

Addressing the Housing Affordability Crisis:

Basis for an estimated need of 100,000 social housing dwellings in NSW over the next two decades

Household and dwelling projections

The NSW State government, Department of Planning & Environment (DP&E) projects the number of households in NSW to be 3.815m by 2036, up from an estimated 2.751m in 2011.¹ These projections are marginally higher than the ABS projections of 3.721m.² The data in this article is based on DP&E estimates which suggest a projected average increase of around 43,000 households per year over the next 25 years.

Both the Australian Bureau of Statistics (ABS) and the DP&E project an initial increase but then a slowdown in the rate of increase in the number of households from 2011 to 2036 with the annual increase rising from around 40,000 in the first 5 years from 2011 rising to a peak of just over 44,000 in the 5 years to 2021 and then falling to an annual increase of just below 40,000 by 2036. The number of dwellings projected needed to house this growth in population is approximately 10% higher based on current occupancy rates (and allowing, presumably, for demolitions, second dwellings and vacant stock).

Social housing need from projections

In 2014-15 (the latest data available) there were 139,500 households in social dwellings in NSW, of whom 4,500 were in State Owned and Managed Indigenous Housing (SOMIH) and 26,200 in community housing. In total, these households represented 4.8% of the total number of the 2.9m households in NSW in 2014-15, with 0.2% in SOMIH and 0.9% in community housing.³

To prevent this (already low) share from declining over the next 20 years, a total net addition of 50,000 new dwellings to the social housing stock from its 2011 base is required. This implies a net increase of just over 2,000 dwellings each year for the next 25 years.⁴

Housing need from current shortages

Need for affordable (social) housing in addition to these projections is likely to arise from the severe affordability pressures faced by lower income households in the private rental market in NSW.

In its 2013 report on public housing, the NSW Audit Office recorded a social housing waiting list in NSW of 54,000 households in 2011 (expressed demand) with an additional 137,000 from those eligible for social housing but who have not put their names on the waiting list (described as reflecting unexpressed demand). This report estimated that the waiting list would increase to 86,500 households by 2016, with an additional 132,000 in unexpressed demand⁵, presumably because current expected waiting times are over 10 years in much of the Sydney metropolitan region.⁶ The totals of expressed and unexpressed demand in 2013-14 in the report (of just over 200,000 households) are of the same order of magnitude as the number of NSW private renter households in stress.



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ABS Survey data for 2013-14 show that 75% (190,000 of 250,000) of lower income private renter households in NSW are in housing stress. These are households in the bottom two quintiles of the income distribution and are paying 30% or more of their household income in meeting their rental costs.⁷

Based on this ABS data, lower income private renter households in stress in 2013-14 represented 6.8% of the total number of households in NSW in 2013-14. If social housing is to meet the additional needs of just this 6.8% of the projected increase in the number of households through to 2036 (in addition to the increases in stock needed to maintain the 4.8% shared needed to house those currently in social housing), a further 72,400 dwellings are needed (implying an additional 2,900 dwellings each year).

Summary

To maintain the (occupied) social housing stock at its current 4.8% share of the (occupied) dwelling stock in NSW, an additional 2,000 dwellings are needed each year. To ensure lower income households who currently face housing stress in the private rental market are affordably housed, a further 2,900 dwellings are needed in each year. In other words, a total of 4,900 dwellings is needed each year, or some 100,000 dwellings over the next 20 years.

NOTE: These estimates are based on households housed. Based on DP&E estimates, at least 2.6% more dwellings than this are needed to allow for vacancies. Even more dwelling completions are needed to allow for the fact that completions do not necessarily mean net additions to the stock. They also assume that there is no further deterioration of the ratio of housing costs to household incomes.

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1. DP&E projections for NSW are available at: <http://www.planning.nsw.gov.au/en/Research-and-Demography/Demography/Population-Projections>. Those used here were accessed on 28 April 2016. The DP&E report "these projections use the NSW Population Projections, 2014 Edition, as their base and use information from the 2011 Census of Population and Housing to determine likely future household composition based on age-sex profiles of the projected population. The household projections in turn inform the implied number of private structural dwellings needed for those households if nothing changes in terms of propensity to live in particular household types and levels of dwelling occupancy."

The DP&E provide the following warning: "Users are advised that household and dwelling projections are not precise predictions of the demographic future. They are the households and dwellings which result from certain assumptions being made about future population trends and patterns of living arrangements at different ages. Whilst the assumptions reflect the current outlook regarding these trends, it is possible that they will not eventuate. The factors affecting population change are influenced by a wide variety of social, economic and political factors, many of which cannot be foreseen with any degree of precision. Other factors will influence the living arrangements of individuals across the state, and changes to these are difficult to predict."

2. Both DP&E and ABS start with a population base of 7.22m persons in NSW in 2011; DP&E project this will increase to 9.70m persons in 2036 compared with an ABS projection of 9.56m. While both DP&E and ABS projections are based on the ERP data for 2011 (which include Census net undercount and residents temporarily overseas), they differ marginally in their projection assumptions. DP&E projections are based on long term averages for trends in fertility, mortality and migration. Those reported here for the ABS are medium rate of change projections based on Series B population projections.

Series B population projections assume total fertility declines to 2026 and is constant thereafter; that life-expectancy at birth increases to 2061 and is constant thereafter and that net overseas migration reaches 240,000 persons by 2021 (after peaking at 250,000 in 2016-2017) and is constant thereafter. DP&E fertility assumptions are higher than those employed by the ABS but mortality assumptions are similar. For NSW, the DP&E have projected a Net Overseas Migration (NOM) peak at just over 70,000 in 2016 before returning to an annual gain of just over 65,000 persons (somewhat higher than the ABS long term trend of 66,000 in NOM). Projected net interstate migration has been set at an annual loss of 20,000 persons (somewhat higher than the ABS projection of a peak loss of 17,000).

While both ABS and DP&E projections of future living arrangement propensities are based on past census data, the approach employed differs. The ABS use data from the past four censuses; the DP&E uses living arrangement propensities only from the 2011 census. Other than for adult children living at home, these are held constant over the projection period.

3. These shares are based on Report on Government Services (ROGS) (2016) data for social housing numbers (at <http://www.pc.gov.au/research/ongoing/report-on-government-services/2016/housing-and-homelessness/housing>) and an estimate of 2.9m households in NSW in 2014-15 based on scaling up the DP&E estimate for 2011 by the implied annual rate of growth from the 2016 household projections (and taking the average of the 2014-15 estimates). Use of ABS household projections gives a 4.9% total share of social housing.

4. This estimate assumes a 2.6% vacancy rate (derived from the 2014-15 ratio of total number of social dwellings in NSW to households in this social housing in the 2016 ROGS data for 2014-15).

5. https://www.audit.nsw.gov.au/ArticleDocuments/280/01_Public_Housing_Full_Report.pdf.aspx. Accessed 6 May 2016.

6. http://www.housingpathways.nsw.gov.au/_data/assets/pdf_file/0003/332274/2015-EWT-Overview-table.pdf. Accessed 6 May 2016.

7. Housing stress estimates reported here are based on unit record data from the ABS SIH 2013-14 CURF. The 2011 AHURI estimates of the shortage of affordable and available dwellings for lower income households in the private rental market in NSW show that the private rental market has failed to meet the needs of these lower income households. See Hulse, K., Reynolds, M. and Yates, J. (2014) Changes in the supply of affordable housing in the private rental sector for lower income households, 2006-11, AHURI Final Report No.235. Melbourne: Australian Housing and Urban Research Institute. At <http://www.ahuri.edu.au/publications/projects/51018>. Accessed 24 November 2014. See Tables A.17-A.20 for NSW data.



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