfortable in that flat. You know, we have done a few things with it.' He has proposed to the real estate agent that he goes on a five year lease.

Classifying many of our long-term renters as pragmatic raises a number of important questions. Firstly, such pragmatism is hard to interpret from responses in the postal survey, where circumstances were understandably articulated through direct constraints experienced rather than the opportunities for more considered and reflective positioning. It is also perhaps dangerous in that pragmatism based on 'getting by', that 'things could be worse' and often underpinned by a sense of resignation, is little better than strugglers or backsliders feeling, and articulating, considerable strain. Amongst our pragmatists, including Terry (Box 4.4) and Sara (Box 4.5), many could be considered backsliders, having been in more secure or comfortable housing situations in the past, but are reconciled to life's ups and downs and recognise the trade-offs that have to be made.

Box 4.5: Sarah, Coffs Harbour, NSW

Sarah left home and moved to Melbourne when she was 17. She trained as a nurse and lived in a number of shared properties: it was relatively affordable, it was convenient and she preferred to share. After a difficult relationship she moved interstate, married, had a child and lived with her husband's family. When the marriage broke down, she returned to south-eastern Australia and lived in houses which her father was renovating. In her late 20s, Sarah moved to Coffs Harbour and rented before meeting her second husband. The settlement from the divorce of the first marriage contributed to the purchase of a property for the new couple, and after two years this was sold and they built another. Costs became 'a struggle financially' as they tried to finish the house. This marriage broke up three years later and she has since moved around regularly, living 'everywhere in Coffs Harbour' in small units and shared properties. In periods of financial stress, friends have been vital: 'If ever I haven't been able to get anywhere, I can just stay with them'.

Now in her early 50s, Sarah lives in the cheapest part of town. While this was 'due to my circumstances, not having a car and needing to be within walking distance for my shopping', she now says that the area is 'not as bad as I thought it was'. Importantly, she recognises that she has always moved through choice: 'I have never been kicked out of a place. It has always been my choice to leave'; 'They were my choices and I have done them'. She is unwilling to make lifestyle trade-offs to move to a larger home. She is currently employed in 'the best job that I have had in Coffs' but nevertheless, by choosing to live by herself, it is still 'a struggle from week to week'. Sarah acknowledges the importance of having 'a very good rental record' and reputation to secure affordable accommodation, but is worried that affordability will get worse due to the fact that 'rent has gone up but the wages haven't'. Reflecting a sense of having made choices, of having looked after herself, Sarah is primarily concerned about how affordability affects the capacity of her children to rent or buy: 'If I could afford, I would buy, mainly for my kids'.

For a number of our pragmatists, the willingness to pay a high proportion of rent came down to the desire to live in a better unit, in a neighbourhood suited to their children's schooling needs, or on their own rather than in a shared situation. Some were working part-time or on a sessional basis (both those with and without children) through choice, and the seemingly high proportion of expenditure on housing was identified as an accepted aspect of this balance. There was also a strong sense of affirmation given towards the trade-offs made and subsequent living arrangements.

While rent was seen as high, it was acknowledged that it was a more financially predictable, and thus viable, option than ownership. Again, this led to a pragmatic view that rent was 'reasonable'. They understand the housing system and the 'ins and outs' of renting. Pragmatism therefore comes with a sense of comfort with the system, knowing entitlements, working with the pros and minimising the cons. Whether this pragmatism signifies an important shift which requires a policy response will be returned to. On the one hand, it may be regarded as acceptable for a significant cohort of renters to remain renters if not struggling under extreme affordability stress. On the other hand, it has implications for the wider housing market and issues of security in the rental sector, with the assumed aspiration to move to home ownership being dismissed by many renters.

This was a significant group within our sample, although it was probably the hardest to determine as even a fairly accurate proportion, because this was where the complexity of trade-offs made between choice and constraint are most clearly apparent. The outcomes for many of our pragmatists are little better than for our strugglers, with their pragmatism essentially shaped by a strong degree of resignation. For others, there was acceptance, a recognising of benefits as well as disadvantages, and they were coping – at least for now. Of our sample, it is estimated that approximately 30 per cent align most closely with the pragmatist archetype.

4.3.4 Aspirant purchasers

The difficulties faced in identifying our aspirant purchasers reflect a real sense of the challenges now faced by a significant cohort of renters. Although the research framework sought to facilitate segmentation between long-term strugglers and those who had short-term affordability concerns affecting their ability or willingness to get on the housing ladder, we spoke to a great number of strugglers and only a handful of 'aspirants'. Most wished to own their own home, and held aspirations that they were going to make it. However, only a smaller proportion of those thinking they would buy in the short to mid-term were likely to do so: while this is an objective observation that can be drawn from the income profiles of our renter and purchaser samples (see Chapter 3), it became all the more apparent in the qualitative research, and indeed, to many of the renters themselves as they articulated their position in both group and in-depth interviews.

Box 4.6: Amadeo, Preston, Victoria

Amadeo is in his early 30s and has rented in the private sector since leaving home at 20. He has moved seven times, living in a mix of shared houses, units and houses, and currently lives with his girlfriend. He has started to think about buying, but feels no urgent pressure to do so, recognising that it represents a big commitment and sacrifice. Although disdainful of agents and their treatment of tenants, he takes a pragmatic view of renting, accepting that any move is a bit of give-and-take in terms of what he can manage and what he can't. Renting is a 'means to an ends'. In the past Amadeo has paid between 20 per cent and 50 per cent of his income on rent, and is currently paying about 20 per cent, given that his income as a full-time designer has increased at a rate greater than that of rent. In the long term, Amadeo sees home ownership as the most affordable option, together with the benefit of being able to 'take control' of the dwelling and secure an 'element of pride'. The major barriers to purchasing were seen to be the need to save a deposit and prove a savings history to the bank. In order to enter the market, he is willing to purchase a rundown dwelling to renovate.

Some of our respondents, such as Amadeo (Box 4.6), more accurately conformed to those for whom private renting was a step towards ownership, albeit perhaps a more stretched one due to both affordability and lifestyle issues. A crucial connection amongst our aspirant purchasers was full-time secure employment, and typically two incomes. However, it was the complex, fragmented and far from 'career' pathways of many of the self-identifying aspirants which perhaps provide more interesting insight into affordability choice and constraint. In contrast to those adopting a pragmatic position, for a number of renters, a real sense of anxiety kicked in as the hoped-for (and deep-down expected) 'step up' into ownership seemed to be fading. Winter and Stone argued that 'it appears increasingly likely that if the low skilled and low paid do not enter home ownership prior to age 35, they never gain entry' (1998: 15). While this research identifies that some older long-term renters – certainly those with income – do access ownership, it was clear that by their early forties, with the recognition that buying was no closer than 10 years earlier, there was increasing anxiety that they were likely to remain renters for the long term.

The chances of me buying are just completely non-existent. I'm 45, work casual, study full-time. I'll probably get full-time work but no-one will look at me for a loan. See, I've rented for 30 years. I have made a lot of bad choices, some good ... but the reality is, I would kill to be able to buy my own place. I don't care what it looks like, as long as it's mine! (F, mid-40s, Maroochydhore, Queensland)

I've left it too late because who's going to give me a loan? Nobody. I'm 42 years old so how much earning have I got left? Not enough to buy a house with when I haven't got a deposit, so I'm never going to get a house. I should have started when I was 20. I wish I had known that then. (F, early 40s, Dandenong, Victoria)

Although around 50 per cent of our total renter sample indicated that they were likely or very likely to purchase their own home, the income profiles, levels of debt and available savings would indicate that rather fewer will be able to do so, certainly in the short- to mid-term. By defining this group based upon financial realities, rather than stated aspirations, it is estimated that approximately 30 per cent of our sample are likely to meet those aspirations.

4.4 Recent purchaser typologies

Our recent purchaser typologies have similarly been developed through refining clusters emerging through the purchaser survey with insight gathered through focus groups and interviews with home owners. Those we spoke to varied in age from their early twenties to early sixties; some had 'bypassed' renting by staying at home until they were able to buy, and others had been long-term renters for over 20 years. Their backgrounds were equally varied; many grew up in public housing (this in part reflects the Campbelltown and Mount Druitt research locations in New South Wales), but others felt the 'weight of expectation' to own because their parents had done so. Although many purchasers were couples and families, a number of singles had made the jump on their own. Again, this diversity in profile exposes the different pathways currently being taken into home ownership.

4.4.1 Stretched

My husband and I live day by day, week by week – it is less stressful to do so. We would just love to have kids but are too scared that our current financial situation would not support a family and enable us to keep up with a mortgage. (Purchaser survey)

The postal survey focused on recent purchasers (post-2002), and hence respondents had largely bought either towards, or at, the height of the housing market cycle. Certainly in New South Wales, it is likely that many had seen the value of their homes fall and some were potentially in negative equity. As such, it was expected that significant strain among recent home owners was going to be seen in the outer suburbs.

Our stretched purchasers share much with our focused buyers: committed to the principles of ownership, they are prepared to pay the costs associated with being an owner but are in a position where their finances are more marginal, either at the time of initial purchase, or due to life stage factors preventing a determined strategy of overpayment and risk management. For example, a young, growing family limits flexibility in terms of when the decision to purchase is made, and this may limit opportunities for saving for a deposit and necessitate more up-front borrowing. Similarly, there are fewer options to dedicate a high proportion of available income towards the house and mortgage. Eamonn (Box 4.7) was one of the more stretched amongst our respondents, with the impetus to purchase being determined by the need to find a property big enough for a family and settle down. Although young families such as Eamonn's may not be allocating as much of their household income towards housing costs as the focused, other life commitments mean that the costs of ownership are relatively more of a pressure. In these circumstances, the amount of slack in the system is far less, and recent rate rises have hurt.

Box 4.7: Eamonn, Campbelltown, NSW

Eamonn, in his early 40s, arrived in Sydney in 1997 on a working holiday. He had always rented in the eastern suburbs but, on receiving permanent residency and following the birth of his first son, home ownership became a priority, given that it was 'time to start thinking more of the future, rather than going out'. He and his partner were also 'fed up paying rent' and 'paying someone else's mortgage'. With no deposit and estimating it would take three years to save the required amount, they 'borrowed 99.5 per cent of the value of the house'. The loan was taken out over 30 years. Campbelltown was chosen due to affordability and because it was on the M5, which means he can commute to his job in south Sydney. They were aware that some parts of the city, particularly the large public housing estates, had a poor reputation and sought to buy away from those areas.

Despite being heavily geared and having bought at the top of the market cycle, Eamonn believes that he 'got in at the right time', that 'prices will increase in the future' and that 'at least we are in the market now'. He feels that they are pretty stretched in terms of affordability, with 'no excess cash'. This situation has increased in line with interest rate rises, with the mortgage rising by \$60 per month. Despite this, he was paying an extra \$10 per month off his mortgage. Greater affordability concerns were associated with the initial stages of home purchase, especially things like buying a lawn mower, mortgage insurance and solicitors' fees, all of which 'caused problems'. As a result, he now has significant credit card debt.

The absence of high levels of urgent strain identified in discussions with recent purchasers in large part reflects findings from the survey. While many identified strains in budgets with the need to work longer hours or take on a second job, there was only very limited indication of severe stress, for example, in those indicating that they simply were not coping, had to increase their mortgage in order to release funds to accommodate increased interest rates, or had to approach welfare agencies. This is perhaps not too unexpected: while there has been much media interest in the increase in mortgagee-in-possession sales in the past 18 to 24 months, those increases have been from a small base; even amongst our stretched group, it can be posited that only a small number were at risk of losing their homes.

That noted, many recent purchasers are making significant trade-offs in order to accommodate the costs, and recent cost increases, of being a home owner. Although many are managing, and sought not to overstretch themselves at the time of purchase, there is also a significant proportion in a potentially more marginal position if changes were to happen in terms of income or continued increases in interest rates. Important in this regard is consideration of the household's financial position at the time of purchase. While many noted the FHOG's value in the purchasing process, for those more stretched, it was often a vital bridge both in terms of meeting buying costs and also in underpinning early mortgage payments. Although the size of deposits across all our purchasers was generally small, arguably those with near 100 per cent home loans, where funds had to be borrowed from other sources, are potentially in a more perilous position. However, in discussions with our group and interview participants who were heavily geared initially, there was no indication that they were generally more concerned about risk at this stage.

Among recent purchasers, the stretched are of key policy interest: they are most likely to have limited equity in their property, having bought with minimal or no deposit; are likely to have limited leeway within the household budget for interest rate rises and other cost of living increases; and are dependent on a healthy economic environment – enabling overtime, for example – in order to help keep their heads above water. Of immediate concern, the extremely stretched are expected to be relatively few in number, potentially 5 per cent to 10 per cent of our sample, although 15 per cent of

respondents were unable to fully meet their repayments at some time in the past year. However, were present conditions to change significantly through economic downturn, more interest rate rises, or shocks in terms of petrol or energy prices, a larger proportion of our recent purchasers – approximately 40 per cent – would experience greater difficulties.

4.4.2 Focused

While not necessarily struggling or stretched in meeting payments, the focused recognise that the act of becoming a home owner, with a mortgage, is a significant life-changing process beyond simply acquiring their own 'bricks and mortar' and an investment. Purchasing a house had meant increased housing costs, compromise and constraints on lifestyle. For many, a high proportion of their incomes were being put 'into the house', sometimes upward of 50 per cent or 60 per cent, which according to normative measures places these households under considerable strain. However, in this group, overpayment on minimum repayment levels was common, and a number have clear strategies to pay off the mortgage long before the average term.

Box 4.8: Aisha, Campbelltown, NSW

Aisha and her husband, both in their late 20s, recently bought a house in Campbelltown and are looking forward to the birth of their first child. Both from south-western Sydney, they lived with their parents prior to buying in order to save for a deposit, refusing to move into private rental as it was 'throwing away money' that they would rather 'pay for a house we would eventually own'. They managed to save \$45,000 deposit. Ideally they had wanted to live either closer to their parents or in Camden, but the comparable costs for what they wanted were unaffordable. Their part of Campbelltown was seen to offer the best trade-off and 'bang for our buck and close to work' (both Aisha and her husband work in the city). The couple ended up spending slightly over their original budget, but were willing to pay the extra money, given that the property did not need renovations and was large enough for pets and family.

After two years, they have paid \$70,000 of the principal of their loan or 'almost double the repayments every fortnight'. The couple plan to refinance on the arrival of their first child and have the house paid for by 2020, 14 years before the scheduled completion of the loan. Aisha works to a strict budget and 'pretty much doesn't spend any money'. Overall she considers herself 'obsessive' when it comes to paying off the loan: 'We don't starve ourselves, but our priority is really paying off the mortgage'. Since buying the house, she believes prices have dropped in her area. However, they 'are here for a long time so it will go back up eventually'.

For a number of our interviewees, such as Aisha (Box 4.8) and Fran (Box 4.9), home ownership had become a focus for financial control and risk management, preparing for events known to be on the horizon, or to safeguard against those which are unknown. Although notions of ontological security provided by ownership were commonly expressed, it was apparent that for many, ownership led to different but equally debilitating insecurities and fears. While not under strain in their current circumstances, there was a strong awareness that if the equation tipped (loss of employment, health problems, unforeseen expenditure), their homes were at risk and that sense of security would quickly dissipate. Contrary to widespread stereotyping that first-time purchasers are also stretching their budgets to the maximum, many of our respondents ensured that the size of the mortgage taken out was manageable, often setting tight budgets and compromising on what and where they purchased.

Box 4.9: Fran, Campbelltown, NSW

Fran, in her mid-30s, spent her early years in public housing until her mother purchased her own home. When she left home at 18 she moved into private rental accommodation, but after the birth of her son in her early 20s moved back into public housing which she saw as offering a number of advantages: a capped level of rent repayments enabling her to save a deposit of \$25,000 in three years; secure tenure; and a stamp duty exemption which decreased the purchase price of her dwelling. Initially thinking home ownership was out of her reach, she saw friends doing it, and subsequently others have purchased on the basis of 'if she could afford to buy, so could they'. The purchase was not identified as her 'dream house' but let her get on the housing ladder. Fran researched financing options prior to buying but found she was restricted in terms of mortgage providers due to her temporary employment status. Overall she found the process of purchasing relatively easy although, given the opportunity again, she would bargain more on price. The FHOG was used to cover legal fees associated with purchase.

Fran sees home ownership as a long-term strategy and is sure that prices will increase in the long run. She is seeking to 'pay it off as quickly as possible' and working to a ten-year plan. Fran works to strict budgets with direct debits going into separate accounts for Christmas, food and bills. Although she pays more than the scheduled repayments, she would not consider getting a bigger mortgage to allow her to purchase a larger dwelling or one in a more desirable location because she 'hates owing money' and wants to be out of debt as fast as possible. Given her extra repayments, Fran does not consider herself as being in housing stress.

For a number, fear of uncertainty drives a need to take on a second job, work more overtime than wished, compromise family happiness, and often scrape by on 'hermit-like' lifestyles so that all spare funds can be channelled towards building up a safety net. The focused see home ownership as a task to get through, an acceptance that lifestyle will be sacrificed until the 'property was mine'. At the same time, those sacrifices are considered to be worth it: once they have assured that security, they can get on with their lives. This group within our purchaser sample is significant, and is likely to account for many of the owners directing 40 per cent or more of their incomes towards housing costs. Approximately 15 per cent of our respondents can be considered focused purchasers.

4.4.3 *Ambivalent*

There is a lot of hype around not owning a home. I felt almost insecure about not owning a home. I had this fear about house prices going up indefinitely and if I don't jump into the market soon I'm probably never going to own a home, and I think a message that I hear all the time, you know, our kids will never probably own their own homes. Somewhere in the back of my mind I thought, well, maybe I should do what is right by them and give them a head start. (M, late 30s, Campbelltown, NSW)

This third type brings together recent purchasers who could be described as somewhat ambivalent to home ownership, or those for whom the trajectory to ownership was the result of the 'right thing to do' at that time rather than a focused determination to purchase. This is an interesting group, having opted, to a certain extent, for ownership 'on balance'. Their pathways to purchasing are more prosaic, and may reflect, like Rachel (Box 4.10), a pragmatic view that it would be more cost effective to buy rather than continue renting. Often it is a case of 'push' from their current circumstances rather than the 'pull' of the desire to become a home owner, reflecting the build-up of negative experiences of renting, or a 'trigger' event. In some cases, there was a feeling of peer pressure ('All my friends were buying homes') or a sense of being left behind.

Box 4.10: Rachel, Campbelltown, NSW

Rachel, in her early 40s, recently bought a house with her husband after being a renter since the age of 16. Despite her parents having owned, she had no desire to purchase: 'Owning a home was never big on my agenda'. The decision to buy was driven by a number of factors: 'renting in Sydney has got just so expensive', especially in her preferred areas where she was paying 50 per cent of her income on rent, and after a discussion with a broker friend, the ability to access finance. It was suggested that 'we would not have any problems getting a loan'. Initially they were going to get a no-deposit home loan but, due to high levels of mortgage insurance, they borrowed money from Rachel's mother for a deposit. The FHOG was also used as part of the deposit and they took out a personal loan to cover the costs associated with purchasing. They looked at possible homes in Campbelltown and Mount Druitt and, although prices were roughly equivalent and they had initial reservations about the 'stigma' of Campbelltown, they decided to move to the area due to family links (her parents had lived). Rachel and her husband initially looked at properties around \$300,000 but revised their search to properties around \$250,000 due to concerns that the repayments at \$300,000 would be too much, 'more than what we were paying as rent'.

In this group, there was a sense that they could 'take or leave' ownership, with a realistic assessment of the advantages and disadvantages of both, and they did not dismiss the possibility of going back to renting through choice at some time. They are also happy to suggest that there is 'a lot of hype' about owning your own house and, in the case of one of our interviewees, a sense of anger about the whole process and expense of ownership. That said, bar those who have subsequently faced extraneous circumstances, few regret having become owners, and are characterised by a sense of satisfaction. While the ambivalent are unlikely to be a core policy concern, they are interesting because it identifies a significant number for whom home ownership is viewed, on balance, as the better option, rather than the 'be all and end all' driving the whole process of purchase and their subsequent experiences as an owner. Although headlines inevitably focus on the struggle out in the 'battler belt', it is important to note that, even at a time of poor affordability levels and rising interest rates, a large proportion of our sample, 40 per cent to 45 per cent, are 'just getting on with it', finding things tight at times but generally managing.

4.5 Our focus of interest

Together, the seven archetypes represent a framework to bring together both the underlying drivers of housing affordability concerns and the different experiences and outcomes arising as individuals and households negotiate between choice and constraint.

In capturing the core characteristics of each archetype, and segmenting against key questions from each of the surveys that effectively capture defining attributes, a proportion of our sample has been indicated against each type. In seeking to combine quantitative and qualitative insight, and given the intentional focused targeting of the surveys, these should be treated with appropriate caution. Despite these provisos, they provide a useful starting point in helping us disaggregate affordability constraint, not only in terms of 'drivers' but also in terms of response to, attitude towards and negotiations of those drivers. Table 4.2 indicates the estimated size of each consumer typology.

Table 4.2: Proportion of sample for each typology

<i>Renter/recent purchaser type</i>	<i>Approximate proportion of sample</i>
Strugglers	30%
Backsliders	10%
Pragmatists	30%
Aspirant purchasers	30%
Stretched	40%
	(5–10% of immediate short-term concern)
Focused	20%
Ambivalent	40%

Although the issues facing each of the identified types are of interest and raise a series of policy questions, some warrant more attention than others. Of our renters, the strugglers and backsliders are of more pressing concern in the short term, although the emergence of a significant number of pragmatists raises important questions regarding longer sustainability and the risk associated with this group as it ages without the opportunity to build property-based assets.

