Homelessness Challenges: Studios and One-bedroom Apartments to the Rescue
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For a top 20 richest country in the world, Australia’s rate of homelessness is shocking. To bring about lasting change we need more action and fewer words. This article uses Tasmania as a case study for ways we could deliver housing that is affordable for very low-income people, keeping them out of homelessness.

Our Broken Housing System
Earlier this year, research by Anglicare showed that of the 14,036 properties advertised for rent in the Sydney metropolitan region, only 58 were affordable to households on income support payments without putting them in housing stress. Not a single property was affordable for a single parent on Newstart with a child who was older than eight years old.

While the Sydney housing market is one of the most extreme in the world, most of Australia faces similar challenges. Metropolitan, regional and rural communities all suffer from a chronic shortage of cheap rental accommodation that is affordable to local people. Many previously affordable rental properties are now filled by people who might have bought a cheap house in the days when the market was producing low cost properties for first home buyers.

There is a problem with just about every part of the ‘housing continuum’ (see chart below). Instead of people happily moving forward towards less subsidised forms of accommodation, the housing system has become ossified. Many people are trapped in their current housing tenure. