COMMUNITY HOUSING INDUSTRY ASSOCIATION NSW

Social and affordable housing projections

2016-2026 (and 2036)

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The estimates of future social and affordable housing need generated below are based on the demographically based household projections reported by the ABS. These projections do not take the impact of non-demographic factors such as economic conditions on household formation into account. Should economic and housing circumstances for lower or middle income households be worse than at present, these projections of need are likely to underestimate future needs for social and affordable housing. Should they show a marked improvement, they are likely to overestimate future needs. They do not, for example, take into account a growing share of single person households likely to face increasing affordability problems into the future.

Household projections are based on latest ABS projections (published in 2015). Social housing numbers are taken from the 2018 Report on Government Services. Comments on the data employed are provided in Appendix A. The social and affordable housing need projections below, like the household projections which underpin them, are purely demographically based. They assume that past outcomes will continue into the future and will not be affected by economic, social change or housing market constraints. They assume that future social and affordable housing needs will be no less than current needs despite projections of a growing share of single person households.

Social housing projections

The projections of social housing need are based on what would be required to return the social housing stock to a 6% share (of occupied stock) by 2026. They are based on combining the annual net additions needed to sustain a 6% share from 2016 with the increase needed to make up the current shortfall to 6% (assuming this is done in equal increments over the 10 year period).[1]

NSW

For NSW, a 6% share of social housing in 2016 requires 173,000 social dwellings. Maintenance of this target over the next decade requires an annual net increase of around 2,500 dwellings. With a current stock of 150,000 dwellings, there is a backlog of around 23,000 dwellings which means an additional 2,300 dwellings per year are needed to reduce the backlog, giving an annual target of just under 5,000 dwellings per year over 10 years to reach a 6% share of a projected 3.3 m households by 2026.

Extending the transition to a 6% target by 2036 means an additional 3,600 new social dwellings are required each year for 20 years to reach a 6% share of a projected 3.7m households by 2036.

Transition to a 6% social housing share: NSW 2016 to 2036

Social Housing Share

— actual
– – projected (6.0% share by 2026)
⋯⋯ projected (6.0% share by 2036)

Social Housing Stock

— actual
– – projected (6.0% share by 2026)
⋯⋯ projected (6.0% share by 2036)

1. Along with the explanations provided in Appendix A for the gap between projected and census estimates for 2016, the assumption that the shortfall is only made up at the end of the 10 (or 20) year period is suggests that projections are likely to underestimate future needs.

Affordable housing projections

Estimates of affordable housing needs follow a similar approach to estimating social housing need by determining a target benchmark proportion and applying this to household projections. The benchmark proportion in this case is derived by estimating how many current renter households not served by projected social housing stock would have met the NRAS income eligibility limits for new tenants of affordable rental dwellings if those dwellings were to be eligible for an NRAS incentive AND were paying more than 30 per cent of their household income in meeting their rental costs in 2015-16.
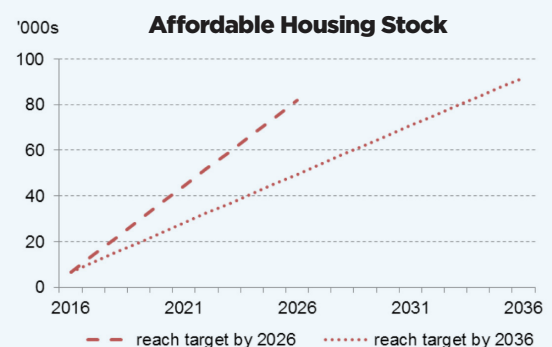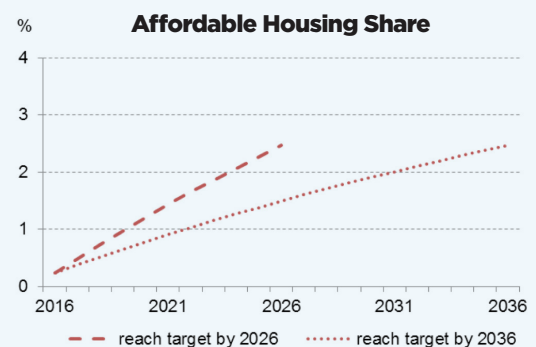
The current supply of affordable rental stock for 2016 is taken as the 37,000 NRAS incentives allocated and delivered dwellings according to the June 2016 report.[2] Of these, 6,700 were in NSW.

NSW

For NSW, 240,000 renters met the joint NRAS plus rental stress criteria, representing 8.5 per cent of all NSW households. This proportion is higher than for Australia as a whole because of the greater number of non-owning households in NSW. After allowing for the 6% Australia wide target set for social housing, this leaves an additional 2.5% of households in need of affordable housing. Applying this proportion to household projections implies an annual net addition of affordable dwelling stock of a little over 1,000 dwellings once a 2.5% target has been reached, with an additional annual requirement of 6,500 dwellings to cover the current backlog over a 10 year period. This means 7,500 additional affordable rental dwellings are needed each year to reach a total of 82,000 by 2026.

Reaching a 2.5% target over the next two decades would reduce the annual net increase required to a little over 4,000 affordable rental dwellings to reach a target of 92,000 dwellings by 2036.

Transition to a 2.5% affordable housing share: NSW 2016 to 2026, 2036

Affordable Housing Share

%

4	
3	
2	
1	
0	

2016   2021   2026   2031   2036

- - - reach target by 2026   ·········· reach target by 2036

Affordable Housing Stock

'000s

100	
80	
60	
40	
20	
0	

2016   2021   2026   2031   2036

- - - reach target by 2026   ·········· reach target by 2036

2. This potentially represents an over-estimate since not all reserved incentives may result in dwelling delivery.

References

Australian Bureau of Statistics (ABS) (2017a) *Australian Demographic Statistics*, June 2017. Cat No. 3101.0.

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Appendix A

Background information on household projections
Household projections are based on latest ABS projections (ABS, 2015a). They indicate what changes would occur under specific assumptions about changes in living arrangements for given population projections.

Population projections are based on the series B projection of Population Projections, Australia, 2012 (base) to 2101 (ABS 2013). These projections, in turn are based on an assumption of a medium total fertility rate, medium life expectancy and a medium level of net overseas migration (stabilizing at 240,000 pa by 2021). Population was 22.3 million in 2011, was projected to be 24.4 million in 2016 and to increase at an average annual rate of 1.6 % to 28.5 million by 2026 under the series B projections. Actual estimated resident population in 2016 was a marginally lower 24.2 million (ABS, 2017a).

Living arrangements in the latest projections, in turn, are based on trends over the four censuses from 1996 to 2011. For the series II projections employed below, there is a low rate of change in propensities. The rate of change in propensities from 1996 to 2011 is assumed to continue at the full rate of change to 2016, half the rate change to 2021, one-quarter the rate of change to 2026, and to then remain constant to 2036. A small proportion of the population (2-2.4%) is projected to live in non-private dwellings (such as residential and aged care facilities, boarding houses, gaols and boarding schools or tertiary education institutions). These are excluded from household projections.

Household numbers for Australia are projected to increase from 8.4 million in 2011 to 9.2 million in 2016 and by a further 1.7 million to a total of 11 million households by 2026 (and to 12.7 million by 2036).

For NSW, they are projected to increase from 2.7 million to 2.9 million in 2016 and to a total of 3.3 million by 2026 (and 3.7 million by 2036).

ABS household projections for 2016 overestimate Census data for 2016 by more than 1 million households.[3] In part this arises because actual net overseas migration between 2011 and 2016 was some 200,000 persons lower from than assumed in the projections (roughly equivalent to 75,000 to 80,000 households). In part it may be due to under-enumeration in the census data, estimated at 1% of the population of 226,000 persons (possibly equivalent to up to 100,000 households).[4] However, these differences explain less than 20 per cent of the difference between projected and observed outcomes for 2016. In larger part the disparity arises because Census data, by definition, exclude Australian residents temporarily overseas. Estimates for this component of the resident population are not yet finalised, but preliminary data suggest there were 632,700 persons absent on census night (possibly equivalent to 250,000 households and accounting for a further 25 per cent of the difference).[5] These explanations, however, still leave an unexplained gap between projections and Census data for 2016.

Any remaining gap can be attributed to household formation rates between 2011 and 2016 being lower than assumed in the projections. This explanation may have a number of causes, but one obvious one is that the remaining 500,000 gap in projected compared with actual numbers of households for 2016 arises because the housing market does not meet the needs of potential entrants because of housing affordability constraints, supply shortages of appropriately located affordable housing, poor quality of housing available, or a lack of housing that meets the requirements of persons with specific needs.

Many of these explanations are precisely the factors that are used to determine priority criteria currently employed for allocating public housing.

Background information on social housing data
Current data on social housing dwelling numbers are taken from the Productivity Commission's 2018 Report on Government Services (RoGS) (PC, 2018). Trend data are taken from Housing Assistance Act reports from 1991 to 1995 and have been linearly interpolated for 1996 to 2008 to address the difficulties that arise in the data from changing and incomplete coverage. They include public housing, SOMIH, Community housing and permanent dwellings by funded ICH organizations. The RoGS data are marginally lower than AIHW data (AIHW 2017) because of the exclusion of unfunded ICH organisations.

There were 425,000 social housing dwellings across Australia at June 2016 provided by state and community housing providers. This total results from a net increase of an average of a little under 2,500 additional social housing dwellings each year over the decade from 2006, a decade which includes the impact of the SHI and NRAS. This represents a total growth of around 6% over the decade (or 0.6% pa), an improvement over growth in the previous decade (of 0.5% pa) but it is still well below the 22% growth in the total number of households between 2006 and 2016 (of 2% pa). As a result, the share of the social stock fell from 5.3% in 2006 to 4.6% in 2016.

As at 2016, NSW had ~150,000 social housing dwellings, representing a little over 5% share of the estimated 2.9m households in NSW. This is greater than the Australia wide average of 4.6% with the result that the catch-up required in NSW is not as great as elsewhere.

Background information on affordable housing data
Estimates of future affordable housing needs are based on NRAS guidelines to determine how many households meet the income eligibility limits for new tenants of affordable rental dwellings if those dwellings are to be eligible for an NRAS incentive.

These estimates are derived by applying the 2015-16 NRAS eligibility income limits for various household compositions to data from the 2015-16 ABS Survey of Income and Housing.[6] Estimates are limited to renter households. An additional filter limits estimates of need to those with rental costs that exceed 30 per cent of their gross household income.

Application of the 2015-16 guidelines suggests that almost 1.5 million renter households (representing approximately half of all renters) had incomes within the specified NRAS income eligibility limits. Of these, almost one half (708,000 households) were paying more than 30 per cent of their gross household income in rent. These 708,000 renter households represented 7.91 per cent of all households in 2015-16.[7]

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