Our interest in aspirant purchasers and the challenges involved in getting ‘over the hurdle’ focuses on what appears to be the growing gulf between aspirations and objective ability to do so, and the importance of a full-time permanent income (preferably two) in a work environment that is increasingly fragmented and casualised.

Immediate policy interest in our recent purchasers focuses on the stretched – both the relatively small number under severe immediate constraint and the larger proportion who are managing at present but with difficulty, and who would struggle if external factors such as employment opportunities or interest rates were to change significantly. However, the highly constrained lifestyles of our focused purchasers – putting anything spare ‘into the house’ – also highlights a loss of long-term stability. Rather than being a symbol of stability, taking on risk at the household level is a burden in more unstable personal and working environments, to be ‘got out of the way’ as quickly as possible, at the expense of all else.

5 TRAPPED? CHOICE AND CONSTRAINT FOR RENTERS

5.1 Introduction

In the next three chapters, key themes and issues arising from the postal surveys, group discussions and in-depth interviews are brought together and explored. In these sections, the different renter and purchaser types introduced in the previous chapter are contextualised. For each section, a number of key findings and observations from the surveys are drawn out in order to contextualise more in-depth discussion arising from focus groups and interviews.

This chapter focuses on our long-term renters, and how housing affordability is negotiated through choices made and constraints faced. We look in more detail at the current experiences and outcomes for those trapped in the private rental sector, how trade-offs are made (and understood and articulated by the renters themselves), and the potential implications of those trade-offs. It is important to note that not all lower-income renters expressed affordability concerns. However, within our sample, there were a substantial number in serious stress – and struggling – and those for whom the prospects of moving into home ownership were far removed. With a significant proportion unlikely to be able to buy, the prospect of long-term renting and strategies for securing stability are explored.

5.2 Making trade-offs

Decisions made at the household level, and the extent to which there are shaped through choice or constraint, are central to exploring both the drivers and effects of housing affordability. Most of our respondents were able to articulate very clearly the trade-offs they had made in finding suitable housing related to changing needs and household circumstances over time. For some, those trade-offs provided sufficient rationale and justification for the higher housing costs and affordability concerns ensuing from that decision. For others, it was affordability-driven constraint that led to trade-offs having to be made. The potential outcomes of each are quite different. In the latter, the trade-offs are likely to be seen in negative terms, and affordability is still likely to remain a concern. In the former, the renter has decided that those higher costs are 'acceptable', given the benefit provided. Even where choice can be said to have been exercised, often those choices are in response to a need, rather than simply a desire for more space or better quality. It may be a need to be in close proximity to a school or medical services that cannot be offset through moving to a cheaper location. The distinction between trade-off through choice and trade-off as compromise is key, and acts as an important point of differentiation amongst our long-term renters.

5.2.1 No room to manoeuvre

How can anyone possibly save a deposit for a house while making \$32,000 before tax, support two children and one adult, and pay \$270 a week rent plus living expenses? What do I think about renting a house in this day and age – it is simply a case of the rich living off the poor who are simply trying to survive. (Renters survey)

As a single parent, with on/off work because of caring for my kid – rent is the biggest chunk of my bills – if I paid less rent I could have a better quality of life for myself and kid. The government should increase assistance. (Renters survey)

I got paid yesterday, Tuesday's my pension day, and I've now got \$80. So I'm looking at the next 13 days sitting in my unit. I'm a bit lucky because I can walk round to Picnic Point, it's nice there. (M, early 60s, Maroochydore, Queensland)

There is nothing in my life which is a frill – it's all basic. Rent, food, car and utilities. There is no entertainment whatsoever. Forget about the movies. The only thing you can do is to cut back on the food and when you have got kids, especially the ones that are paying board, as a mum you feed them first and you go without yourself and you don't let them know, and that's how you live. (F, early 50s, Woodridge, Queensland)

For many of our struggling long-term renters, affordability constraint meant that notions of choice relate more to simply meeting basic needs than being able to exercise preference. It is not necessarily only the proportion of income accounted for by housing costs that is limited, but rather the absolute amount remaining to provide the household budget after those costs have been accounted for. With all income tightly accounted for, there is no margin for unexpected costs, for bills, and very little capacity to accommodate any increases in housing costs. Indeed, even basic expenditure has to be prioritised in order to ensure there is enough to make it through fortnight by fortnight. Strategies for managing in such circumstances are often dictated by the immediate nature of those difficulties, leading to unsustainable responses to the need to meet rental costs. Among the lower-income quintiles from our renters survey sample, the most common responses were borrowing from family and friends (43 per cent), selling or pawning possessions (33 per cent) and approaching a welfare or community agency (31 per cent). While more sustainable strategies were also identified, such as finding a job, working overtime or getting a second job (8 per cent), the ability to draw upon workforce responses among lower-income renters was inevitably more limited, indicating that a large cohort of our group have limited access to mechanisms that would help alleviate difficulties.

Table 5.1: Strategies undertaken in order to meet rental payments in the past three years

	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Borrowed money from family or friends	43%	24%	34%
Sold or pawned personal possessions	33%	11%	21%
Approached a welfare/community/ counselling agency for assistance	31%	7%	19%
Found a job	27%	20%	24%
Drew on accumulated savings	26%	26%	26%
No, none of these	20%	35%	27%
Increased the balance owing on credit cards by \$1,000 or more	16%	20%	18%
Worked overtime	14%	25%	20%
Entered into a loan agreement with family or friends	13%	6%	9%
Took out a personal loan	8%	6%	8%
Took on a second job	8%	13%	11%
Postponed having a child	4%	8%	6%
Other	6%	3%	5%

Exploring this issue in depth in the focus groups, nearly all participants emphasised that rent took precedence and was paid first, then utilities, medical costs and children's needs. The food budget was often highly compromised by other demands. Credit was often seen as a bridging strategy, but some had found that this led to added concerns and ongoing costs. There was a limited sense of security in living week to week, with bills often not being paid on time and absolutely no margins for putting money aside.

I work from pay to pay, so there is never anything aside, because once you start borrowing or getting credit cards, there are all those costs. To meet monthly repayments you end up with nothing, and there are times when we have had very little food. (M, late 60s, Ryde, NSW)

I had a heart attack a couple of weeks ago, so I am not currently working at all. So my pension is about \$130 a fortnight more than my rent. So that does not give me a lot to put away for power, phone etc. So it is very hard. (F, early 60s Penrith NSW)

Mine's half of my income, just under half ... Rent comes first. I mean, go and pawn something to buy your food, but rent comes first. Now I get my electricity direct debited out, \$10 a week, so when that bill arrives it isn't a bill. I struggled with that. You can't survive otherwise ... It's mega-mega tight budgeting. (F, mid-40s, Maroochydore, Queensland)

As identified in the postal survey, about half of our renter sample had already moved in the past five years to reduce housing costs. Strugglers seeking to manage housing costs have often felt that they have needed or had no choice but to consider what were perceived to be less desirable areas (Dandenong, Woodridge), which adds to the connection between housing and stress, and knock-on effects in terms of health and employment and education opportunities. A renter who had 'ended up' in Woodridge recognised the constraining effect his location was having on his ability to look for work, with additional travel costs having a heavy impact on his budget: 'If I do get a job interview ... I've got to be a bit careful. If I get three in a fortnight that's going to cost me an extra \$24 in transport. I am only on Newstart.'

On the whole it was affordability that made me move, sometimes it was work, but certainly the last move I made to Dandenong was purely economic. Yes, I just couldn't afford to live anywhere else, was going from, you know, struggling in a marriage – struggling financially in the marriage – to struggling on my own. Yes, the best I could afford was Dandenong. (F, early 40s, Dandenong, Victoria)

When I was looking, I looked in many areas, but I was basically trying to work out my budget, so I had to go for cheaper rent. I had no choice to just go in this two bedroom place and, like, my boys have got one bedroom each, I sleep in the lounge room. (F, late 30s, Dandenong, Victoria)

While spatial dislocation was typically a matter of compromising in terms of type of property and neighbourhood, in the case of Bill (Box 5.1), his response was to move interstate in an effort to achieve a more secure basis for getting back on his feet.

Box 5.1: Bill, Woodridge, Queensland

Bill is single and in his mid-40s. He moved up to Queensland three years ago from Melbourne where he had been working in a high pressure but financially insecure job. On leaving the job due to stress, he moved to a boarding house and then to Brisbane, believing that it would be easier to re-establish himself in the private rental market up there. After moving through a number of inner city shelters and boarding houses, Bill now rents a studio apartment for \$140 per week. Lack of assistance in the face of increasing rents has made him 'feel the squeeze more and more on my limited income', that he's 'only just making ends meet' and is finding it 'hard to keep afloat'. Living on a tight budget, Bill identifies the cost of moving as a major issue: landlords increase rents frequently because they know tenants cannot move. He also sees the variety of checks done on tenants as a concern, and feels discriminated against due to his age. Bill's housing situation is having knock-on effects. He thinks that the stress of having so little disposable income is affecting his health due to worrying about money: 'It jilts your pride. You don't stand as tall'.

Many of our struggling renters thought they would be forced to move if rents increased, although they felt trapped: there was a sense that to get anything as good as their current housing would cost a lot more than they were currently paying, and the prohibitive cost of moving meant that they were between a rock and a hard place; while a \$10 per week increase in the rent might be painful, it is preferable to the up-front costs of having to move. Some said that landlords were all too aware of the difficulties faced by many tenants in meeting these costs, and knew that they could get away with increases every six months.

Five years ago I was in a two bedroom home unit. After six months they served a letter saying \$10 up. I get another unit, again after six months I get a letter saying they put the rent up by \$5. It is very difficult for low income people to live and rent in Sydney ... So they end up asking for \$230. That unit was not worth more than \$200. But I was thinking, if I moved, I needed \$700 or \$800. Plus I looked around and it was impossible to find anything under \$270, \$280. (M, early 60s, Ryde, NSW)

While the need to move in the face of rent increases was a concern for renters in the varied market conditions experienced at the time of research, it was perhaps most pronounced where upward pressure on rents was greatest. Many renters in Queensland were fully aware of the changing market in their local area, and recognised the differential in rents being seen in terms of long-standing renters and newcomers to buildings. For some, there was a sense that their rent was out of kilter with the current going rate, which was reassuring in that they were getting a good deal at present, but a concern that their rent would rise significantly and that they would be priced out of the area. One Maroochydore renter saw her rent increase \$70 in one go, enforcing a move.

5.2.2 *Balancing choice and constraint*

To determine the trade-offs made when choosing accommodation, survey respondents were asked to indicate any compromises they made when renting their current dwelling. As shown in Table 5.2, both lower- and higher-income cohorts indicated that the main compromises related to a higher level of rent than they wanted to pay. Other significant compromises focused upon quality, size and location. Lower-income renters generally expressed higher levels of compromise against identified measures, with the exception of travel to work, highlighting more limited full-time work participation in this cohort.

Table 5.2: Compromises made in order to rent current dwelling (by income quintiles)¹³

	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Higher level of rent than I wanted to pay	50%	45%	47%
The quality of the dwelling was lower than I wanted	36%	28%	32%
Smaller dwelling than I wanted (i.e. overcrowded)	30%	25%	28%
I had to relocate to an area I would not otherwise have chosen	24%	18%	21%
There was a lower level of security than I was happy with	23%	20%	22%
I had to rent a flat when I really wanted a house	22%	17%	20%
I could not be as close to family/friends as I would have liked	16%	13%	14%
My access to public transport decreased	12%	9%	10%
I don't feel that I made any compromises	12%	19%	15%
My access to services/facilities decreased	11%	8%	10%
My travel time to work increased	9%	20%	14%
My children had to change schools	7%	2%	5%
My access to childcare was more difficult	5%	1%	3%
Other	8%	6%	7%

Note: multiple response answer

Focus group and interviewee comments capture these trade-offs very clearly.

In order to live in a safe area to bring up my child, I have to pay higher rent. Also I can't afford to rent anything appropriate for just my daughter and I so I am forced to share, which makes me feel powerless as a mother. (Renters survey)

I ended up doubling the rent to get somewhere better, so yes, I had to sacrifice. So what did I sacrifice? Well, I had no social life. I really just had to budget. I specifically budgeted an amount of money and went looking. I didn't specify an area, although I know areas where I didn't want to live. It was about what can I get that is bigger and better for this maximum amount of money. (F, early 40s, Penrith, NSW)

I'm willing to pay what I pay because I've made choices to live by myself in an area that I'm not prepared to leave. I've got a backyard with trees in the middle of the city, I've got parrots and possums ... Queenslanders in West End are pretty shabby generally and I think you get used to it ... I can hang up a hammock and sit in my yard on a Friday afternoon because I don't have to go to work, and you can't put a price on that kind of stuff. (F, early 30s, inner Brisbane, Queensland)

While many of the renters we spoke to were under tremendous strain, there were also a significant number who were managing, comfortable in recognising the benefits of renting as opposed to buying, and relatively content with both their housing situation and the neighbourhood. Although still expressing affordability concerns, there was a

¹³ Respondents could select as many compromises as applied, and indicate the most important one.

greater degree of pragmatism (and accepted resignation) about their situation. Interpretations of affordability were framed by a number of respondents in relative terms. While many identified that rents accounted for a significant proportion of household income, it was often considered fair or realistic given the options available, i.e. affordability was a concern, but tempered through an understanding and appraisal of alternatives. Identifying where choice had been exercised was central in this regard.

Box 5.2: Viv, Penrith, NSW

Viv is in her mid-40s, divorced and living in Penrith with her children. She has primarily been a renter since leaving home, although she and her ex-husband purchased a house in Newcastle under the 'City Corp' program in the early 1990s. Despite guarantees that there would be a maximum of one interest rate rise in the first five years of the loan, they experienced 'five in the first year' and walked away from the property. She has been in her present home for seven years and considers herself in a good position, given her rent and a landlord who is 'fairly good at fixing things' and 'a bit lenient if I get behind in the rent'. Viv has a relatively well-paid job in town, and while rent accounts for a large proportion of her income (60 per cent of basic salary), she acknowledges that she chooses to work part-time in order to spend more time with her children. Viv feels secure and comfortable, and has no urgent desire to be a home owner again, although she would like to buy the home which she is renting: 'I'd do what I could to buy it'.

Many renters acknowledged that affordability constraints reflected decisions that they had made. The size of the dwelling may have been compromised in order to live in a preferred area, or a judgement made that paying 50 per cent to 60 per cent of income towards rent was an acceptable, and therefore affordable, trade-off if it meant that the children could go to a decent school or, like Viv (Box 5.2), that they could have the work-family life balance they wanted. Preparedness (or at least resignation) to commit a high proportion of income towards rent in order to choose neighbourhoods was a key trade-off for many of our backslider renters. Having previously owned their own homes and with children often in local schools, there is a strong desire to remain among friendship, family and support networks.

Decisions whether to share or not, typically a more affordable option, featured heavily in trade-offs made. Although many found it acceptable when younger and while moving around, many were prepared at a later stage in their life to pay more in order to have their own space and not be subjected to the stresses of a shared household, even if they had to compromise on the quality and features of the house or unit. Of concern in terms of being able to sustain this trade-off, a number of renters recognised that they could manage these additional costs while working, but were likely to have to share again as they reached retirement.

Once I give up work I will have to share. I will be on a pension, and with the high costs of rent I will not be able to afford to live somewhere that was decent. (F, early 50s, Coffs Harbour, NSW)

My sister and I are looking to find a place. It will be a bigger place and will cost more, but for each of us it will be cheaper. So we are doing that at the moment ... I have only got a few years left of work. My sister is in the same situation. And I think a lot more people of my generation are going to find themselves in this situation if they haven't managed to get a house. (F, early 50s, Penrith, NSW)

Although many of our participants had clearly made trade-offs and had been forced to compromise in their decisions, there was often a strong sense of affirmation towards

the trade-offs made and subsequent living arrangements. While a number were unhappy about their situation and felt they were living where they were 'purely for economic reasons', many were happy with their property and neighbourhood and justified the decisions that they had made. A common feature was the assurance that they had made a good decision within the constraints faced: a slightly bigger property than others at comparable rent, an ideal location for their needs, a good landlord etc. Some felt that they were fortunate to be where they were – this was often tied to a good relationship with the landlord and a sense of stability and security provided by the arrangement. This affirmation even took place to a certain extent in areas where the renters themselves acknowledged that they had initially moved to neighbourhoods with poor reputations on affordability grounds (it's actually not as bad as people make out, it suits my needs).

For many long-term renters, a cautious approach and minimisation of risk was also a predominant strategy shaping household decisions. Some had been home owners in the past, or had faced significant life-changing circumstances that had led to their current situation. Having gone through disruptive, painful and costly experiences, many sought a situation where they did not put themselves and their residential security and stability at further risk. This meant accepting the trade-offs and often tolerating remiss landlords in order to have a stable living environment with predictable financial outlays. For many, knowledge that once the rent had been paid there were no further or unexpected housing-related costs was identified as a real benefit. Keeping an eye on the market enabled renters to continually assess their decisions: they often felt they were lucky where they were, and would not be able to get anything as good for a similar price. This sense of being in a relatively good position 'given the circumstances' was cemented by judgements made on the viability and attractiveness of alternatives, whether in terms of accessing ownership or public housing.

5.3 Looking forward: the prospect of long-term private renting

While many of our renters – especially the backsliders, many of the strugglers and, deep down, a number of the pragmatists – continued to aspire to home ownership irrespective of whether it was attainable or not (where would you like to be in three years time?), most renters acknowledged that they were likely to be renting for some time to come (where do you think you will actually be in three years time?). The degree to which they felt affordability constraints would continue very much reflected their current circumstances, perspectives and the influence of local housing market dynamics shaping those perspectives. For the strugglers, it was difficult to foresee improved outcomes. Equally, the relative contentment and acceptance indicated by many of the more pragmatic renters was underpinned by feeling in control of their circumstances, whether through having stayed in the same property for years or through recognising that the market 'hasn't moved much', and therefore the risks of possible future strain were not immediately apparent.

Although most renters felt it likely that rents would rise, concerns were most felt by those tied to fixed incomes (which were not rising as much as the rent) and those where the market had significantly tightened and price rises had recently been more acute. Renters in areas of strong economic growth, and where urban renewal and sea change pressures were being experienced, recognised the implications for future options and affordability. Those living in inner Brisbane noted the dramatic shift in the area over the past five years, with the increase in supply provided through new apartment building only pushing prices upward rather than suppressing rents.

Pressures were especially pronounced in coastal areas, where renters, either retired or in low-wage employment, are competing with investors and those moving out from metropolitan areas. In Coffs Harbour, there were concerns that there was a clear desire to drive up rents through 'slowly getting rid of the older units and putting in really posh security complexes' in traditionally low-income, but strategically very well located, parts of the city.

West End's going to go mental in the next five years. They're building a whole heap of apartments down by the river. It's been marked for urban renewal, so it's kind of got that aura. And they're not flats, they're one bedroom apartments for \$300 a week and up, so it has gentrification overtones. It's actually pushing prices up throughout the area. (F, early 30s, inner Brisbane, Queensland)

It's all linked to the housing prices, so the more the housing prices go up, the more your rental goes up. Here at the moment we've got a major gap happening, because the housing prices are so high and rental as a percentage is still really low. The only thing that can happen, 'cause housing prices aren't going to relatively go down, rental's going to go up. It's going to go up dramatically. And it's a scary thought when you're lucky to be paying your rent now. (M, late 30s, Maroochydore, Queensland)

Alongside rising rents, many identified that a stressful outcome of supply pressures had been a more competitive market that made securing accommodation all the more difficult. Renters were often expected to inspect properties and be in a position to make an instant decision, or submit applications to be considered alongside a multitude of others. Despite rather mixed views regarding real estate agents and their practices, many recognised that it was very important to build up a relationship in order to be in a position to be considered for better properties.

Now you go back, fill in this many forms and they say, 'Well, we will let you know when we make a decision'. You wait. And there are dozens of people they let do this before they make a decision. It is nowhere near as easy as it used to be. And it is so insecure. (F, early 60s, Penrith, NSW)

There is such a fight for the market that when you find that home you are so grateful when you get it, because you are competing with 50 people for that property. So it is like, 'I can afford that, it is close to where I want to be, I'm going in'. (F, early 30s, Coffs Harbour, NSW)

I think sticking with the agent is the thing these days, because if you're not you seem to go to the bottom of the list. We have been with the same agent for three moves and know they go out of their way a little bit to find something, because they are after longer-term good tenants. (M, early 50s, Penrith, NSW)

5.4 Strategies for securing stability

An enduring issue for renters, and reflected in recent purchasers' key motivations for becoming home owners, is the question of stability and security. It underpins and to a large extent defines renters' relationship to the tenure, and it is often argued that if greater certainty existed, then private renting would be perceived as a more acceptable long-term housing outcome. The renters survey explored the reasons behind most recent house moves, with the sobering observation that, despite the majority of our renters having been in the tenure for over 10 years, 81 per cent had moved in the past three years, and 43 per cent in the past 12 months. While choice will of course come into play, and change in personal circumstances was the major reason for change, our lower-income renters were more likely to indicate movement

for reasons of constraint, i.e. 'had no choice' (29 per cent compared with 14 per cent) and to reduce rental payments.

Table 5.3: Main reasons for moving from previous dwelling (by income quintiles)

	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
A change in personal circumstances	45%	44%	44%
To move to a more suitable dwelling	41%	42%	42%
To move to a more suitable location	38%	45%	42%
To reduce rental payments	35%	25%	30%
I had no choice	29%	14%	21%
Evicted /lease not renewed in last property	20%	14%	17%
No longer afford mortgage repayments	2%	3%	3%
Employment or education relocation	1%	8%	4%
Other	12%	14%	13%

Note: multiple response answer

Exploring this degree of mobility in focus group discussions, a lack of security was identified by many renters as a source of severe stress, particularly for families and for backsliders seeking stability. There was a strong sense of loss where moves were enforced through the selling of the property, especially where the renter had been there a long time.

I'm developing an ulcer, I'm sure of it. It's just an ongoing concern and I can't see a change in it at all. It's certainly not getting better. But I'm suddenly in a very vulnerable position. Last year I felt quite secure and confident and I'd never thought the owners would suddenly just get an agent and say the property's being auctioned. (F, early 50s, Thornbury, Victoria)

It is so insecure. That is the thing that gets me. Like I said, I have had the last two places sold out from under me. In both cases I had been there four years. I had a reputation as long-term, as long as I can stay. I don't like moving. And in both cases the owner had to sell for whatever reason and I was out. There is that real degree of insecurity for people that rent. (F, late 60s, Penrith, NSW)

In exploring the issue of long-term tenancies/leases as a means of providing greater security, the reaction was mixed. One of our pragmatic renters, having determined that he was comfortable and that his circumstances were unlikely to change for the foreseeable future, had asked his landlord for a five-year lease. A number saw advantages in being tied in over a long period, providing a platform for negotiations regarding improvements to the property such as redecoration or installation of a rain tank or an air conditioning unit. However, most acknowledged that they were generally living 'out of lease' and, while recognising that security was important, did not want to lose their freedom as renters. Interestingly, it was often those renters with significant affordability constraints and who had bad experiences in their housing histories who were more reluctant to be tied in over the long-term: while it provides some stability, there is a fear that it will tie them into poor living conditions.

It's hard, because I had to break a lease in one of the houses because there were lots of problems there and I had to ring the tribunal and everything ... It's a really difficult thing if you have to move before the lease, and they said that's why we don't renew it. (F, late 30s, Dandenong, Victoria)

Given that security and stability are considered key, our renters' perceptions of public housing were instructive. Although some – often those who were struggling – suggested that they would consider it ('it's the only feasible option in the long term'), for the large majority, the futility of putting your name down on the waiting list was frequently stated, and the stigma attached to the available options was seen as insufficient trade-off for lower rent.

Finally after nine years [on the waiting list] I got a place, but after six months I said to my partner, no, I can't do it. The people we had living around us were absolute nutters. We had drug addicts, we had police, we had this, that and the other. And I said it's not worth saving the extra hundred – I think they chose 25 per cent or 26 per cent [of my income]. (M, early 40s, Penrith, NSW)

I was on the Housing Commission list for six years and they offered me Cranebrook and I said, no, I'm not going to Cranebrook ... They gave me one more chance, and two months later I got another letter, and again it was in Cranebrook and I said, no, and they said I'd get taken off the list, and I said, fine. On that I won't compromise. I'm staying somewhere where I feel safe, and my kids – if I lived out there I wouldn't even let my kids walk to school. It's an area where buses won't go out there any more. (F, early 30s, Penrith, NSW)

For those trying to get by fortnight to fortnight, being put on a waiting list that might be five, ten or fifteen years long was so detached from their frames of reference that they did not bother. Others assumed that they would not be considered, and so closed this option down through self-exclusion. Many renters were also fully aware that public housing had changed, that stock was being sold off and that it was not there to help people 'like them' any more. The lack of interest or faith in public housing provision being the solution to their affordability concerns underlined the value that many renters placed on being able to live where they chose, despite the additional costs entailed.

6 GETTING INTO HOME OWNERSHIP

6.1 Introduction

Australians' aspiration to enter home ownership has consistently been confirmed through surveys regarding tenure preference of renters and owners alike. The perceived ontological security (Saunders 1990) and the investment it represents has underpinned the Australian dream. Ownership is seen as offering good and relatively low-risk investment returns and the opportunity to 'trade up' and access ever better conditions over time. Kemeny's more tempered view is that its favoured position is 'dependent on the sustaining of myths concerning the superiority of home ownership over other forms of tenure' (1981: 11). Clearly, there are winners and losers (Badcock and Beer 2000; Forrest and Murie 1987 1991), although the dominant perception remains that accessing home ownership provides a vehicle for opportunity, mobility and household wealth accumulation.

This chapter focuses on the processes involved, the choices and constraints faced, in moving from being a renter (or still living in the family home) into ownership and how those decisions were shaped. As noted in the development of our archetypes, being able to accurately define how many of our renters are 'aspirant purchasers' highlights the challenge of the disparity between ownership as the preferred tenure among the sample as a whole and the rather smaller proportion of our renters who were realistically likely to be in a position to purchase in the foreseeable future. For a large number of our aspirant purchasers, they are in fact 'trapped'.

While the survey highlights that the likelihood of actually being able to enter home ownership aligned strongly with those in employment, with higher income and in non-single household groups, our focus group discussions helped articulate and understand the challenges faced between the realistic expectations of approximately 30–40 per cent of our sample survey, and the 60–70 per cent of these we spoke to who held aspirations to buy.

6.2 Barriers to ownership

The identification and articulation of barriers to moving from renting to ownership were explored with renters and recent purchasers, and exploring perspectives and actual experience in getting over 'the hurdle' from both sides of the fence provides insight into the potential accuracy of those perceptions and helps highlight circumstances under which those hurdles can be overcome.

In focus group discussions with renters, saving for a deposit was often identified as an insurmountable barrier, faced with little or no opportunity to save. Those who had been able to start putting money aside had found the money the first port of call when other needs arose, for example, to meet medical costs or to tide them over in periods of unemployment. Some were paying off debts in monthly instalments and earmarked these payments as their future saving opportunity once those debts were finally cleared.

And the deposit. You just don't earn enough to save for a deposit. Everyone would love to own their own home, but it is just not feasible with living expenses to be able to save X amount of dollars. And with those no deposit home loans you are stuck for years and years. You are never going to be able to change your life. (F, early 50s, Coffs Harbour, NSW)

For recent purchasers, the deposit barrier was tackled in a number of ways, and the strategies adopted point to a range of opportunities available to those able to buy, but

also different perspectives and attitudes to the commitment required. Many talked of the significant sacrifices required. For some, staying in the family home or moving back in with parents provided an accumulation strategy, while others worked extensive overtime or took on second jobs. Others moved into shared accommodation or remained in public housing. For others, assistance from parents contributing to the deposit, either in the form of a gift or a loan, had an important role. However, many of our purchasers had relatively small (<5 per cent) deposits, having taken the decision, given the availability of finance, not to wait and save.

While regular employment was important in saving for a deposit, it was also crucial in gaining access to finance. For renters, accessing finance was identified as a significant hurdle. For some, this related to their circumstances (I'm too old, I have debts, I'm a low-wage earner), but for others there was a sense of inconsistency, gatekeeping and incoherent advice being given by real estate agents and mortgage brokers.

I'm in the situation where a bank wouldn't touch me, even though I had the deposit, because I'm a single parent, part-time job, I work casual. They don't take into consideration child support ... But I still feel that I'm on that border. (F, late 30s, Redcliffe, Queensland)

90 per cent of it is not whether I can raise the deposit ... I fall into three categories: I'm too old, I'm unemployed and I'm female. You're in three of the minority groups. Being female is a major one. Being female unemployed, you can kiss it goodbye. Whether you're beyond child-bearing age or not, they seem to think that it counts, one of these days you're just going to get pregnant and stop work. (F, early 50s, Maroochydore, Queensland)

Some had sought financial advice and had struggled to get a response that they felt confident with, or had started the process of application, only to find ill-explained factors and further costs ensuring that entering into a mortgage would not be feasible.

What I find appalling is all the banks say 100 per cent, we can lend you 100 per cent. They said even if you don't get a deposit together there is no problem because you both work ... The manager of the credit union said to us – we only wanted to borrow \$300,000 – he did all the calculations and said that we could actually borrow \$500,000. Thanks, but we are not interested. We only wanted to start off small. (F, early 40s, Penrith, NSW)

Repeatedly I was told by the bank people, 'Look, you are paying this much rent, you could have a mortgage, you know'. And I was thinking, how can I get a mortgage, I don't have a deposit, I don't have all these other things you need. (F, early 50s, Coffs Harbour, NSW)

Interestingly, a number of recent purchasers mentioned similar initial barriers and challenges that they had faced in securing convincing advice and financing appropriate to their needs. This corresponds to a significant proportion (21 per cent) of recent purchasers indicating in the survey that they had experienced difficulties in securing a mortgage. The greater flexibility of loan arrangements was met with a degree of suspicion from many renters – certainly the prospect of taking out a 100 per cent loan or borrowing more than they considered comfortable and within their means. By contrast, many of our recent purchasers had taken advantage of low- or minimal-deposit loans (again reiterating the survey results) in order to enter into the market, even if this required a trade-off in having to take out additional mortgage protection.

The deposit barrier acts as shorthand to the challenges faced: as dwelling prices have increased, the goal posts have continued to shift and the amount required as a down

payment has of course equally stretched. Our renters' and purchasers' decisions and perspectives on affordability have been shaped by rising and high dwelling prices, and the association drawn between a decline in the proportion of first-time buyers and the decreased ability of these households to enter the market. But having accepted that price will inevitably restrict entry on objective measures, what impact do house values actually have on both perceived ability to purchase, and on the actual decision to, and timing of, purchase?

In discussing the issue of market change among both renter and purchaser groups, it was interesting that market stagnation, certainly in the context of outer Sydney, had relatively little impact on renters' perceptions – and even those aspiring to purchase in the short term – of access to home ownership becoming more affordable. For many, the stretch between rental costs and dwelling prices meant that, even in an earlier depressed housing market, they were not able to seize the opportunity. Indeed, while the market plays an important role in how affordability is perceived by renters, for many of our renters – and certainly the strugglers – any recent market changes have done little to make attaining ownership any easier. Employment and access to a full-time secure pay packet is recognised as central, as is the increased need for two wage earners, not one, in order to gain ownership.

There's nothing affordable that I could see, unless you had a couple with reasonably good jobs. It needs two people, not one. And both people need to be committed to saving up the deposit for five years, otherwise they're just chasing their tail with interest. So from a single person's point of view, after 40 years of age? Forget it. (M, late 40s, Woodridge, Queensland)

Equally, it was not apparent from our recent purchasers that rising prices and growing lack of affordability had affected the timing or ability to purchase when they had originally wished or needed to do so. A number noted that they wished that they had taken the plunge earlier, but it seemed that lifestyle factors and choices not directly related to affordability were as influential. Many mentioned a decision-making process that involved 'getting in the zone', making a committed decision to start saving and to start making sacrifices – this could happen when aged 25, 35 or 45. Few seemed to suggest that their efforts were being continually offset as dwelling prices continued to spiral out of reach: once they decided that they wanted to buy, they got their heads down and did so. Indeed, a number of recent buyers suggested that they had purchased knowing that they were probably doing so at the wrong time, and that in the short to medium term it was possible that they would lose money.

Buying a house represents a lot of sacrifice, yet to go from lifestyle X to lifestyle Y may be a bit of a radical thing. Maybe it's a slower transition? Everything takes time. I think the commitment, the idea, occurred to me – well, not occurred to me but really solidified within me – towards the end of 2004, so two years to really start getting serious about it. Maybe it's slow for some, but I guess that's what it's taken. (M, early 30s, Thornbury, Victoria)

I put off buying for so long because it just always seemed out of reach. To be able to save a sufficient deposit so that you can reduce the amount you will be borrowing, when you're a single person with nobody else, it's a huge thing. It's very hard for a person who chooses to be single to be able to afford. It wasn't until I had made a commitment to myself that I'm just going to have to work extra hard, if I can't get a job that pays better, I'm just going to have to put in extra hours elsewhere, that's the only way I could have done it. (F, early 40s, Sunshine, Victoria)

6.3 Facilitating access

With dwelling prices stretching out of the reach of first home buyers and presenting the need for a substantial deposit, the surveys and our subsequent group discussions sought to gain insight into the potential role that wealth transfer, indicated by assistance provided to first-time buyers from family, and policy mechanisms such as the FHOG, played in assisting renters to get over these barriers.

There has been significant policy interest both in Australia and internationally in the potential role played by intergenerational wealth transfer and assistance from parents and family in alleviating the 'deposit gap'. However, both the renters and purchasers survey suggested that assistance was relatively limited. Just 12 per cent of our renters (7 per cent of the lower-income cohort, 18 per cent of the higher-income cohort) felt it likely that they would receive some form of assistance, whether in the form of a loan, as inheritance, as a gift, or with parents acting as a mortgage guarantor. For those indicating that some help might be forthcoming, Table 6.1 identifies the nature of that assistance.

Table 6.1: Renters' likely form of assistance from family to help with home purchase

<i>Form of assistance</i>	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
A loan	38%	49%	46%
Inherit cash	40%	34%	37%
Mortgage guarantor	25%	25%	24%
Inherit property	23%	25%	23%
Gift	15%	28%	24%
Don't know	6%	8%	7%

Note: multiple response answer

Similarly, when exploring the sources used by recent owners to raise their deposits in the recent purchasers survey, the level of assistance acknowledged either through gifts, loans or inheritance confirms the relatively limited importance of this stream of potential funding.

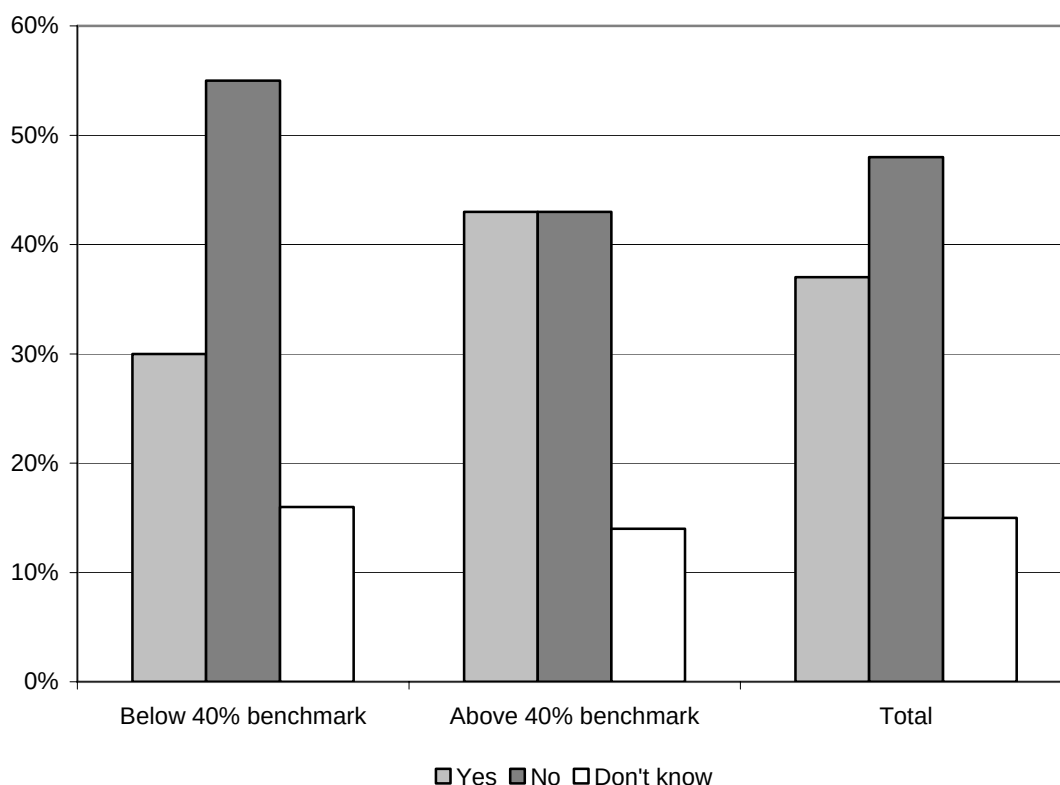
Table 6.2: Sources used by recent purchasers to raise deposit on dwelling

<i>Sources of deposit</i>	<i>N</i>	<i>%</i>
No deposit paid	33	9%
Personal savings	219	62%
Gift from parents/other relatives	39	11%
Loan from parents/other relatives	44	12%
Cash inheritance	7	2%
Personal loan	16	5%
Sale of other assets	59	17%
Other	13	4%
Government grant	3	1%
Sale of previous property	15	4%
Divorce settlement	11	3%
Equity in another property	10	3%

Note: multiple response answer

Among both renters and purchasers, there was considerable awareness of and interest in government taxes and buyer incentives in the form of the FHOG. There has been some academic and policy debate regarding its effectiveness as a mechanism for facilitating access for first-time buyers, reflecting criticisms that the tool is blunt and untargeted, assisting both those for whom it may provide a genuine catalyst and those with few affordability concerns for whom it has no major influence on the purchase decision. The effectiveness of such schemes has also been questioned in terms of how the grant is actually used, with a perception that there is a tendency for the FHOG to aid in the purchase of consumer goods.

Figure 6.1: Would you have been able to purchase in the absence of the FHOG?



However, the survey provided some reassuring insight into the perceived importance of grant schemes in helping recent purchasers to gain access (Figure 6.1), as well as suggesting that there had been only limited 'leakage', that is, use on non-housing expenditure (Table 6.3). Although seen as vital by the majority of our purchasers, it was clear that it was more integral to facilitating purchase for our lower-income cohort (55 per cent versus 42 per cent for the higher-income cohort), which does lend some support to arguments for better targeting. Interestingly, across the sample, there was relatively little difference across the lower- and higher-income cohorts in how the grant was used, although lower-income purchasers were a little more likely to put the grant towards transaction fees, and for there to be a little more leakage to non-housing and general expenditure in the higher-income group.

Table 6.3: Ways in which grants were used to assist with housing costs

<i>Use to which grant was put</i>	<i>N</i>	<i>%</i>
Mortgage payment	112	55%
Stamp duty costs	39	19%
Transaction fees	34	17%
Deposit	11	5%
Payment of bills (e.g. electricity, telephone)	11	5%
Purchase of white goods (e.g. fridge, washing machine)	11	5%
Purchase of electrical equipment (e.g. home computer)	3	1%
Purchase of soft furnishings (e.g. curtains, carpets)	12	6%
Payment of other personal debts (e.g. credit card debt, personal loan)	13	6%
General household spending	13	6%
Improvements/renovations	7	3%
Other	2	1%

Note: multiple response answer

The support for, and use of, the FHOG indicated by the survey was further emphasised through focus group discussions with recent purchasers, although renters had more mixed views. In exploring the FHOG's role in the buying process, many noted its significance in their purchasing decisions and budgeting, although some felt that it was fairly limited. A number commented that it had previously been more generous,¹⁴ while our Victorian purchasers felt that, given the state's stamp duty liabilities, it was a case of 'give with one hand and take with the other'. For one participant, his parents acted as guarantor on his mortgage and as a result he had to forego the grant. Generally, the FHOG was considered a significant help in meeting fees and charges associated with the buying process rather than being used as part of the deposit, although it was used by some for this purpose. A number commented that its use for taxes, fees and charges meant that the purchaser's hard-earned savings could be dedicated to the bricks and mortar they were buying rather than going towards intangible costs. For some it provided a vital buffer and assisted in the early months of home ownership – including meeting mortgage repayments – and helping deal with repair issues that they were aware of at the time of purchase.

But I was kind of pleased that they were going to pay that because that meant they were paying my legals for me, so my money was going to pay for the house rather than paying these taxes. (F, early 40s, Sunshine, Victoria)

In discussing whether the grant helped make ownership more attainable in our renters' groups, for many \$7,000 was not enough to make a significant difference; for others it was 'a saviour' in their long-term plans. Particularly for those perhaps furthest away from attaining ownership, it was felt to be poorly targeted, with suggestions that those who did not need it still received it (a point acknowledged by a number of recent purchasers themselves). The issue of eligibility was particularly important to many backsliders who felt penalised in not being able to access the FHOG as a result of having their names on previous house deeds or mortgage documentation through marriage.

¹⁴ Figures of either \$10,000 or \$14,000 were noted, whereas most of our purchasers had received \$7,000.

I think there needs to be more assistance for first home buyers. I am lucky that I can still get that. That is my one saving grace. That is going to be the one thing that saves us. We have factored that in when we look at all the numbers, which we do often. (F, early 40s, Penrith, NSW)

It's obviously helpful, but there's all these people getting the first home ownership thing who don't need it, there's all these people who do need it and can't qualify for it, or they qualify for it but they need [more money]. (M, early 40s, Shepparton, Victoria)

Don't relationships have a great deal of control over what you have, and what you can get? I can't get a first home loan because I owned a house with my husband 30 years ago. (F, early 50s, Maroochydore, Queensland)

The issue of information and education plays a key role in facilitating access to home ownership through ensuring that informed decisions can be made regarding both the costs of the purchasing process, but more importantly the ongoing costs of sustaining ownership. While many of our pragmatic renters and focused purchasers in our groups indicated a good understanding of the cost implications of renting and ownership, it was clear that for many, the components and responsibilities were less well comprehended. Many recent purchasers said that there was a lack of information related to the purchasing process. Even some of the focused and those who undertook quite a bit of research to inform their decision making were often in the dark at particular stages, and felt there was a need for more advice that identified and explained the process and costs involved.

While the majority of our purchasers had budgeted for these up-front costs, it was generally reflected that eventual costs were higher than had been initially perceived, with a figure of \$20,000 to \$30,000 typically quoted. In retrospect, some felt that they had been naïve about certain aspects of the process; they were unaware that some fees could be negotiated, and treated their offer of finance as 'fortunate'. In order to cover these up-front costs, a number of purchasers had turned to their credit cards, and for one participant, his deposit was covered in part through a personal loan.

6.4 Trade-offs made to get into the market

If I were to buy a home I would have to move to an area that I don't want to live in. By renting I can exercise at least some choice about locality and community, but this is becoming precarious as rents increase. (Renters survey)

My biggest thing I had to look at was size. I bought a unit, not a house, because it was too expensive to buy a house or a townhouse or something a bit bigger that was well over \$200,000. Now they have come back quite a way. Then when I bought that was the biggest factor, OK, this is what I have to look at, I have to pick the best out of this bunch. I can't look at that, that or that, although I'd love to live there, I can't afford to. (M, late 20s, Campbelltown, NSW)

Discussion of the balancing act between choice and constraint and the resulting trade-offs often focuses on renters' experiences and outcomes; however, the research – both through the purchasers survey and subsequent groups and interviews – highlighted the extent to which trade-offs are integral not only in underpinning the ability to move into ownership financially, but also in terms of the compromises made simply to 'get on the ladder'. Inevitably, the recent increase in dwelling prices has meant that the compromises have had to be sharper for many.

Survey responses amongst our recent purchasers highlighted a concern by almost half of them that mortgage payments were higher than they had wanted to pay. While our stretched and many of our focused purchasers are allocating significant proportions of their income to mortgage repayments and other housing costs, we know that fewer of our purchasers are faced with affordability constraints overall (as determined by normative measures, see Chapter 3). The proportion of recent purchasers indicating that they had made trade-offs in location, quality, size, and proximity to work, family and services is perhaps more instructive. Recent purchasers in the lower-income cohort indicated higher levels of compromise, as might be expected, with trade-offs made particularly in dwelling size, quality and location (Table 6.4).

Table 6.4: Compromises made by purchasers

<i>Compromise</i>	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Higher level of mortgage than I wanted to pay	52%	45%	48%
Smaller dwelling than I wanted (i.e. overcrowded)	41%	30%	34%
I had to buy a flat when I really wanted a house	13%	5%	8%
The quality of the dwelling was lower than I wanted	44%	30%	36%
A lower level of security than I was happy with	17%	13%	15%
I had to relocate to an area I would not otherwise have chosen	37%	33%	35%
My access to services/facilities decreased	11%	11%	11%
My travel time to work increased	32%	37%	35%
My access to public transport decreased	16%	18%	17%
Not as close to family/friends as I would have liked	26%	20%	22%
My children had to change schools	6%	6%	6%
My access to childcare was made more difficult	6%	2%	3%
I don't feel that I made any compromises	8%	12%	11%
Other	3%	4%	3%

Note: multiple response answer

The factors identified in the purchasers survey directly mirror those used in the renters survey (bar the transfer of rent/mortgage), which enables interesting comparison between the two groups in terms of the perceived compromises made. Table 6.5 compares the responses of the lower-income cohorts from each of the groups.

Table 6.5: Identified trade-offs by lower-income renters and purchasers

<i>Trade-off</i>	<i>Lower-income purchaser</i>	<i>Lower-income renter</i>
Higher level of rent/mortgage than I wanted to pay	52%	50%
Smaller dwelling than I wanted (i.e. overcrowded)	41%	36%
I had to rent/buy a flat when I really wanted a house	13%	30%
The quality of the dwelling was lower than I wanted	44%	24%
Lower level of security than I was happy with	17%	23%
I had to relocate to an area I would not otherwise have chosen	37%	22%
My access to services/facilities decreased	11%	16%
My travel time to work increased	32%	12%
My access to public transport decreased	16%	12%
Not as close to family/friends as I would have liked	26%	11%
My children had to change schools	6%	9%
My access to childcare was made more difficult	6%	7%
I don't feel that I made any compromises	8%	5%
Other	3%	8%

Note: multiple response answer

As discussed in Chapter 3, the methods by which lower-income and higher-income groups have been determined within each tenure is different. However, the comparison is highly instructive, both in terms of the similarities seen in the hierarchy of compromises made and in greater levels of satisfaction expressed by purchasers. In particular, compromise in location for purchasers stands out: 37 per cent felt they had to relocate to an area they would not otherwise have chosen (22 per cent for renters), 32 per cent had seen an increase in travel time to work (12 per cent for renters) and 26 per cent were not as close to family and friends as they would have liked to be (11 per cent for renters). Spatial dislocation due to affordability constraint emerges as a key factor for purchasers as much as, if not more than, for renters.

The extent and nature of trade-offs made were explored in further detail through the focus groups. As well as the strategies used by many of our recent purchasers in order to save towards buying their home, decisions shaping what was purchased – and where – demonstrated significant trade-offs for many. A number compromised on size or type of property, and some acknowledged that while it was not their ideal property, it provided entry into the housing market. Some, including an angry Veronica (Box 6.1), bought properties that were in a state of disrepair and requiring renovation work. Echoing the survey findings, the most prevalent trade-off was in location and neighbourhood. This was especially apparent in our New South Wales case study areas, Campbelltown and Penrith, which have traditionally provided affordable entry points into the metropolitan market. While many of our recent purchasers had links

with the area, for others, location had been key in trade-offs made between affordability, desired space and house type characteristics, and travel time to work. This was particularly so in Campbelltown, where a number of purchasers had moved 'down the M5' from more central Sydney locations in order to buy their first home. While budgets may have enabled them to buy a smaller property closer to the CBD, such as a unit, for most having a house there was impossible.

Box 6.1: Veronica, Woodridge, Queensland

Veronica is in her early 30s, single and has recently purchased in Woodridge. The purchase process was a 'nightmare', not least because she missed out on another much more preferred house. She felt she had been let down by her mortgage broker, solicitors and real estate agent. Veronica did not identify ongoing affordability as the principal issue; rather, her concerns revolve around the fact that 'the house I bought is not worth what I paid'. She describes it as 'disgusting' and in need of significant renovations: 'a bad house in a bad street in a bad location – but it was a way of getting into the market'. Despite issues of quality, she saw it as her only real option: 'I was never going to be able to afford somewhere else better and I didn't have the time to continue on looking'.

Campbelltown and Penrith, together with nearby Mount Druitt, have a significant proportion of public housing stock; in part, the stigma attached to these areas is reflected through affordability in the market, and purchase decisions were influenced by this. For some, buying in neighbourhoods away from the large public housing estates was a priority, although others such as Peter (Box 6.2) (and interestingly often those who at some point had lived in public housing) took a more pragmatic view.

Box 6.2: Peter, Mount Druitt, NSW

Peter grew up in public housing properties in Fairfield and Campbelltown. Now in his late 30s, he decided to buy after becoming fed up with being 'judged' as a tenant. Peter got together a \$40,000 deposit from borrowing from his mother, the FHOG, and the sale of some shares he had accumulated. Despite this, he experienced some difficulty in accessing finance. Price was the major factor directing the location of purchase. With an initial budget of \$200,000, Peter was unable to find appropriate houses in areas he wanted, such as Penrith. After inspecting several flats in Mount Druitt, he finally purchased a townhouse in an area with surrounding privately owned homes. Peter considers himself to be 'quite conservative' and factored in quite a large 'safety margin' ensuring that he would have money after the purchase. All in all, given constraints, he feels that he 'could not have done much better'. He felt comfortable buying at the lower end of the market: 'I would be protected from the fall [in price] because a cheap house can only fall so far'. He bought for \$211,000, negotiated down from \$245,000. Despite this, he believed at the time that the price would drop in the future.

Although a number of our respondents had stretched themselves to access home ownership, largely because of life stage issues and a need for more space and security after the arrival of children, it is important to recognise that purchase decisions were grounded in affordability considerations for many, in terms of both immediate costs and the risks associated with taking out a substantive long-term loan. Many of our purchasers' strategies exhibited a strong dose of caution and conservatism, revising down their search criteria to values which would translate into mortgage repayments they would feel happy with.

6.5 But does everyone want to be a home owner?

Security, knowing that I've always got somewhere to go to, I'm not going to come home and find that my flatmate has moved out and I can't afford my rent

so I have to move again. Another good thing, I guess, to have something to pass onto our children, if we ever have any, something to set them off ... It'll give them something, and that's something that my partner and I never really got, you know. (F, late 20s. Woodridge. Queensland)

Home ownership aspirations were widely voiced by our renters; similarly, the great majority of our recent purchasers were pleased that they had made the decision to buy. To a large extent, the benefits perceived by owners were the same as those desired by aspirant purchasers: a sense of security (both financial and personal), a sense of comfort and attainment, and having 'rights' to decorate and 'put a nail in the wall'. It is important to remember that not everyone wants to be a home owner, however, and many lower-income Australians enter the tenure without the extensive sacrifice often portrayed. For many of our ambivalent purchasers it is an 'on balance', 'take it or leave it' decision, not necessarily wrapped up in heroic notions of achieving the Australian dream.

In focus group discussions, among both renters and purchasers there was significant debate regarding the costs and benefits of ownership compared with renting. This was seen amongst our more pragmatic renters, who often offered a considered view on the potential disadvantages and associated risks. Interestingly, however, a number of our recent purchasers were also quite objective in their assessment. Not only was it apparent that many renters, while still aspiring to own, did not hold an unquestioned, rose-tinted view regarding its benefits, but also many owners' verdicts on ownership were not clouded by the emotional benefits attached to the tenure. As noted by a respondent in the postal survey:

A greater percentage of our disposable income is spent on housing costs. In a 'slowing down' housing market, I'm not convinced that home ownership is better than renting. For the money it has cost and the estimated value now, I think we could have spent the same or less renting a home in a preferred area and size, with yard to entertain etc. (Purchaser survey)

Although renters often lamented that rent was 'dead' or 'wasted' money, for many the costs of owning relative to renting grounded the view that they would be better off remaining a renter; indeed, a number noted that to buy something similar to their rental property would substantially increase their housing costs. While some argued that what they paid in rent could underpin the financing of a home, many were well aware of all the costs associated with ownership – the bills were yours, if something went wrong you had to fix it, and there were a myriad costs from which as renters they were partially shielded. The burden and risk of a mortgage was seen as a particular disadvantage, whether by acting as a 'trap' and reducing flexibility, or in creating worry.

In the property market I think mortgage repayments are going to get a lot higher, and the gap between what I'm paying and the landlord's mortgage payment is maybe not attractive for the landlord. I'd probably have to fork out another \$200 a week to 'own it' in inverted commas, plus he gets all the rates bills and everything. They come into my letter box and I go, I mean, he can negative gear or whatever he does, but you should see the water rates, the body corporate fees ... it's shocking. (F, mid-50s, Penrith, NSW)

With the cost of a house now being arguably seven or eight years gross income, plus your interest, that's an awfully long time to tie yourself to that financial commitment. And that's why I'm so comfortable not having it. Buying your own house, fully mortgaged, ties you down financially for countless years and it ties you down geographically. (M, early 50s, Redcliffe, Queensland)

You've got so many costs, it's not just buying the house, you've got the solicitors' fee, you've got the insurances, you've got the rates, there are so many other factors that does make renting attractive because it's one payment, you don't have to worry about anything else ... So, definitely, as house prices increase I think renting is becoming more attractive for people. (F, mid-40s, Redcliffe, Queensland)

You'd constantly be worried about it, especially if you lost a job or something. I'd always be panicking about if I got a mortgage, whether I'd overcommitted to it. I'd hate to be paying that much in a mortgage that if something happens, I couldn't do it. (M, early 40s, Shepparton, Victoria)

I don't like the idea of being held hostage to interest rates, having that unpredictability ... I know the future is unpredictable, but with renting, I've got a fair idea of the parameters in terms of what I'm going to pay, what I can expect down the track, give or take a bit. It gives me the freedom to move whenever I want, I'm not locked in, I'm not obligated to a bank, so yeah, I might be helping pay someone's unit off, but with that comes a heck of a lot of freedom for me ... I did the maths and I pay \$9,000 a year rent, so if I was to pay that over the next 30 years that's \$270,000. Now I couldn't get a house for that. Maybe I could get a nice unit or something, but I'm 41 and I thought I'd prefer to have the extra money. (M, early 40s, Penrith, NSW)

For some renters such as Angelika (Box 6.3), at least at this stage in their lives the financial and lifestyle trade-offs simply did not provide sufficient incentive to move into ownership. Although many of the renters taking a pragmatic perspective on the merits of owning were arguably not in a realistic position to buy, it was apparent through both discussions and interviews that many renters as well as purchasers evaluated their position with a whole-of-market view: in many regards, renters knew their costs were contained and manageable, while buyers were also clearly aware that for the large majority the move to ownership had increased their household costs.

Box 6.3: Angelika, West End, Brisbane

Angelika is in her early 30s and lives in Brisbane's West End. The lifestyle and community feel of the neighbourhood are identified as major drawcards, making her 'feel comfortable about where you are', although 'if I were popping out kids I would probably move to the suburbs'. Knowing her expenses was seen as important: 'I know how much I need to live, so it's not a struggle, I find it easy to live very cheaply'. Angelika has thought about purchasing a home in the future, either in Brisbane or 'up the coast', but estimates that it would cost her double what she is currently paying in rent, something which is 'unreasonable'. She also recognises that she has made significant lifestyle choices and, if she chose to, could get a job which paid significantly more: 'I don't go around going "There's no hope for me" ... because I know there are certainly ways that I could make it happen if I chose to, but I'm just not sure in my current circumstances that it's something I need'. At her stage in life, home ownership was seen as 'too restrictive', 'a big tie' and a disadvantage if you want to 'quit your job and go overseas'. With a degree of ambivalence, Angelika argues that 'in terms of its stereotyping, home ownership is massively over-rated: 'it is a stereotype that needs to be reassessed.'

An interesting compromise considered by a number of renters was to buy an investment property as a means of getting on the housing ladder. For those who are unable to access the market as an owner-occupier, this is a way of not being completely left behind. A long-term renter in Coffs Harbour had benefited from an investment made with her sister, but even here, if she were to access her equity as a deposit, she did not foresee being able to afford to live in a house that she owned.

My sister was in the same position, the exact same position, and we managed to scrape some money together and we bought an investment unit. And we did really well with that because we managed to buy before it boomed here. So with the equity in that we were able to purchase another small unit. So we actually have tenants in those units. However, they don't pay for themselves. (F, early 50s, Coffs Harbour, NSW)

I have actually thought, 'Should I try and put something into an investment property out in the western suburbs somewhere just to get into the market?' But at the moment I could not afford that. But it is something. It is a plan there in the back of my head ... That is how I am thinking now [just get on the housing ladder]. I don't have any money to put down as a deposit but it is there, just to get in. (F, late 50s, Ryde, NSW)

7 STAYING IN HOME OWNERSHIP

7.1 Introduction

There are financial considerations, and I think that it is really important to know that you are building your own assets, but there's also a really great feeling about owning your own house. For me, that was a huge factor for moving from renting to buying – I wanted my house. (F, early 40s, Campbelltown, NSW)

This chapter focuses on the issue of ongoing housing affordability for those who have become owners. Group discussions and interviews helped frame the financial challenges faced, and the trade-offs made, by many in order to get onto the housing ladder, and helped build understanding of how recent purchasers work through, rationalise and adapt to constraints.

The good majority considered the decision to buy to be the right one. The benefits of having their own home ('it's mine!') and escaping from the negative features of renting (lack of security, 'wasted' money, having to deal with landlords and real estate agents) ensure that they feel vindicated in the choices and sacrifices made. Some were less enamoured of the realities of owning, feeling that they had had to pay too much for something that simply was not worth it. One purchaser was faced with harassment and, while pleased with his house, regretted having bought in the area; and another faces an insurmountable bill to remediate a termite problem that should have been identified by the surveyor at the time of purchase. The negatives identified were essentially related to specific issues regarding quality or enjoyment of their property, a particular mistake or problem, rather than a re-evaluation of becoming a home owner per se.

A significant cohort – the ambivalent – are simply getting on with being a home owner, comfortable in having a place they can call their own and, at least at the moment, managing financially. However, as will be discussed, the benefits received in terms of ontological security have been accompanied for many by heightened levels of stress, particularly for both our focused and stretched purchasers, related to the risks taken on by becoming a home owner.

7.2 The costs of home ownership

It is often assumed that, once the barriers associated with accessing home ownership have been overcome, much of the hard work has been done: accumulating savings for a deposit has passed, the transaction costs tied to buying have been covered and, bar dramatic shifts in interest rates (and especially so with a fixed mortgage), there is a fairly good idea of mortgage obligations. However, as the survey responses highlighted and group discussions further elaborated, many of our recent purchasers are experiencing difficulties associated with housing costs, and there is also a perception by a large number that those difficulties are likely to be enduring rather than temporary.

A number of reasons can be identified for the level of difficulty being experienced. Although the proportion of recent purchasers spending in excess of 40 per cent of income on housing costs is less than seen amongst our renter sample, the majority of our purchaser sample are directing significantly more of their household income towards housing costs – of those who had previously rented, 84 per cent were now paying more in mortgage repayments than they were in rent. As discussed, for a number this reflects the need to stretch themselves to access the market, for some it reflects the modest housing conditions many tolerated as part of their strategies to save for a deposit, and for others it reflects a focused strategy as a home owner to put

as much money into paying off the house as possible. It is also likely to reflect the impact of a series of interest rate rises in recent months since purchasing their properties.

Reflecting increased housing costs, 52 per cent of our purchasers indicated that problems identified with those costs had increased (Table 7.1). It is not only the impact of rate rises that creates difficulties, but costs arising either unexpectedly or associated with ongoing expenditure that they felt ill-prepared for. Although a good majority of our purchasers had budgeted for ongoing costs such as rates and maintenance at the time of purchase, 22 per cent had not done so. With 57 per cent of our sample having already experienced unexpected costs in their short home-owning careers, the potential risks here are significant.

While those who had budgeted for additional costs may have been able to manage, those with tighter budgets are likely to have found meeting those costs difficult. The impact of unexpected costs raises the issue of information about the ongoing costs associated with ownership at the time of purchase. It reiterates observations regarding an absence of effective discussion regarding costs of ownership, seen among some of our renters, who felt that the key challenge was to get over the deposit barrier followed by the assumption that mortgage payments essentially equated to the 'dead money' they spent on rent, and even among our focused and informed purchasers, who found themselves less prepared than they would normally be. A key outcome of the strain on finances caused by these unexpected costs is that repairs and maintenance are postponed, with a risk of exacerbating costs further down the line (Table 7.2).

Table 7.1: Effect of unexpected housing costs on household finances

	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Major effect	30%	19%	24%
Moderate effect	53%	51%	52%
Minor effect	18%	28%	23%
No effect	0%	2%	1%

Note: totals may not equal 100% due to rounding

Table 7.2: Constraints on undertaking repairs due to housing costs

		<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
I am unable to undertake essential repairs on my dwelling	Agree	49%	25%	35%
	Neither	20%	21%	21%
	Disagree	31%	54%	45%
	Total	100%	100%	100%

Note: totals may not equal 100% due to rounding

7.3 Managing housing costs, household budgets and risk

The purchasers survey highlighted a number of coping strategies used by those having difficulty juggling mortgage costs and other household expenditure. A similar list of options spanned both renter and purchaser surveys, enabling interesting comparisons to be drawn. As Table 7.3 illustrates, labour-market related strategies are the most prevalent, with 33 per cent working overtime and 22 per cent identifying the need to find a better job. Fifteen per cent had taken on a second job. Employment-based means of generating additional income were especially important for our lower-

income cohort of purchasers. With 39 per cent of this group identifying overtime as a coping strategy, the importance of a relatively strong economy and employment market at present can be seen as pivotal in helping many recent purchasers keep their heads above water. Non-income-raising strategies were also used by a significant proportion of our lower-income purchasers, including increasing the balance on credit cards (30 per cent), borrowing money from family and friends (27 per cent) and drawing on savings (23 per cent). While fewer had approached welfare agencies for assistance, or had to pawn possessions, than their renting counterparts, the fact that 5–6 per cent had to do so serves as a reminder that serious strain can be felt across tenures.

Table 7.3: Strategies undertaken in order to meet mortgage repayments in the last three years

<i>Strategy</i>	<i>Lower income</i>	<i>Higher income</i>	<i>Total</i>
Find a job (if not previously working)	13%	6%	9%
Find a better job	27%	19%	22%
Take on a second job	20%	12%	15%
Work overtime	39%	29%	33%
Postpone having a child	14%	18%	16%
Borrow some money from family or friends	27%	10%	17%
Draw on accumulated savings or term deposits	23%	9%	15%
Increase the balance owing on credit cards by \$1,000 or more	30%	16%	21%
Loan agreement with family friends	4%	3%	4%
Take out a personal loan	6%	3%	4%
Sell or pawn personal possessions	6%	3%	5%
Approach a welfare/counselling agency for assistance	5%	2%	3%
Decrease general expenditure	1%	2%	2%
Other	1%	2%	1%
No, none of these	21%	40%	33%

Note: multiple response answer

This highlights the dependency of purchasers on a strong economy; any downturn in the labour market that reduced overtime or the capacity to seek a higher paying position would remove the key coping strategy for dealing with the financial pressures of ownership.

While the survey is instructive in identifying the strategies used by our sample in meeting mortgage repayments, more detailed discussions through the focus groups and individual interviews highlighted a more complex picture, where both the spectre of risk in the future as well as immediate financial pressures shape their decision-making. Many were aware of the risks that they had taken on by becoming home owners, and that the investment being placed in their homes was dependent on their decision to take on that risk. The ability to sustain home ownership is not detached from wider economic and political changes, or shielded from events that alter circumstances at the household level. Having exposed themselves to risk, there is a strong degree of pressure to take steps to mitigate potential dangers. Loss of income and individual life circumstances can affect any household; however, arguably the

risks associated with recent macro-economic restructuring hit lower-income groups disproportionately (Beer 1999). While 'mortgage protection' is available and is a required additional expenditure for many first-time buyers with modest deposits, this is protection for the lender, not the household. Nor does it cover events that are likely to place significant strain on the ability to meet those risks, such as inability to work or family breakdown. Risk is transferred to the level of the household, who are required to manage their own strategies to accommodate potential concerns.

It's stressful. If I lose my job tomorrow, what's going to happen to me? I don't want to rely on my mum because she's lovely, she doesn't have money, but she'll still try to help. I don't want to rely on that, I don't want to have the booming thought of 'I have to have my job today because I have to pay a bill', that's really insensitive ... Or what happens if my wage decreases? ... So that's definitely a negative, I think, oh my god, but you know, same thing goes with people who are renting, so you can't win. (F, late 20s, Sunshine Coast, Queensland)

I found when I first bought the house, the saying 'It's an albatross around your neck', and it really was. It wasn't just the finances, it was the commitment you'd undertaken with the banks, and I ended up staying in a job that I should have left years ago ... I ended up staying at this particular job three years ... but I was so worried about having to make these financial commitments that I just couldn't contemplate looking for another job and the risk of being out of work and falling behind in my payments. It was quite an irrational thing to do but it really made me very inward looking and I didn't explore the options that were available, and that was a big stress actually. (M, late 30s, Sunshine, Victoria)

But the other problem as well is if anything happened to me, like if I got hurt or injured and I couldn't work. That has been at the back of my mind, which is probably why I'm still working very hard because I just want to get this out of the way so I don't have to worry if I get hurt or injured. (F, early 40s, Sunshine Coast, Queensland)

Our recent purchasers largely entered ownership towards the height of the market, with mortgages constituting high levels of principal and relatively low rates of interest. In a low-inflation environment, the cost of principal on the loan seems insurmountable, and the proportion of income going towards housing costs persists. In response to this cloud of substantial debt, using the advantages of more flexible funding environments and the ability to overpay their home loans can be seen as an integral part of our purchasers' longer-term housing strategies.

The relaxation of funding criteria and availability of lending finance are often seen as factors leading to the stretching of marginal home ownership, with a consequent rise in risk to the owner if financial circumstances change. However, amongst our group participants the increased flexibility in the finance and mortgage market had not simply led to people overstretching, but had provided a greater freedom to determine their own repayment strategies. Many were overpaying on the minimum repayment levels, and a number significantly overpaying, with clear goals to pay off the mortgage long before the average term. A number of respondents were paying up to 75 per cent of their household income to make 'double' payments on their loan, one in the knowledge that household income would half on the arrival of their first child and the need to build up a buffer, but others with a steely resolve to make themselves secure, pay off the house and get it 'out the way' so that they could enjoy life.

There's give and take. Either I just do one job and not do very much and be very careful with every cent and analyse whether I need this and want that kind of thing, or I work like crazy, pay it off as quickly as possible and have less of a social life. So you're still having to make compromises. I still have to make compromises. Even though I can afford to pay more than I have to a month, I have to make other sacrifices to be able to do that, so in some ways ... my life's been put on hold for a few years. So I've got stress in other things but I see this as the priority, my focus at the moment. (F, early 40s, Sunshine, Victoria)

I don't see it, I don't feel it. And at the end of the day I've got to look at it from my perspective of 'I pay the double now so I'm going to be paying a lot less later'. I would be paying half the price for rent, yeah, I would be paying half the price for rent but I'd still be in that little studio. I've got three bedrooms now, three bedrooms, I've got storage space, for crying out loud ... I believe if I just stress my balls out now, nothing can hurt me later on. I've tried my best and if it doesn't work, it doesn't work. (F, late 20s, Woodridge, Queensland)

The sacrifices to do so were significant and, echoing responses provided in the survey, some were holding down two (and in one case, three) jobs, working extensive overtime, foregoing a social life and 'putting everything into the house'. While it was clear that some of our respondents found the sense of control beneficial as a framework to help build financial security, others found that it was stressful and simply made them miserable.

Nearly all participants were familiar with the ability to make overpayments and either were making use of this facility or planned to do so when circumstances allowed, even if it was just an extra \$20 to \$30 a month. The ability to overpay also underpins longer-term financial strategies – if wages were to rise, interest rates fall or other funds became available (e.g. once other debts had been cleared), many would maintain their existing spending habits and put all additional funds into mortgage overpayments. The desire to pay off the debt, to 'make it mine', and therefore reduce their exposure to risk, leads to a self-imposed excessive proportion of income going towards housing costs. As a result, measured against standard benchmarks of affordability, a number of our recent purchasers would be considered in significant stress. Most were paying well in excess of 30 per cent of their household incomes, with some paying 60–75 per cent. It may also provide a partial explanation as to why levels of savings held by our recent purchasers (as indicated through the survey) are minimal – any spare money goes 'into the house'.

While it was apparent that some participants were financially stretched, levels of payment for some were driven by focused, manageable housing finance strategies – or at least 'fear-induced choice' – rather than by need. Although most of the sacrifices made in order to pay off the mortgage were (self-) justified on the basis of it being their choice to do so, it did affect family life and other household expenditure. A number were concerned that decisions to start a family were being delayed, or decisions were being taken not to have more children due to the financial strain (a new family member/loss of income):

Yeah, it depends, if we have kids, it won't be. It's hard, but that's the biggest problem that we have, we can afford to have our house, we can afford to have our little luxuries ... I think it's put a lot of strain on people having children, on home owners having children. (F, late 20s, Woodridge, Queensland)

7.4 Coping with market change and interest rate rises

There has been much recent academic debate, along with troubling market indicators and media speculation on the fragility of the outer suburbs and stretched affordability. Dodson and Sipe (2006) highlight stress on the fringe through their VAMPIRE ('Vulnerability assessment for mortgage, petroleum and inflation risks and expenses') index, which identifies those suburbs where interest rate rises and petrol price increases have bitten hardest. A flurry of media reports have honed in on the rising number of auctions in the west of Sydney and the escalation of mortgagee-in-possession sales. While a number of our group participants had found recent rate rises a real struggle, and household budgets like Amanda's (Box 7.1) had become tighter (cancelling health insurance, missing out on take-aways, not being able to go out some weekends because of petrol costs), there were few signs of extreme difficulty. A number talked about occasions where they were not sure whether the loan repayment would clear; however, nobody felt that they were at risk – certainly not in the short term – of losing their homes. Some fixed their repayments, and the high occurrence of overpayment has shielded a number from recent rises.

Box 7.1: Amanda, Penrith, NSW

Amanda, in her early 40s, recently purchased her first home. After researching repayment levels, she and her husband decided to reduce the amount they planned to borrow to \$300,000. She also researched the costs associated with home purchase and knew that they 'needed to put money away in terms of these things'. Despite this they 'came up \$4,000 short' and had to borrow from her mother. Amanda factored in two interest rate rises. However, the third rise in the first year of home ownership required the family to cut some of their expenses, such as dropping private health insurance and credit card insurance. As a result of these increasing costs, she had not paid any extra off her home loan, but hopes to do so in the future, especially when other loans are paid off in a few years time. In the period following purchase, her husband suggested that he 'regretted buying'; however, this was driven by a change of jobs, a reduced wage and fear that they may be struggling to meet repayments. He has recently started a new job and now is thankful that they bought when they did.

The third rate rise has led to significant pressure for some, although this was balanced through a learning process from the preceding rises and experience of re-juggling finances. Having managed through the first two, they adapted and recognised that they would be able to do so again (within reason). There was rather more concern about further rises, to a certain extent provoked by a lack of understanding as to why they occurred and their seemingly arbitrary nature. As recent purchasers, their recent memory is of low rates. Many had factored in the possibility of increases, although none had anticipated three in such quick succession.

If interest rates had caused pain but not catastrophe (yet), the response by participants to stagnating and falling dwelling prices since their purchase reflected their motivations for purchase in the first place. Purchase was driven by a desire to own, rather than simply a market-driven transaction: they were 'in it for the long term'. When buying, they had done a degree of research, but had not necessarily delayed purchase on the basis of recognition that the market might be overpriced. Indeed, it was noted by a number that they purchased in the knowledge that prices were likely to fall in the short term, but the large majority were reassured (or assured themselves) that in the long term they would rise. Many were pragmatic about the current values of their homes, with estimates of falls of between 10 and 15 per cent in New South Wales. While obsessive market watching was not common, with some professing not to have looked at the property pages at all since purchasing, some participants had

kept an eye on similar properties locally. A number suggested that their purchase had held its value (even when others in surrounding areas had dropped), and that they were shielded by the astute nature of their original purchase. With relatively small deposits used by a number of purchasers, it is likely that some were currently in negative equity; however, this had not caused panic or led to a substantive re-evaluation of their decision to purchase.

7.5 Taking stock: is home ownership worth it?

With the majority in the survey noting that their housing costs had risen on becoming an owner, and with similar strains, compromises and outcomes being experienced by both owners and renters (although perhaps less intense for renters), and for some the risk of negative equity, it may be expected that a balanced perspective of ownership would be seen. As indicated through our ambivalent purchasers, there are a significant number of recent buyers who have not been driven to achieve, at any cost, the Australian dream of home ownership. There are also those who are either angry about the whole process, a little disappointed with the outcome, or felt that they had to buy. However, despite the many challenges faced, the benefits of home ownership shone through for the large majority, both in the survey and in subsequent group and interview discussions. While there is a little more uncertainty in the lower-income group, 81 per cent overall felt that the benefits associated with becoming home owners outweighed those enjoyed as renters (and, by inference, the negatives experienced are far less than those associated with renting). Equally, as mentioned in Chapter 3, our purchasers expressed greater satisfaction with both their homes and neighbourhoods than our renters.

Table 7.4: Comparison of housing affordability situation with parents' generation

	<i>Lower-income</i>	<i>Higher income</i>	<i>Total</i>
I am better off than my parents	24%	31%	28%
Our situations are about the same	26%	19%	22%
I am worse off than my parents	41%	41%	41%
Don't know/not applicable	10%	9%	10%

Nevertheless, asked whether they felt better or worse off than their parents at an equivalent age, only 28 per cent of recent purchasers felt better off, while 41 per cent said they were worse off (see Table 7.4). This in part will reflect the fact that many feel they are 'behind' their parents in traditional housing career trajectories, having entered ownership at a later age and facing a greater and longer burden in the size of the mortgage taken out. It is also likely to reflect the strain for many of needing two incomes to support housing costs, a limited safety net of saving, and the weight of non-housing debts. For some, the weight of a larger mortgage than the house is worth may add to the concern.

As such, a degree of pessimism is perhaps inevitable given the strains faced, both in compromises to be made in order to meet housing costs at the current time and also living with the pervasive risks that would emerge if economic or personal circumstances were to change. In both group discussions and through interviews, it was apparent that living within this context – seen as less secure, less stable and more compromised than their parents' generation – shaped perceptions of housing affordability. Despite this, the ontological security and advantages gained through ownership – or as one participant commented, 'not being given seven out of ten in a landlord inspection because there was some dust on the blinds' – meant that few regretted their decision to purchase.

8 PERSPECTIVES SHAPING POLICY

8.1 Introduction

It would be good if they could sit down and listen to a few people. There are people out there who genuinely want to own their own home and are doing everything they possibly can – whether it's health-wise, or locality-wise, work-wise – to get there. And I think it'd be really great if the government just listened and made it that little bit more attainable. (F, mid-40s, inner Brisbane, Queensland)

Focusing at the household level, we have spoken to renters and recent purchasers in order to understand their experiences in negotiating the affordability constraints they have faced and continue to face in determining their housing outcomes. Normative measures have been of interest, since affordability concerns are more concentrated in lower-income groups. Such measures also act as a marker of broader concerns about a housing system that is stretched by its market inefficiencies and causing stress for lower-income renters, the bulk of low- to middle-income aspirant purchasers, and stretched recent purchasers.

The research has also provided more detailed insight into how lower-income households experience and negotiate affordability, the trade-offs they are willing or unwilling to make, and how the effects of those experiences differ in different market contexts over different geographies, over different lengths of time, and potentially at different stages in life. Enforced constraints, decision-making and trade-offs come into play, whether with the renter who chooses to pay more in order to live in a preferred neighbourhood or with the purchaser who, in a less certain employment environment, fears the burden of not being able to meet mortgage payments and directs as much of their income as possible into the home loan to minimise risk. Normative measures alone also risk masking the severe levels of stress being faced by a significant number, especially renters, who have little or no means with which to respond to and alleviate those conditions.

Households will always make decisions based upon the ongoing negotiation of individual choice and constraint. However, these trade-offs arguably become a policy issue where a family is having to pay the majority of income on rent, with adverse effects on health, education and employment opportunities, where market failures are preventing access to ownership, or indeed as a result of stress-induced overpayment in a finance-lending environment that places greater risk at the household level. (See Bridge et al. (2003) for a systematic review of literature identifying the non-shelter benefits associated with affordable housing provision that justify policy intervention.)

In this final chapter, it is argued that nuanced insight gained through this research points towards the need for more sophisticated policy responses. To reflect the diversity not only in identifiable need but also likely responsiveness to potential levers, policy responses need to be more effectively targeted, more likely to achieve the particular outcomes required by those households experiencing different forms of affordability constraint, and actioned in ways that minimise the risk of detrimental social or market outcomes. Across our cross-tenure sample of lower-income Australians, three pressure points (mirrored in the focus of Chapters 5, 6 and 7 respectively) in affordability constraints are identified:

→ A need to improve outcomes for long-term renters

Long-term renting is a reality for a significant cohort of lower-income Australians, and more strategic responses are required to ease both pressures in the short

term, and lack of sustainability and lack of opportunity for asset building in the longer term.

→ **A need for better mechanisms for facilitating access to home ownership**

Not all those wishing to access home ownership have the means to do so, and policies seeking to assist people into ownership need to be clear about who they are targeting and what they are seeking to achieve. Acknowledging an 'aspiration' gap recognises the need for effective alternatives.

→ **A need to acknowledge the ongoing risks faced by marginal home owners**

For many home owners, the need to manage risk at the household level has changed their relationship with mortgage financing. While some lower-income Australians are stretched in meeting essential costs, for others the stress is self-induced. Both have policy and market implications.

Areas of potential policy interest and response under each of these broad issues are considered in the following sections, with particular issues tied to our renter and recent purchaser archetypes. By identifying the many complex differences in people's direct experience of housing affordability problems, the typologies shed light on ways in which future policy responses might become more effectively and appropriately targeted.

8.2 A need to improve outcomes for long-term renters

Although many still hold on to the aspiration, a significant cohort of long-term renters are unlikely, in the foreseeable future, to be in a position to purchase or be able to sustain ownership. Across our renters, although many had either had experience of public housing or had put themselves on waiting lists, few regarded this option as a solution to their affordability concerns, even where the constraints faced were deep and persistent. Few had faith that the public housing system was working, or at least working for people like them. A number suggested that if they were offered the right property in the right place then it would be considered, but for a large group of lower-income renters, often paying higher income/housing cost ratios than their public housing counterparts, the trade-off is clear.

For our struggling – but also a large number of our pragmatic – renters, there is a likelihood that they will remain in the private rental sector over the long term. This demands a more coherent, strategic policy response to addressing the future challenges for the tenure. Across the different types, there are shared issues of affordability constraint; however, there are differences in the timing of when those constraints affect a household and in the household's ability to adapt.

8.2.1 Strugglers

They put my rent up \$30 and I said no. One of the girls from the real estate agent rang me and said, you don't want to pay that \$30 a week, do you? And I said no. And she said, tell them you'll pay \$15 and they'll go for it. Now that's wrong, isn't it ... The authorities should be able to step in and say, this can't happen, you can't do this to people. (M, late 40s, Redcliffe, Queensland)

For many strugglers, it is poverty and the cost of living in general, not just housing costs, that cause significant stress, and as such there is a need to address issues of social disadvantage more broadly, rather than seek housing policy measures in isolation. While this is acknowledged, housing, in its role as 'home' and the site of largest household expenditure, is where affordability stress is most identified and focused. Demand-side housing policy measures can be introduced to alleviate the

level of strain imposed on these households, but are unlikely on their own to address the ongoing effects of limited affordability and move them towards more sustainable housing positions.

Greater fairness

For those with highly constrained budgets, the difficulties resulting from rent increases placed severe strain on other expenditure. Where those increases are out of kilter with increases received through pensions or rent assistance, many of our renters felt that more protective mechanisms were required to shield lower-income renters from unreasonable rises. Those experiencing the pressure of competitive markets called for a ban on on-the-spot rental auctions. There are a number of issues to be considered here, but the concerns primarily relate to the disjuncture between renters' ability to accommodate rent increases with budgets constrained by cost of living/CPI indices, and pressures on rent movement determined by the dynamics of the housing market.

A potential option would be to identify regional/local pressures (an affordability index) and determine RA and income support to reflect these variations. However, where demand-side measures such as this are actioned without commensurate supply-side mechanisms, there is the risk that the market will simply recalibrate itself to accommodate potential increases in RA. Alternatively, 'fair rent' or rent control policies often present negative externalities which, unless part of a more coherent policy framework, can lead to poor social (and urban) outcomes.

A better balance between tenant and landlord

For many strugglers, there was a sense of being powerless against bad landlords, especially where their circumstances highly constrained their ability to exercise choice. While a number had used bond deposit schemes, many felt trapped in increasingly unaffordable situations due to the costs of moving preventing them from doing so. Many also complained about the futility of taking tribunal action, with a general sense that it placed the tenant in a difficult position.

A package of measures providing greater protection through the cushion of bridging finance could be established for lower-income groups, for example, a framework of bond support which provides tenants with sufficient freedom to exercise market choice rather than feel trapped and constrained in an unaffordable situation. Greater regulation and accreditation of 'affordable' landlords might be a possible measure. However, this has a cost, and needs to be sufficiently mutually beneficial not to risk a withdrawal of landlords from lower-income provision.

Greater security

For many long-term renters, security and stability were recurring themes. While lack of security may be an accepted trade-off for those renting in the short term, the prospect of long-term renting with the continual worry that your home will be sold off by the investor was an understandable concern. The issue of long-term leases is often posited as a potentially mutually beneficial mechanism for both renter and landlord, with certainty provided on both sides over an extended period. However, among strugglers, there was an interesting resistance to the concept, largely driven by previous bad experiences and a fear of being tied in. There was a sense of wanting to retain the freedom to move and not be tied to time horizons when few people can predict where they are going to be.

Among those likely to experience a significant degree of churn and to face high and persistent affordability concerns, there was considerable resistance to being 'tied in' if their circumstances changed or they had difficulties with the landlord. One option would be to facilitate long-term leases, for example, five or more years, in the private rental sector, but with the duration of the lease only applying to the landlord. Tenants could leave beforehand, but any loss of income through vacancies would have to be made up through a tenants' insurance mechanism.

8.2.2 *Backsliders*

Backsliders are a highly vulnerable group, with limited awareness of the support measures that may be available to them. They neither know nor feel comfortable with the system, and there is a sense that little is being done to help them. This is compounded by barriers that prevent them helping themselves get 'back on their feet', such as difficulties in accessing finance, or indeed grants such as the FHOG due to having been named on previous mortgage documentation. There is often a resolute determination to get back into home ownership, but there is very little within current policy frameworks that may facilitate this. How policy identifies and supports the specific needs of backsliders is a challenge. In terms of constraint, they will feel the same pressures as many of the strugglers. They are often tied to relatively expensive neighbourhoods through family or friendship, or the need to be near schools or employment, and their high housing costs as a result prevent them from being able to regroup and rebuild assets.

Better information provision and support for those entering the tenure later on in life and after having been a home owner can be advocated, and possible mechanisms to facilitate sustainable re-entry into ownership should be considered (see Section 8.3).

8.2.3 *Pragmatic*

For this group, renting provides a pragmatic housing choice for the long term. This may stem from familiarity and lead over time to resignation, but this group has often weighed up the advantages and disadvantages of their housing situation. In terms of policy response, interesting questions arise. On the one hand, it may not appear necessary to do anything: in the short term, the rise of a cohort of lower-income, long-term renters who are relatively affordably housed and relatively content to remain renters, may be considered a fair policy outcome. On the other hand, they are still not in a position to save or to build assets, and their pragmatism may recede if life circumstances changed or income levels reduced.

This is especially a concern if and when this cohort of long-term renters moves towards retirement. As Kemeny (1981) noted, home ownership is a hedge against income problems in retirement. If a growing number of struggling and pragmatic renters enter retirement without the safety net of ownership, there are risks to their personal wellbeing and also wider structural risks to the income support system.

The rise of the pragmatic, lower-income renter raises policy concerns in both the short and long term. In the short term, it is expected that this pragmatism may to a degree reflect recent market conditions which may alter (as recent trends regarding vacancies and reduced availability suggest is already taking place). Although housing costs may be manageable at present, affordability problems are likely to become increasingly apparent towards and into retirement.

8.3 A need for better mechanisms for promoting and facilitating access to home ownership

If they could come up with a scheme to make it easier to buy your own house, I know you've got the First Home Owner Grants and things like that, but the repayments ... It's not going to make it any easier for me. If they built houses specifically for people like us, we might have a hope in hell. (F, early 40s, Dandenong, Victoria)

There is a significant gap between the large number of non-owners who aspire to the tenure and those for whom it is attainable. In order to shape and direct appropriate policies to assist households into ownership, it is vital that this gap is recognised. Arguably, no household should be denied the benefits which accrue from ownership, not least security and a basis for asset building, but there is an important balance to be struck in order to promote sustainable home ownership.¹⁵ There are those whom assistance would help accelerate their ability to buy, or alleviate their circumstances sufficiently to enable them to get into a position to be able to purchase. However, for many of our long-term renters, and indeed many of the self-defined aspirant purchasers, home ownership (or at least 'full market' ownership), given their current household circumstances and current market context, is out of reach. As such, policy is shaped not simply by identifying and focusing upon greatest need, but rather by assessing the viability of supporting particular groups into ownership.

8.3.1 From 'dead' money to asset?

Many of our renters expressed frustration that the system is failing those struggling to access the market, and believed that more innovative thinking is required to assist. There was a desire for the government to recognise that many people wanted to own their own homes, and to develop means whereby the money they were spending on rent could be captured and contribute to paying off that property. This was tied to a sense of rent and support through RA being 'dead' money, whereas a rent/buy mechanism would help both government (they would be getting the money back, not landlords) and them ('give us something to strive for'). This was often discussed with relatively limited knowledge of, or assumptions regarding, the costs associated with ownership, translating money spent on rent and money that could be going towards 'paying a mortgage off'.

'Expressed' demand for home ownership points to opportunities for more innovative policy mechanisms to assist lower-income groups (see below), but also points to more objective discussion regarding the actual costs of ownership and the risks involved.¹⁶ This includes a need to consider the 'optimistic' scenarios presented by banks and finance lenders. While the aim must not be to effectively condemn many lower-income Australians to a sense that ownership is unattainable, there is a need for clear information and debate in order to underpin the importance of a more strategic response to the private rental sector.

While Departments of Housing and the provision of public rental housing were not widely regarded as a feasible solution to the constraints faced by many of our long-term renters, a number of participants pointed towards the original remit of the

¹⁵ A proactive strategy to facilitate more marginal households into ownership can indeed be a valid policy goal (as was the case in the US during the 1990s), but demands a counter-framework to provide a safety net due to the increased risk that such policies may represent.

¹⁶ If such clarity were to be required, it may well convince many Australians not to pursue the dream.

Housing Commissions – as developers and providers of housing for rent and purchase – as an appropriate vehicle for rent/buy schemes.

You go back 40 years, the government set up the Housing Department. These were new places and people were moving into them, and after five years they were offered to buy it. Now I don't know how the deposit was worked out, but people were buying economical homes, alright, they were Housing Commission homes, but they were a starting point for my parents' generation. They need something like that again. (F, early 60s, Penrith, NSW)

There were a number of innovative suggestions tantamount to enforced savings plans for renters, effectively a form of housing superannuation whereby a certain proportion of rent is put into a deposit-building fund. There was also support for increased provision of other forms of affordable housing, either through community housing or through mechanisms whereby levels of affordability could be controlled (even if properties were to be sold on). There was some discussion of shared ownership and shared equity schemes, although there was limited awareness of, and mixed views on, such options. Of those expressing an interest, a number of backsliders saw it as a potential route back into home ownership. When the potential of such schemes was discussed with those on the other side of the fence – the recent purchasers – it is interesting to note that, having got over the hurdle, they see little point in such solutions, as it misunderstands the drivers and commitments made to get themselves into home ownership.

While not all aspirant purchasers can be assisted into the 'full' market, there is opportunity for innovative new models, or indeed for a re-evaluation of old models such as rent/buy which can provide the security and asset-building potential of ownership to those who are otherwise likely to remain in renting long-term. Part, shared and equity ownership models will be viable, with financial support and effective policy frameworks, for some of these renters.

8.3.2 *Intergenerational wealth transfer*

With the significant increases in equity enjoyed by the large majority of existing outright owners and purchasers where property has been held for a number of years, there has been much debate regarding its likely effect, either handed down through inheritance or through gifts and loans for children, on housing market dynamics. While there is some evidence of family assistance helping first-time buyers into the market, this research indicates that the role of wealth transfer in assisting low- to moderate-income renters into ownership is limited. Higher-income renters were more likely to benefit from such transfers.

Policies aimed at securing asset-building potential through facilitating access to ownership need to take into account the potential levels of equity available, for which groups, and how this gets transferred. It is important that any such frameworks recognise that disparities in the availability of assistance exacerbate inequalities between low- and higher-income groups. Arguably any formalised programs aimed at facilitating intergenerational transfer risk accentuating inequalities in the housing market.

8.3.3 *Targeting the FHOG*

The FHOG provides an important lever in facilitating access to home ownership, and its role was recognised by both renters and recent purchasers. Amongst recent

purchasers, the grant was largely welcome¹⁷ and an important component of the purchasing decision. However, it was clear that it got used for quite different things; for some it was required to bolster deposits, for others it helped to largely cover purchasing fees. Some more comfortably off used the funds to help with renovations. These different uses reflected different financial circumstances: for some it was a vital, integral element of budgeting considerations; for others it was something of a 'bonus'. Among renters, it was often recognised that the amount was insufficient to make a difference to their ability to buy, and the view was expressed that it should be better targeted. Some participants who had experienced marital breakdown and were seeking to 'start again' felt that they had been penalised in not being able to claim the FHOG. One participant had had to forego the grant as his parents had acted as guarantor on his mortgage.

The range of uses made of the FHOG by purchasers, and its perceived limitations in assisting some renters into, or back into, home ownership, raises the issue of whether it should be better targeted. Arguably it is a blunt tool, assisting first-time buyers equally whether purchasing a \$600,000 unit in Sydney's eastern suburbs or a \$250,000 townhouse in Campbelltown. Its role as a key determinant of moving into ownership, rather than as a subsumed part of the budget, is also questionable: it can be suggested that amongst our purchasers, regardless of their enthusiasm for the FHOG, all would have become home owners in its absence. In equity terms, the application of the FHOG demonstrates limitations. However, debate as to how those limitations should be addressed is perhaps more nuanced. While blunt, the policy is understood and the role it plays is recognised by both renters and purchasers. There is clearly a lot of leakage, but it does reach lower-income Australians and, although used in different ways, contributes to reducing the high costs associated with purchasing a home.

The large proportion of purchasers with 100 per cent loans indicates that barriers to accessing home ownership could be negotiated; however, this inevitably did not shield buyers from continuing costs. Given that affordability constraints were persistent and seen as not improving for the foreseeable future amongst many of our purchasers, it can be suggested that the FHOG could be reshaped to provide assistance for the first few years of ownership when there is potential for unexpected costs to place significant stress on household budgets. Rather than being an automatic up-front lump sum, the FHOG could be restructured as a stream of regular payments for a nominated time period or made available as a lump sum to help meet those unexpected costs as they arise.

In equity terms, arguments for more effectively targeting the FHOG are sound. However, sometimes blunt instruments – despite leakage – are more effective in reaching those they seek to help than more aggregated and targeted tools. Although it may be difficult to determine its specific role in assisting people into ownership, its role is generally recognised, and it is used for 'valid' purposes – whether meeting mortgage repayments, paying solicitors' fees or put towards the deposit – by many lower-income Australians. Additional costs associated with sophisticated targeting may outweigh any benefits accrued. The FHOG should be re-evaluated as a means to help those seeking assistance to start again following destabilising events such as marriage breakdown.

¹⁷ Perhaps unsurprisingly – it is better than not receiving a \$7,000 grant.

8.4 A need to acknowledge the ongoing risks faced by marginal home owners

The research has identified that, for many, affordability constraints do not disappear once the hurdle of entering home ownership has been overcome. To what extent have lower-income Australians entering the market in recent years had to stretch finances, with affordability concerns being persistent and representing long-term housing stress? It is important to note that while financial strain out in the 'battler belt' was apparent, a sense of pending large-scale crisis was not.

8.4.1 *Improving transparency in the purchasing process*

The buying process was bewildering, even for the organised. Many referred to a general sense of confusion, a fear of being ripped off, and feeling 'grateful' rather than acting as a questioning consumer. Even amongst our focused purchasers, some of the costs and the extent of those costs, both associated with the buying process and the ongoing costs of being a home owner, were more than expected. Some had to borrow, put things on the credit card or get assistance from parents to meet these costs.

As with the need for better information regarding the costs of accessing home ownership, greater transparency in the buying process – both in terms of the requirements and costs – would be welcomed. This would not only help buyers manage their budgets during this expensive transaction, but would provide first-time buyers with the confidence to act as knowledgeable consumers. Underestimating up-front costs can add to the financial burden in the early months of ownership.

8.4.2 *Managing risk: maintain flexibility but better protection*

Liberalisation of the financial market is often regarded as a cause of overstretching in the housing market and potentially as leading to more marginal ownership. While increased risk may be seen, a more flexible lending environment has also enabled purchasers to take greater control of their repayment strategies, often leading to significant overpayments being made by households. As home owners, many are paying more, leading more constrained lifestyles, and feeling that they have to continue making similar compromises as when they were renting and saving up to buy. For many, fears related to lack of security as a renter have been replaced by fears associated with contemporary home ownership. Risks have to be managed by individual households at the household level, and strategies to build a reserve or pay off as much of the debt as soon as possible are developed. For some, this means putting as much as possible 'into the house' and 'getting this out of the way' and then they can relax. It can be argued that first-time buyers have always demonstrated this determined ethic, and the extent to which such strategies are reflective of less certain labour market frameworks is difficult to determine. Also, given the exercising of choice to overpay and the self-imposition of the affordability constraints this leads to, certainly in normative terms, it is difficult to identify mechanisms that would alleviate the rationale for such focused strategies.

Gans and King (2003) have suggested a rental/mortgage interest 'line of credit' to overcome market failures for lower-income households. While this may assist with short-term concerns, an effective mortgage payment protection scheme that works for the household as much as the lender may reduce the perceived stress of debt, and home ownership may offer a better safety net.

Relaxation of regulatory and finance/lending mechanisms has had many advantages in terms of how owners seek to pay off their mortgage, but has increased the risk, and the fear created by that risk, for some groups. There is a difference between enabling flexibility and the personal choices people take in their housing strategies and a poor regulatory framework for high-risk finance (the 'sub-prime' market) and finance lenders. The implications of the latter for lower-income Australians need to be better understood and addressed.

8.5 Conclusions

A comprehensive policy response to addressing housing affordability will inevitably require a diversity of levers from all levels of government, and include supply side and demand side measures. In considering an appropriate policy mix, there is a need to look at the benefits as well as disadvantages of what may be considered blunt policy tools. One component of assessing the advantages/disadvantages of particular policy tools is the potential to differentiate policy responses according to regional and market differences. The research makes apparent the impact that housing market activity plays in shaping renters' and recent purchasers' affordability experiences. We also know that particular supply/demand side measures will be more/less effective given particular macro-economic conditions. In high demand markets, policy measures aimed at easing rising costs to the tenant or purchaser can risk, in the context of restricted supply, having only a short-term beneficial effect, followed by market readjustment to accommodate the new measure. In such markets, any demand side measures need to be carefully integrated with measures to increase supply.

The policy implications and possible responses identified above err towards the demand side: measures that ease the most severe constraints caused by market failures rather than fundamentally redress those failures. These therefore tend to reflect existing structural conditions and are only part of the more holistic approach supported by supply side measures that is required, certainly in the provision of new forms of affordable housing that respond to the disparity between those wishing to own and those able to achieve this. This focus is inevitable given the detailed nature of the research, which seeks to contribute to shaping the affordable housing agenda rather than seeking to replicate it.

Collectively, the reports in this AHURI NRV have highlighted the increasing complexity of challenges facing the housing system, and how Australians are negotiating the choices and constraints presented. While this research focused on the experiences and outcomes of a targeted band of lower-income households, considerable diversity was identified in affordability constraints, attitudes and aspirations. In part these reflected the degree of constraint and strain felt, and clustered among household groups that previous research has shown to be most at risk of facing affordability concerns. However, fragmentation was apparent in terms of longevity of concerns, different attitudes and expectations, and varying perspectives on options available.

Given this complexity, it is equally apparent that traditional ways of understanding housing choice and constraint, and policies determined around relatively simplistic and generalised assumptions – certainly regarding the role and remit of the private rental sector – are increasingly outmoded. The blunt mechanisms of the CSHA, RA and FHOG and their relationship to the indirect housing programs of negative gearing, capital gains tax and land-use planning are becoming not only ineffective but detrimental to tackling contemporary housing challenges. This is compounded by parallel fragmentation and segmentation seen in the housing market: traditional frameworks of housing assistance that have evolved over the past 50 years, largely

premised on assumptions of relatively homogenous housing markets and consumer behaviour, no longer serve their original remit or intentions.

For many struggling long-term renters, the current frameworks – even when in full operation – are failing. It can be strongly argued that living fortnight to fortnight, missing out on meals or having to pawn possessions to get by is not acceptable in twenty-first century Australia. While for many this is as much an income as a housing affordability problem, housing acts as the site of key expenditure, is the focus of stability and represents an opportunity for more targeted, strategic, housing-led responses.

Although their current circumstances are not as severe as those experienced by strugglers and backsliders, there is a growing cohort of renters who through pragmatism and resignation are also unlikely to move into home ownership and are in effect trapped as private renters. They may be relatively comfortable and realistic about their current circumstances, but within the next 10 to 15 years there will be a significant rise in the number of elderly private sector renters. Whether current policy settings best serve this group will be tested in the mid- to long term. The growing presence of the 'lifetime' renter also underlines a strong need for more strategic approaches which acknowledge, support and foster a stronger long-term affordable rental sector.

Becoming a home owner should not obscure the fact that, for some households, the economics of owning are not all they are cracked up to be. If weaker housing market conditions persist and the psychological buffer of good capital gains does not return, it can be speculated that disappointment and indeed resentment among purchasers may build.

The housing system is changing, and the dynamic of housing markets shaping the housing choices and constraints of Australians is a constantly shifting one. There are winners and losers in any such system, but the role of fair and equitable policy is to minimise the strains on those households most at risk and to provide a framework that offers opportunity for mobility, encourages asset building and enables movement between tenures. While current policy settings have not led to a dramatic worsening of housing affordability constraint in some sectors, as indicated for example in the relative stability of rent levels in recent years (see NRV3 RP10; Yates and Milligan 2007), in others, those settings have done little to mediate and respond to spiralling dwelling prices and growing barriers to accessing home ownership.

This can quickly change: if new patterns of rental investment and market pressures create a context where rents are no longer stable and start to link rents with dwelling prices in a pattern of upward movement, then there is risk of a more widespread rental crisis for many households. The vulnerability of both renters and purchasers to income changes and in turn to the vulnerability of the labour market is a concern in a context of the long wave of economic growth that Australia has experienced over the past decade. If and when the downturn comes, our findings suggest that even modest rises in unemployment, fewer permanent job prospects and less available overtime will have significant ramifications for both recent purchasers and renters. In turn, this has the potential to affect the housing market and economy as discussed in NRV3 RP4 (Berry 2006b).

The current policy situation can be considered to be, at best, a holding strategy and, at worst, one that is compounding the problem. The blunt tools that characterise current policy mediate the worst excesses of market failure, but do so only in the absence of coherent approaches that not only intervene to tackle need but work more strategically to develop more proactive solutions.

Policies need to be more comprehensive and coordinated, but also more nuanced and flexible in order to meet diverse consumer needs and respond to contemporary challenges. Policy must also recognise the predominance of risk and the pervasiveness of risk management strategies (for some this is aligned to simply 'coping') adopted by many households that underpin their housing decisions and broader wellbeing.

APPENDICES

Appendix 1

The following tables highlight the main socio-economic attributes of the renter and purchaser sample in terms of age, gender, household type, country of origin, workforce status and educational levels. Some are cross-tabulated by income where it was thought that the variable may have important explanatory powers; others are in simple frequencies to illustrate the representation.

Table A.8.1: Income quintiles by age group: Renters

<i>Age group</i>	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
17 – 24	68	9%	63	10%	131	9%
25 – 34	174	24%	227	35%	401	29%
35 – 44	174	24%	167	26%	341	25%
45 – 54	146	20%	122	19%	268	19%
55 – 64	66	9%	62	10%	128	9%
65 – 74	65	9%	6	1%	71	5%
75 & older	31	4%	0	0%	31	2%
Not stated	8	1%	2	0%	10	1%
Total	732	100%	649	100%	1,381	100%

Note: totals may not equal 100% due to rounding

Table A.8.2: Income quintiles by gender: Renters

<i>Gender</i>	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Female	448	61%	349	54%	797	58%
Male	282	39%	300	46%	582	42%
Not stated	2	0%	0	0%	2	0%
Total	732	100%	649	100%	1,381	100%

Table A.8.3: Income quintiles by household type: Renters

<i>Household type</i>	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Single or sole person	248	34%	302	47%	550	40%
Couple without children	100	14%	183	28%	283	20%
Couple with children	176	24%	112	17%	288	21%
Single parents	208	28%	52	8%	260	19%
Total	732	100%	649	100%	1,381	100%

Table A.8.4: Income quintiles by employment situation and main source of income: Renters

<i>Employment situation</i>	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Permanent full-time	78	11%	424	65%	502	37%
Permanent part-time	64	9%	78	12%	142	10%
Casual full-time	34	5%	49	8%	83	6%
Casual part-time	108	15%	39	6%	147	11%
Unemployed looking for work	113	16%	17	3%	130	9%
Unemployed not looking for work	31	4%	4	1%	35	3%
Retired	90	12%	11	2%	101	7%
Disabled and unable to work	98	13%	4	1%	102	7%
Full-time parenting	92	13%	16	2%	108	8%
Student	18	2%	6	1%	24	2%
Total	726	100%	648	100%	1,374	100%

Table A.8.5: Income quintiles by main source of income: Renters

<i>Main source of income:</i>	<i>Lower income</i>		<i>Higher income</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Wages or salary	231	32%	582	90%	813	59%
Self-employed	27	4%	32	5%	59	4%
Rental income	4	1%	0	0%	4	0%
Dividends or interest	3	0%	2	0%	5	0%
Government pension/allowance	448	61%	23	4%	471	34%
Child support or maintenance	5	1%	1	0%	6	0%
Superannuation or Annuity	2	0%	4	1%	6	0%
Workers' Compensation	6	1%	0	0%	6	0%
Other	3	0%	5	1%	8	1%
Total	729	100%	649	100%	1,378	100%

Table A.8.6: Employment status: Lower-income renters

<i>Employment status</i>	<i>Number</i>	<i>%</i>
Permanent full-time	77	11%
Permanent part-time	62	9%
Casual full-time	33	5%
Casual part-time	102	15%
Unemployed looking for work	105	15%
Unemployed not looking for work	30	4%
Retired	88	13%
Disabled and unable to work	96	14%
Full-time parenting	87	12%
Student	17	2%
Total	697	100%

Table A.8.7: Aboriginal or Torres Strait Islander origin: Renters

<i>Aboriginal or Torres Strait Islander origin</i>	<i>Number</i>	<i>%</i>
Yes	28	4%
No	1,667	96%
Total	695	100%

Table A.8.8: Country of origin: Renters and purchasers

<i>Country</i>	<i>Renters</i>		<i>Purchasers</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Australia	1,227	71%	246	69%
Overseas	502	29%	110	31%
Total	1,729	100%	356	100%

Table A.8.9: Purchaser households: Income Quintiles by household type

<i>Household Type</i>	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Single or sole person	34	23%	50	24%	84	24%
Couple without children	47	32%	70	33%	117	33%
Couple with children	48	33%	67	32%	115	32%
Single parent with children	16	11%	25	12%	41	11%
Total	145	100%	212	100%	357	100%

Note: totals may not equal 100% due to rounding

Table A.8.10: Purchaser households: Income Quintiles by age group

	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
20 - 29 years	49	34%	56	27%	105	29%
30 - 39 years	40	28%	85	40%	125	35%
40 - 49 years	30	21%	43	20%	73	21%
50 - 59 year	17	12%	25	12%	42	12%
60 - 69 years	6	4%	2	1%	8	2%
70 or over	3	2%	0	0%	3	1%
Total	145	100%	211	100%	356	100%

Note: totals may not equal 100% due to rounding

Table A.8.11: Purchaser households: Income Quintiles by employment situation and main source of income

	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
<i>Employment situation</i>						
Permanent full-time	69	48%	160	76%	229	64%
Permanent part-time	21	14%	32	15%	53	15%
Casual full-time	11	8%	6	3%	17	5%
Casual part-time	11	8%	8	4%	19	5%
Unemployed looking for work	5	3%	2	1%	7	2%
Unemployed not looking for work	3	2%	1	0%	4	1%
Retired	8	6%	0	0%	8	2%
Disabled and unable to work	2	1%	2	1%	4	1%
Full-time parenting	21	14%	14	7%	35	10%
Student	8	6%	7	3%	15	4%
<i>Main source of income</i>						
Wages or salary	113	78%	196	93%	309	87%
Self-employed	12	8%	15	7%	27	8%
Rental income	2	1%	0	0%	2	1%
Dividends or interest	1	1%	0	0%	1	0%
Any government pension or allowance	17	12%	2	1%	19	5%
Child support or maintenance	1	1%	1	0%	2	1%
Superannuation or annuity	3	2%	0	0%	3	1%
Workers compensation	1	1%	0	0%	1	0%
Other	0	0%	0	0%	0	0%

Note: multiple response answer

Table A.8.12: Purchaser households: Income Quintiles by main occupation in household

<i>Occupation</i>	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Manager or professional	39	30%	125	63%	164	50%
Tradesperson	26	20%	31	16%	57	17%
Clerical, sales or service worker	29	22%	26	13%	55	17%
Production or transport worker	9	7%	11	6%	20	6%
Labourer	15	11%	4	2%	19	6%
Unemployed looking for work	2	2%	0	0%	2	1%
Unemployed not looking for work	0	0%	0	0%	0	0%
Retired	7	5%	0	0%	7	2%
Disabled and unable to work	1	1%	0	0%	1	0%
Full time parenting	4	3%	1	1%	5	2%
Student	0	0%	0	0%	0	0%
Other	0	0%	1	1%	1	0%
Total	132	100%	199	100%	331	100%

Table A.8.13: Indigenous purchaser households

	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Yes	5	4%	5	2%	10	3%
No	135	96%	198	98%	333	97%
Total	140	100%	203	100%	343	100%

Table A.14: Highest level of education by income level: Purchasers

<i>Level of Education</i>	<i>Lower-income households</i>		<i>Higher-income households</i>		<i>Total</i>	
	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>	<i>N</i>	<i>%</i>
Completed Year 10 or less	16	11%	24	11%	40	11%
Completed Year 11/12/13	33	23%	24	11%	57	16%
Started TAFE/University but not completed	12	8%	17	8%	29	8%
Completed University/TAFE	83	57%	143	67%	226	63%
Other (please specify)	1	1%	4	2%	5	1%
Total	145	100%	212	100%	357	100%

Appendix 2

Questionnaire for private renters

How to fill in the questionnaire

Choose your answer by circling the corresponding number (use a pen not a pencil). For example, for the first question 'At your current address, do you (and/or your partner) rent or own the dwelling?', and you rent your dwelling from a landlord or estate agent, you would circle the number 1.

1. At your current address, do you (and/or your partner) rent or own the dwelling?

Rent dwelling from landlord/estate agent	1
Rent public/community housing	2
Dwelling occupied rent free	3
Own dwelling outright	4
Own dwelling with mortgage	5

If you make a mistake with an answer, simply cross it out with an 'x' and circle your response. Some answers will require you to 'skip' questions but these are explained throughout the questionnaire. If there is not a response appropriate to you, there will be space for you to write in 'other' answers. A few questions ask you to tell us whether you agree or disagree with certain statements. For example, you will be asked to tell us whether you agree or disagree that 'It is a constant struggle to pay regular bills'. If you felt that this was mostly correct, you would choose number 2, 'Agree'.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant to my situation</i>
It is a constant struggle to pay regular bills	1	2	3	4	5	6

Questionnaire

2. At your current address, do you (and/or your partner) rent or own the dwelling?

Rent dwelling from landlord/estate agent	1
Rent public/community housing	2
Dwelling occupied rent free	3
Own dwelling outright	4
Own dwelling with mortgage	5

If you did not circle the number 1 in response to this question, then do not continue. Thank you for your time. Please return the questionnaire in the envelope provided.

3. Where do you currently live?

Suburb:	1
Postcode:	2

4. How long have you been living in your current home?
- Less than one year 1
- A year to less than three years 2
- Three years to less than five years 3
- Five years or more Go to Question 6 4
5. Apart from your current dwelling, how many other dwellings have you rented in Australia over the past 5 years?
- Number of rented dwellings:
6. Did you leave any of these dwellings specifically in order to reduce your housing costs (that is, to move to a cheaper dwelling)?
- Yes 1
- No 2
- Don't know 3
7. Have you mostly lived in rented dwellings since first leaving your family home?
- Yes 1
- No 2
8. Thinking about the last dwelling you occupied, what were the main reasons for moving from this dwelling? In the first column you can select up to three main reasons for your move. In the second column please circle the number that corresponds with the one most important reason.

	<i>Main reason (select up to THREE)</i>	<i>MAIN reason (select ONE only)</i>
a) To reduce rental payments	1	1
b) Could no longer afford mortgage repayments	2	2
c) To move to a more suitable dwelling	3	3
d) To move to a more suitable location	4	4
e) A change in personal circumstances (i.e. relationship breakdown/ change in family size)		
f) Evicted from/lease not renewed in last property	6	6
g) I had no choice	7	7
h) Other (please specify) _____	8	8

9. Now thinking about your current dwelling, did you have to make any compromises when you rented this dwelling? For example, you may have originally wanted a bigger house than what you ended up with. In the first column you can select as many compromises that apply. In the second column please circle the number that corresponds with the one most important compromise.

	<i>Main Compromises (select many as apply)</i>	<i>MAIN compromise (select ONE only)</i>
a) Higher level of rent than I wanted to pay	1	1
b) Smaller dwelling than I wanted (i.e. overcrowded)	2	2
c) I had to rent a flat when I really wanted a house	3	3
d) The quality of the dwelling was lower than I wanted	4	4
e) There was a lower level of security than I was happy with	5	5
f) I had to relocate to an area I would not otherwise have chosen	6	6
g) My access to services/facilities decreased	7	7
h) My travel time to work increased	8	8
i) My access to public transport decreased	9	9
j) I could not be as close to family/friends as I would have liked	10	10
k) My children had to change schools	11	11
l) My access to childcare was more difficult	12	12
m) I don't feel that I made any compromises	13	13
n) Other (please specify) _____	14	14

10. Overall, how satisfied or dissatisfied are you with the location of your home?

Very satisfied	1
Satisfied	2
Neither satisfied nor dissatisfied	3
Dissatisfied	4
Very dissatisfied	5

11. Overall, how satisfied or dissatisfied are you with the dwelling itself?

Very satisfied	1
Satisfied	2
Neither satisfied nor dissatisfied	3
Dissatisfied	4
Very dissatisfied	5

12. If your income increased by, say, \$100 a week what would you be most likely to change about your housing situation? (Circle one response only.)

- | | |
|--|---|
| Nothing, I am happy where I am | 1 |
| I would continue to rent but improve the quality of my dwelling/location | 2 |
| I would continue to rent and save for a deposit for a home | 3 |
| I would purchase a home | 4 |

13. Do you currently own a residential property that you do not live in?

- | | | |
|-----|-------------------|---|
| Yes | Go to Question 16 | 1 |
| No | | 2 |

14. How likely is it that you will one day purchase your own home?

- | | |
|---------------|---|
| Very likely | 1 |
| Likely | 2 |
| Unlikely | 3 |
| Very unlikely | 4 |

15. Is it likely you will receive financial assistance to purchase a home from your parents or other relatives?

- | | | |
|------------|-------------------|---|
| Yes | | 1 |
| No | Go to Question 16 | 2 |
| Don't know | Go to Question 16 | 3 |

16. What form of assistance do you expect this to be? (Circle as many that apply.)

- | | |
|--------------------|---|
| Inherit property | 1 |
| Inherit cash | 2 |
| A loan | 3 |
| Gift | 4 |
| Mortgage Guarantor | 5 |
| Don't know | 6 |

17. For each of the following factors could you please indicate how they have limited your ability to purchase a home?

	<i>Major limitation</i>	<i>Moderate limitation</i>	<i>Minor limitation</i>	<i>No limitation</i>	<i>Not relevant to me</i>
a) HECS debt	1	2	3	4	5
b) Compulsory superannuation contributions	1	2	3	4	5
c) Low level of income	1	2	3	4	5
d) An uncertain future income (e.g. from casualised work)	1	2	3	4	5
e) Age (e.g. too old for a mortgage)	1	2	3	4	5
f) Children (e.g. cannot afford to purchase a home as well)	1	2	3	4	5
g) Other (please specify) _____	1	2	3	4	5

We would now like to ask you some questions about your current housing costs.

18. How much is the total rent for your current dwelling per week?

\$ _____ per week

19. Other than a partner do you share this rent with another person/people?

Yes 1

No Go to Question 21 2

20. How much rent/board do you (and your partner if applicable) pay per week?

\$ _____ per week

21. What is the main reason you are sharing this dwelling? (Please circle one only.)

Personal choice/like having others in the house 1

Can't afford to rent separately 2

Saving to buy a home 3

Other (please specify) 4

22. In the last three years have you been behind with your rent for more than one week?

Yes 1

No Go to Question 23 2

23. Thinking back to the last time you were behind with your rent, what were the main causes? (Please circle up to three responses.)

- | | |
|--|---|
| Rent was just too much | 1 |
| An unexpected large bill | 2 |
| Other living expenses were just too high | 3 |
| Gambling debt | 4 |
| Debt repayment | 5 |
| Gas/electricity/telephone/water bills | 6 |
| I forgot to pay | 7 |
| Unexpected loss of income | 8 |
| Other (please specify) | 9 |

24. Do you have a direct debit arrangement for your rental payments?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

25. Have you (and/or your partner) needed to do any of these things in order to meet your rental payments at any time in the last 3 years? (Circle as many that apply.)

- | | |
|--|----|
| Find a job | 1 |
| Take on a second job | 2 |
| Work overtime | 3 |
| Postpone having a child | 4 |
| Borrow some money from family | 5 |
| Drawn on accumulated savings or term deposits | 6 |
| Increased the balance owing on credit cards by \$1,000 or more | 7 |
| Entered into a loan agreement with family or friends | 8 |
| Taken out a personal loan | 9 |
| Sold or pawned personal possessions | 10 |
| Approached a welfare/community/counselling agency for assistance | 11 |
| No, none of these | 12 |
| Don't know | 13 |
| Other (please specify) | 14 |

26. Are you currently experiencing any difficulty in meeting your rental payments?

- | | |
|------------------------|---|
| Yes, minor problems | 1 |
| Yes, moderate problems | 2 |
| Yes, major problems | 3 |
| No problems at all | 4 |

27. Please indicate your level of agreement with each of the following statements.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant to me</i>
a) I can't afford a holiday of at least one week's duration each year	1	2	3	4	5	6
b) I worry constantly about my financial situation	1	2	3	4	5	6
c) I am unable to sometimes heat/cool my home	1	2	3	4	5	6
d) It is a constant struggle to pay regular bills	1	2	3	4	5	6
e) I am unable to pay my credit card off in full	1	2	3	4	5	6
f) My family has sometimes gone without meals	1	2	3	4	5	6
g) I don't have enough money set aside to meet unexpected expenses	1	2	3	4	5	6
h) My children have missed out on school activities such as excursions and sports	1	2	3	4	5	6
i) My children have had to go without adequate health and/or dental care	1	2	3	4	5	6
j) Our housing costs put stress on family/household relationships (i.e. we argue about money a lot)	1	2	3	4	5	6
k) I feel trapped in an area with poor job prospects	1	2	3	4	5	6
l) I feel trapped in an area where I do not want to live	1	2	3	4	5	6

28. How does your housing affordability situation compare to that of your parents, that is, do you feel that you are better or worse off than your parents?

- | | |
|-----------------------------------|---|
| I am better off than my parents | 1 |
| Our situations are about the same | 2 |
| I am worse off than my parents | 3 |
| Don't know/not applicable | 4 |

29. Which of the following statements best describes how you manage on your household income overall after paying your rent?

- | | |
|-------------------------------------|---|
| Manage very easily | 1 |
| Manage easily | 2 |
| Manage with some difficulty | 3 |
| Manage with considerable difficulty | 4 |
| Can't manage at all | 5 |

30. Which of the following best describes your housing cost problems?

- | | |
|---|---------------------|
| I have only had these problems in the last six months | 1 |
| These problems have been recurring on and off for some time now | 2 |
| I have been experiencing these problems for a long time now | 3 |
| I experienced problems in the past but these have passed | Go to Question 32 4 |
| I have never experienced housing cost problems | Go to Question 32 5 |

31. Do you think your current housing cost problems are likely to be ongoing or temporary?

- | | |
|------------|---------------------|
| Ongoing | 1 |
| Temporary | Go to Question 32 2 |
| Don't know | Go to Question 32 3 |

32. Why do you think your housing cost problems will be ongoing? (Please circle one only.)

- | | |
|--|---|
| It is unlikely that I will ever get a job that pays a sufficient income | 1 |
| Even with an improved income private rents will just be too high | 2 |
| Personal circumstances (i.e. health, relationship status, disability, etc) | 3 |

33. Is there anything else you would like to tell us about your housing costs and their effect on your living situation?

To finish with, we would like to ask some questions about your household. We remind you that all this information is strictly confidential and no individual responses will be identified or used in any way.

34. How old are you?

Years:

35. Are you female or male?

- | | |
|--------|---|
| Female | 1 |
| Male | 2 |

36. Where were you born?
- | | | |
|-----------|-------------------|---|
| Australia | Go to Question 37 | 1 |
| Overseas | | 2 |
37. If overseas, please specify your country of birth and year of arrival in Australia.
- | | |
|-------------------------------|---|
| Country of birth: | 1 |
| Year of arrival in Australia: | 2 |
38. Do you speak a language other than English at home?
- | | |
|-----|---------------------|
| Yes | 1 |
| No | Go to Question 39 2 |
39. If yes, please specify the MAIN language you speak at home.
- Language spoken at home:
40. Are you or anyone in your household of Aboriginal or Torres Strait Islander origin?
- | | |
|-----|---|
| Yes | 1 |
| No | 2 |
41. What is the highest level to which you have studied?
- | | |
|---|---|
| Completed Year 10 or less | 1 |
| Completed Year 11/12/13 | 2 |
| Started TAFE/university but not completed | 3 |
| Completed University/TAFE course | 4 |
| Other (please specify) | 5 |
42. What is your marital status?
- | | |
|-----------------------|---|
| Never married | 1 |
| Separated or divorced | 2 |
| Widowed | 3 |
| Married or De facto | 4 |
43. How would you describe your employment situation? (Please circle as many that apply.)
- | | |
|---------------------------------|----|
| Permanent full-time | 1 |
| Permanent part-time | 2 |
| Casual full-time | 3 |
| Casual part time | 4 |
| Unemployed looking for work | 5 |
| Unemployed not looking for work | 6 |
| Retired | 7 |
| Disabled and unable to work | 8 |
| Full-time parenting | 9 |
| Student | 10 |

44. How many adult members of your household (including yourself) are employed and unemployed?

Employed: 1

Unemployed: 2

45. What is your MAIN source of income?

Wages or salary (including from own incorporated business) 1

Self employed 2

Rental income 3

Dividends or interest 4

Any Government pension or allowance 5

Child support or maintenance 6

Superannuation or Annuity 7

Workers' Compensation 8

Other (please specify) 9

46. Could you please estimate your usual annual household income from all sources before income tax or anything else is deducted (please include any board received from children). We realise this can be difficult to calculate but we require this information in order to determine the level of affordability experienced by people in the rental market – please be assured that all responses are strictly confidential.

Annual household income (pre-tax): \$

47. Rent Assistance is a benefit provided by the government to ease the cost of private rental. Do you currently receive Rent Assistance?

Yes 1

No 2

Don't know 3

48. Roughly how much debt from all sources do you (and/or your partner) have in total?

None 1

Less than \$500 2

\$501 to \$2,000 3

\$2,001 to \$5,000 4

\$5,001 to \$10,000 5

More than \$10,000 6

49. Please describe your household type.

Single or sole person Go to Question 50 1

Couple without children Go to Question 50 2

Couple with children 3

Single parent with children living with you permanently 4

Single parent with children living with you sometimes 5

- | | | |
|--------------------------------|-------------------|---|
| Live with other related people | Go to Question 50 | 6 |
| Group of unrelated people | Go to Question 50 | 7 |
| Other (please specify) | | 8 |
50. How many children do you have living with you (either permanently or sometimes)?
- Number of children (permanently):
- Number of children (sometimes):
51. What type of dwelling are you currently living in? (Please circle one only.)
- | | |
|---|---|
| Detached house | 1 |
| Semi-detached house, terrace house or townhouse | 2 |
| Flat, unit or apartment | 3 |
| Caravan or mobile home in caravan park | 4 |
| Other (please specify) | 5 |

You have now reached the end of the questionnaire. Thank you for your time and effort.

Please return the questionnaire in the stamped addressed envelope provided.

Remember to fill in the entry form if you wish to enter the survey prize draw.

Questionnaire for home owners

How to fill in the questionnaire

Choose your answer by circling the corresponding number (use a pen not a pencil). For example, for the first question 'At your current address, do you (and/or your partner) rent or own the dwelling?', and you rent your dwelling from a landlord or estate agent, you would circle the number 1.

1. At your current address, do you (and/or your partner) own or rent the dwelling?

- | | |
|--|---|
| Own dwelling with mortgage | ① |
| Own dwelling outright | 2 |
| Rent dwelling from landlord/estate agent | 3 |
| Rent public/community housing | 4 |
| Dwelling occupied rent free | 5 |

If you make a mistake with an answer, simply cross it out with an 'x' and circle your response. Some answers will require you to 'skip' questions but these are explained throughout the questionnaire. If there is not a response appropriate to you, there will be space for you to write in 'other' answers. A few questions ask you to tell us whether you agree or disagree with certain statements. For example, you will be asked to tell us whether you agree or disagree that 'It is a constant struggle to pay regular bills'. If you felt that this was mostly correct, you would choose number 2, 'Agree'.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant to my situation</i>
It is a constant struggle to pay regular bills	1	2	3	4	5	6

Questionnaire

1. At your current address, do you (and/or your partner) own or rent the dwelling?

- Own dwelling with mortgage 1
- Own dwelling outright 2
- Rent dwelling from landlord/estate agent 3
- Rent public/community housing 4
- Dwelling occupied rent free 5

If you did not circle the number 1 in response to this question, then do not continue. Thank you for your time. Please return the questionnaire in the envelope provided.

2. Where do you currently live?

- Suburb: 1
- Postcode: 2

3. In what year did you purchase you home?

Year:

4. Apart from your current dwelling, do you own any other residential property?

- Yes 1
- No 2

5. Thinking about your current dwelling, did you have to make any compromises when you purchased this dwelling? For example, you may have originally wanted a bigger house than what you ended up with. In the first column you can select as many compromises that apply. In the second column please circle the number that corresponds with the one most important compromise.

	<i>Main Compromises (select many as apply)</i>	<i>MAIN compromise (select ONE only)</i>
a) Higher level of mortgage than I wanted to pay	1	1
b) Smaller dwelling than I wanted (i.e. overcrowded)	2	2
c) I had to buy a flat when I really wanted a house	3	3
d) The quality of the dwelling was lower than I wanted	4	4
e) There was a lower level of security than I was happy with	5	5
f) I had to relocate to an area I would not otherwise have chosen	6	6
g) My access to services/facilities decreased	7	7
h) My travel time to work increased	8	8
i) My access to public transport decreased	9	9
j) I could not be as close to family/friends as I would have liked	10	10
k) My children had to change schools	11	11
l) My access to childcare was more difficult	12	12
m) I don't feel that I made any compromises	13	13
n) Other (please specify) _____	14	14

6. Overall, how satisfied or dissatisfied are you with the location of your home?

Very satisfied	1
Satisfied	2
Neither satisfied nor dissatisfied	3
Dissatisfied	4
Very dissatisfied	5

7. Overall, how satisfied or dissatisfied are you with the dwelling itself?

Very satisfied	1
Satisfied	2
Neither satisfied nor dissatisfied	3
Dissatisfied	4
Very dissatisfied	5

8. When purchasing your current home did you make any budgetary allowances for ongoing housing costs such as rates, maintenance, utilities, etc

Yes 1

No 2

9. After purchasing your current home did you encounter any unexpected housing costs, for example repairs or maintenance?

Yes 1

No Go to Question 11 2

10. If yes, what effect did these unexpected housing costs have on your household finances?

Major effect 1

Moderate effect 2

Minor effect 3

No effect 4

We would now like to ask you some questions about your current housing costs.

11. How much money did you purchase your dwelling for?

\$

12. How much money was the total mortgage for your dwelling? (If you did not take out a mortgage put \$0)

\$

13. How much money are the mortgage repayments for your dwelling per month? (If you do not have a mortgage put \$0)

\$ per month

14. How much was the deposit for your dwelling?

\$

15. Which of the following sources did you use to raise this deposit?

Personal savings 1

Gift from parents 2

Loan from parents 3

Cash inheritance 4

First Home Buyers Grant 5

Personal loan 6

Sale of other assets e.g. land shares 7

None of the above 8

16. Excluding the deposit, did you receive any other financial assistance to purchase your home from your parents or other relatives?

Yes 1

No Go to Question 18 2

17. What form of assistance was this? (Select as many that apply.)

- | | |
|------------------------|---|
| Inherited the dwelling | 1 |
| Inherited cash | 2 |
| Loan | 3 |
| Gift | 4 |
| Mortgage guarantor | 5 |

18. Roughly, how much money do you think your property is worth now?

\$

19. Other than a partner are you currently sharing your dwelling in order to help with your mortgage repayments?

- | | |
|-----|---|
| Yes | 1 |
| No | 2 |

20. Have you (and/or your partner) needed to do any of these things in order to meet your mortgage repayments at any time in the last 3 years? (Select as many that apply.)

- | | |
|--|----|
| Find a job | 1 |
| Take on a second job | 2 |
| Work overtime | 3 |
| Postpone having a child | 4 |
| Borrow some money from family | 5 |
| Drawn on accumulated savings or term deposits | 6 |
| Increased the balance owing on credit cards by \$1,000 or more | 7 |
| Entered into a loan agreement with family or friends | 8 |
| Taken out a personal loan | 9 |
| Sold or pawned personal possessions | 10 |
| Approached a welfare/community/counselling agency for assistance | 11 |
| No, none of these | 12 |
| Don't know | 13 |
| Other (please specify) | 14 |

21. Are you currently experiencing any difficulty in meeting your mortgage repayments?

- | | |
|------------------------|---|
| Yes, minor problems | 1 |
| Yes, moderate problems | 2 |
| Yes, major problems | 3 |
| No problems at all | 4 |

22. If interest rates increased your mortgage by another \$100 per month what impact would this be likely to have on your household finances?

- | | |
|-----------------|---|
| Major impact | 1 |
| Moderate impact | 2 |
| Minor impact | 3 |
| No impact | 4 |

23. To what degree did other debts (for example a HECS debt) delay your ability to purchase your dwelling?

- | | |
|--------------------|---|
| Major delay | 1 |
| Moderate delay | 2 |
| Minor delay | 3 |
| No delay | 4 |
| Not relevant to me | 5 |

24. Please indicate your level of agreement with each of the following statements.

	<i>Strongly agree</i>	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>	<i>Strongly disagree</i>	<i>Not relevant to me</i>
a) I can't afford a holiday of at least one week's duration each year	1	2	3	4	5	6
b) I worry constantly about my financial situation	1	2	3	4	5	6
c) I am unable to sometimes heat/cool my home	1	2	3	4	5	6
d) It is a constant struggle to pay regular bills	1	2	3	4	5	6
e) I am unable to pay my credit card off in full	1	2	3	4	5	6
f) My family has sometimes gone without meals	1	2	3	4	5	6
g) I don't have enough money set aside to meet unexpected expenses	1	2	3	4	5	6
h) My children have missed out on school activities such as excursions and sports	1	2	3	4	5	6
i) My children have had to go without adequate health and/or dental care	1	2	3	4	5	6
j) Our housing costs put stress on family/household relationships (i.e. we argue about money a lot)	1	2	3	4	5	6
k) I feel trapped in an area with poor job prospects	1	2	3	4	5	6
l) I feel trapped in an area where I do not want to live	1	2	3	4	5	6

25. How does your housing affordability situation compare to that of your parents, that is, do you feel that you are better or worse off than your parents?

- | | |
|-----------------------------------|---|
| I am better off than my parents | 1 |
| Our situations are about the same | 2 |
| I am worse off than my parents | 3 |
| Don't know/not applicable | 4 |

26. Which of the following statements best describes how you manage on your household income overall after paying your mortgage?

- | | |
|-------------------------------------|---|
| Manage very easily | 1 |
| Manage easily | 2 |
| Manage with some difficulty | 3 |
| Manage with considerable difficulty | 4 |
| Can't manage at all | 5 |

27. Which of the following best describes your housing cost problems?

- | | |
|---|---------------------|
| Our housing cost problems have increased since purchasing this dwelling | 1 |
| Our housing cost problems have remained the same since purchasing this dwelling | 2 |
| Our housing cost problems have decreased since purchasing this dwelling | 3 |
| We have never experienced housing cost problems | Go to Question 30 4 |

28. Do you think your current housing cost problems are likely to be ongoing or temporary?

- | | |
|----------------------------------|---------------------|
| Ongoing | 1 |
| Temporary | Go to Question 30 2 |
| No current housing cost problems | Go to Question 30 3 |
| Don't know | Go to Question 30 3 |

29. Why do you think your housing cost problems will be ongoing? (Please circle one only.)

- | | |
|--|---|
| It is unlikely that I will ever get a job that pays a sufficient income | 1 |
| Even with an improved income our mortgage will just be too high | 2 |
| Personal circumstances (i.e. health, relationship status, disability, etc) | 3 |

30. Is there anything else you would like to tell us about your housing costs and their effect on your living situation?

31. How old are you?

Years:

32. Are you female or male?

- | | |
|--------|---|
| Female | 1 |
| Male | 2 |

33. Where were you born?

- | | |
|-----------|---------------------|
| Australia | Go to Question 35 1 |
| Overseas | 2 |

34. If overseas, please specify your country of birth and year of arrival in Australia.
- | | |
|-------------------------------|---|
| Country of birth: | 1 |
| Year of arrival in Australia: | 2 |
35. Do you speak a language other than English at home?
- | | |
|-----|---|
| Yes | 1 |
| No | 2 |
- Go to Question 37
36. If yes, please specify the MAIN language you speak at home.
- Language spoken at home:
37. Are you or anyone in your household of Aboriginal or Torres Strait Islander origin?
- | | |
|-----|---|
| Yes | 1 |
| No | 2 |
38. What is the highest level to which you have studied?
- | | |
|---|---|
| Completed Year 10 or less | 1 |
| Completed Year 11/12/13 | 2 |
| Started TAFE/university but not completed | 3 |
| Completed University/TAFE course | 4 |
| Other (please specify) | 5 |
39. What is your marital status?
- | | |
|-----------------------|---|
| Never married | 1 |
| Separated or divorced | 2 |
| Widowed | 3 |
| Married or De facto | 4 |
40. How would you describe your employment situation? (Please circle as many that apply.)
- | | |
|---------------------------------|----|
| Permanent full-time | 1 |
| Permanent part-time | 2 |
| Casual full-time | 3 |
| Casual part time | 4 |
| Unemployed looking for work | 5 |
| Unemployed not looking for work | 6 |
| Retired | 7 |
| Disabled and unable to work | 8 |
| Full-time parenting | 9 |
| Student | 10 |

41. How many adult members of your household (including yourself) are employed and unemployed?

Employed: 1

Unemployed: 2

42. What is your MAIN source of income?

Wages or salary (including from own incorporated business) 1

Self employed 2

Rental income 3

Dividends or interest 4

Any Government pension or allowance 5

Child support or maintenance 6

Superannuation or Annuity 7

Workers' Compensation 8

Other (please specify) 9

43. Could you please estimate your usual annual household income from all sources before income tax or anything else is deducted (please include any board received from children). We realise this can be difficult to calculate but we require this information in order to determine the level of affordability experienced by people in the rental market – please be assured that all responses are strictly confidential.

Annual household income (pre-tax): \$

44. Excluding any mortgages, roughly how much debt from all sources do you (and/or your partner) have in total?

None 1

Less than \$500 2

\$501 to \$2,000 3

\$2,001 to \$5,000 4

\$5,001 to \$10,000 5

More than \$10,000 6

45. Please describe your household type.

Single or sole person Go to Question 47 1

Couple without children Go to Question 47 2

Couple with children 3

Single parent with children living with you permanently 4

Single parent with children living with you sometimes 5

Live with other related people Go to Question 47 6

Group of unrelated people Go to Question 47 7

Other (please specify) 8

46. How many children do you have living with you (either permanently or sometimes)?

Number of children (permanently):

Number of children (sometimes):

47. What type of dwelling are you currently living in? (Please circle one only.)

Detached house 1

Semi-detached house, terrace house or townhouse 2

Flat, unit or apartment 3

Caravan or mobile home in caravan park 4

Other (please specify) 5

You have now reached the end of the questionnaire. Thank you for your time and effort.

Please return the questionnaire in the stamped addressed envelope provided.

Appendix 3

Focus group and interview schedules

A: Focus groups

1. All renters

Understanding housing affordability

- What comes to mind when you hear people talk about housing affordability? For you, is it about not being able to afford to buy your own home, or just trying to manage with the rent? (Explore how affordability constraints act to limit respondents to PRS, but also look at affordability of PRS)
- How do affordability issues translate to your own experiences – what does it mean for you? (Is it about general living costs, or do respondents isolate and articulate the impact that high housing costs cause?)
- Do you feel that issues of affordability are a long-standing, persistent problem for you or a short term thing? Is it something caused by a particular event/change in circumstances?

Private sector renting

- How long have you been renting in the private sector? – tell me about your experiences over time, whether you've stayed in one place or moved frequently etc.
- Would you say that you're renting mainly out of choice, or because other options are closed to you
- Have you thought about renting from the Department of Housing (Probe – experiences here: have any rented in past, waiting list issues, perceptions, stigma)
- What about buying a place? (Probe – anyone owned before? What are the barriers? Where and what would you buy?)

1.1 Long term renters

Affordability and locality

- I'd now like to explore your understanding and experiences of the local housing market, the availability of suitable property, and how this has shaped your experiences – tell me about your area, and recent trends in house and rent prices, quality of property available
- What choices and trade-offs have you made, both with your current property but also your past experience when choosing where to live. What constraints did you face (Probe on location, size, accessibility)
- Thinking about the local area – is Penrith/Liverpool where you have family/friendship ties? To be near a job?

Impacts of affordability concerns

- Roughly, how much of your income goes towards your housing costs?
- Do you feel you've had to overly stretch yourselves to live somewhere you're happy living?
- What are the implications of this (prompt: got behind on rent, gone without other things, had to move on)?
- What impact do the constraints on where you can afford to live impact on your life – I'm thinking about things like access to employment, proximity to family and friends, health and education (prompt and follow up)
- Does lack of tenure security (perceived or otherwise) make planning for the future difficult – what impact does this have?
- In terms of your own experiences, is affordability improving? Is it getting worse? Why is that so? Do you feel that the situation is getting better/worse for others in your area/more generally?

Improving outcomes

- What do you think would help alleviate housing affordability concerns?
- I'd like to explore your views on what the Government should be/not be doing – (Prompt – explore difference between what should be going generally to tackle affordability, and what should do to assist those on low incomes who rent in the private sector) (Prompt – issues related to Commonwealth Rent Assistance)
- Are you aware of/what are your perceptions of affordable housing options – access, advantages and disadvantages? (Discussion of options to facilitate sustainable home ownership – LCHO and shared equity, methods to secure longer term PRS tenancies). Could you get a mortgage for half the cost of a house?
- Where would you like to be living in 3 years time; where do you think you'll be living in 3 years time?

1.2 Aspirant purchasers

Understanding housing affordability

- What comes to mind when you hear people talk about housing affordability? For you, is it about not being able to afford to buy your own home, or just trying to manage with the rent? (Explore how affordability constraints act to limit respondents to PRS, but also look at affordability of PRS)
- How do affordability issues translate to your own experiences – what does it mean for you? (Is it about general living costs, or do respondents isolate and articulate the impact that high housing costs cause?)

Private sector renting

- How long have you been renting in the private sector? – tell me about your experiences over time, whether you've stayed in one place or moved frequently etc.
- What choices and trade-offs have you made, both with your current property but also your past experience when choosing where to live. What constraints did you face (Probe on location, size, accessibility)
- So do you feel that issues of affordability are a long-standing, persistent problem for you or a short term thing? Are you planning to buy?

Thinking about buying

- I'd like to explore in more detail your thoughts about home ownership – those of you wanting to buy, how long have you been working towards it, what barriers have you faced? (Probe – have they been able to save while paying rent? is it generally high prices, mortgage rates, saving for the deposit)
- Do you think attitudes are changing to home ownership – you hear stories of few under 35s buying – what are your thoughts on this? (Probe - due to lack of affordability rather than lifestyle shifts/choices? What advantages/disadvantages seen in bringing forward/delaying purchase?)
- What about your understanding and experiences of the local housing market, the availability of suitable property, and how this has shaped your experiences – tell me about your area, and recent trends in house and rent prices, quality of property available. Do you think things are getting better/worse?

Affordability and trade-offs

- Can you afford what you want? What trade-offs would you be prepared to make to get into home ownership? Size, location, accessibility? Thinking about the local area – is Penrith/Liverpool where you have family/friendship ties?
- Do you feel that where you've been able to live has had an impact on other aspects of your life – I'm thinking about things like access to employment, proximity to family and friends, health and education (prompt and follow up)

The costs and expectations of buying

- Roughly, how much of your income goes towards your housing costs as a renter? Do you feel you've had to overly stretch yourselves to live somewhere you're happy living?
- How do you think affordability issues might change if you were to buy a property? Do you think it will be more of a struggle/less of a struggle than renting? If it makes things tighter – what's trade-offs do you build into the equation in terms of benefits?
- What challenges do you think you'll face as future home owners – do you perceive affordability concerns to be a short term hurdle in the early years of ownership, but long-term will be able to manage more easily, or feel that it will always be a bit of a struggle?

Improving outcomes

- What do you think would help alleviate housing affordability concerns?
- I'd like to explore your views on what the Government should be/not be doing to help tackle the affordability issue (Probe – looking after economy, supply side issues, rent assistance)

- What role does the FHOG play? – do you think it helps? Do you see any problems with it?
- Are you aware of/what are your perceptions of affordable housing options – access, advantages and disadvantages? (Discussion of options to facilitate sustainable home ownership – LCHO and shared equity) Could you get a mortgage for half the cost of a house?
- Where would you like to be living in 3 years time; where do you think you'll be living in 3 years time?

2. Recent purchasers

Understanding housing affordability

- What comes to mind when you hear people talk about housing affordability?
- How do affordability issues translate to your own experiences – what does it mean for you? (Is it about general living costs, or do respondents isolate and articulate the impact that high housing costs cause?)

Previous living arrangements

We're going to focus tonight primarily on your experiences of getting into the position of buying your first home, the purchasing process itself, and your recent experience as a homeowner, but it would be good to get a feel for where you living before this

- Before your purchase were you: privately renting/living at home with friends/in public housing? [Probe to build background context]
- Would you say these living arrangements were through choice/most sensible given life stage etc, or because other options were closed to you?
- (If renting) can you remember approximately what you were paying in rent? Did you find this manageable? Did you feel you had to make compromises in terms of the places you lived? (if so, what?)

The buying process

- Why did you want to buy? [Probe on reasons]
- In terms of the timing of your purchase, would you say you bought when you wanted, did you have to wait?
- If waited, what were the reasons for the wait? [Probe: market conditions; saving for the deposit; availability of financing]
- Thinking about getting together a deposit (did they get one – any 100% loans?), how long, what input, together or alone? What strategies adopted?
- Doing the homework – what shaped your choices? Explore significance of FHOG, relative affordability of area, fear of 'getting left behind'?
- Would you say there were a lot of barriers to get across, or did you find it a straightforward process?
- What factors in terms of future costs of did you take into account – did you mortgage up to the limit or did you build in consideration of potential rate rises, maintenance, a buffer for unexpected costs?

Local housing markets

- Thinking about your local housing market and the choices you've made – tell me about the area, recent trends in house (and rent) prices, quality of property available

- What choices and trade-offs have you made with your current property. What constraints did you face? (Probe on level of mortgage, having to purchase with another, size of property, type of property, services and facilities, travel times, family/friends)

Being a home owner

- Are/were your parent's homeowners?
- What has it meant – what are the good and bad things about being a home owner?
- Are you glad with your decision to buy, and about your decision where to buy?
- Overall, would you say the benefits of owning outweigh those of being a renter at the current time?
- Thinking about the local area, as a homeowner, are you satisfied/dissatisfied?
- Thinking about your own home, are you satisfied/dissatisfied?

Affordability concerns

- Meeting mortgage repayments – did you fix, or are you on a variable rate?
- Roughly, how much of your income goes towards meeting your housing costs/mortgage?
- How has that changed recently; has it placed significant constraints on your non-housing expenditure?
- Do you feel that affordability constraints are a long-standing, persistent problem for you or a short term thing? Is it part of the process of being a first time buyer?
- How and when do you think housing affordability may improve for you?
- Do you feel that the situation is getting better/worse for others in your area/more generally?
- What are the implications of your recent experience for your next housing move?

Improving outcomes

- Now you're over the hurdle and accessed home ownership, what things would have helped you (assisted by the Government or not) [Probe – better advice, bigger FHOG, mortgage relief, tax-break]
- Do you think the Government/others can do anything to assist once you have bought [beyond trying to keep rates low]
- Awareness of other potential affordable home ownership models– e.g. shared equity. Would recent buyers see this as potentially a safer/more manageable route into home ownership?
- Do you think you'll be in a more comfortable position in 3 years time in terms of housing affordability? (Probe – job prospects, market 'bound to recover', interest rates go down)

B: Interviews

The structure of the interviews should be fairly open, based upon participants talking through their housing histories, how affordability constraints have impacted upon the choices made, social and economic outcomes, and barriers they feel that they have faced.

The history focuses on their rental experiences since leaving home (and focusing on more recent years), although some brief exploration of background in terms of where they grew up etc. will be useful

For long-term renters, they'll be more of a focus on the housing history; for aspirant home owners, the discussion will move onto exploring issues about pathways to ownership. The interviewer should be in a position to know where the emphasis should lie from group discussions. For recent purchasers, discussion will concentrate on the more focused period leading up to purchase, the buying process itself, and subsequent experiences as homeowners.

Interviews will run for 60-75 minutes.

1. Renters

Background/contextual information

- Where did you grow up?
- What sort of place – unit/home?
- Did your parents own or rent? – would you say they struggled, or were pretty comfortable in meeting housing costs?
- Did you move around quite a bit?
- When did you leave home? Have you always rented since?
- What have you been up to since leaving school (probe – employment, education, health)
- How long have you been renting in the private sector? (probe – any time as a public housing tenant, as an owner-occupier)

1.1 Long term renters

Tracking housing choices and experiences (discuss for each move/key change in circumstances)

- What were the key factors which led to you moving at that time? Tied to job opportunity, education, changing family circumstances, partner, health issues?
- Tell me more about the property, neighbourhood, location
- Why that location? How did you end up with that house/flat? Were there places that you wanted to live but really didn't feel able to consider?
- Would you say you've been able to build up strong ties within the local community as a renter?
- Did the move make any difference to your circumstances: would you say move generally for the better, or a bit of a compromise?
- What proportion of your income/pension were you putting towards your housing costs? Do you remember it being a struggle?
- What things made it difficult? How did you cope in those situations?
- What were your thoughts about home ownership at that time – a goal albeit some way off? Never really entered into thinking? Did you feel you were in a position to save money for a deposit?
- On the whole were you content with your housing arrangements at the time?

1.2 Aspirant home buyers

- What's your understanding of the local housing market – are things getting better or worse? Do you think this is an affordable place to buy?
- What are the key factors affecting where, why and when you might buy? What are the main barriers you face in becoming a home owner (probe – initial costs, on-going cost, finding a suitable, affordable place?)
- What trade-offs do you think you'll need to make to get on the housing ladder?
- What issues do you see that might cause affordability concerns once you've bought a property? Do you think it will be more of a struggle/less of a struggle than renting?
- Do you think these concerns would be a short term hurdle in the early years of ownership, but long-term will be able to manage more easily, or feel that it will always be a bit of a struggle?
- Is the Government doing enough to help you? (probe - supply, FHOG, protection and support for new mortgage holders etc)

Improving outcomes

- Overall, would you say you were happy/have been happy with renting; it is your choice to rent; or that you are resigned to renting? Do you feel that rent money is dead money; do you feel that you are paying someone else's mortgage?
- What risks and benefits do you see with renting? What risks and benefits do you see with owning?
- Do you think you'll be in a position in time to get your own place?
- Are you
- What would need to change for you to get your ideal housing and location?

2. Recent purchasers

Housing history up to time of purchase

- Renting history – choices made, decision to rent
- Where – mainly around this area?
- Did you want to purchase during this time? What were the barriers in this regard (cost/affordability, lifestyle, suited job/family arrangements, other reasons for not purchasing at the time)

The lead up to the purchase

- Talk me through the triggers to deciding to purchase - why did you want to buy?
- How long did it take before you first decided to buy and actually going through with it?
- Was it a 'planned' exercise, or did you act on instinct
- What difficulties (if any) did you find when you started looking for the right place
- What considerations shaped how you determined your budget (cautious – stretched)
- Did you do much research? Use local knowledge? Seek advice?
- Did you watch the market carefully – did house price shifts impact on your decision?

- Did you save up for a mortgage – how long did you save up for? Were you able to put down a reasonable deposit
- Were you happy with any mortgage/financing advice that you received

The buying process

- Did you buy new, at auction, or make an offer on an advertised price?
- Talk about the things/additional costs etc that you wished you'd known about at the time. Would it have affected your decision to buy/budgeting?
- What helped, what hindered? – was it an easier or more painful exercise than you had initially envisaged?
- Did the sale go through smoothly?

Experiences of transition from renting to owning

- How did you feel when you became a homeowner – what were the key things for you?
- Did your weekly/monthly housing costs increase when you became an owner (i.e. did it cost more to service the mortgage?)
- What about other costs? As expected? What were these costs? How have you managed these?
- Are you pleased with your house, with the area?

Perspectives on affordability/mortgage strategies

- Would you say that your housing costs are affordable?
- Are you paying the minimum amount off your mortgage, or are you overpaying
- What has been the impact of the interest rate rises? Did you factor such eventualities in when you purchased? What would hurt? If they were to go down, how would you redeploy the additional available income?
- Do you think you're in a generally good position
- Have recent market trends made you think about whether purchasing when you did was the right decision?

Long term housing plans

- What are your long term housing plans? Do you see yourself moving in the near future – if so to what kind of property, and where?
- Do you think your housing costs will become more affordable over time?

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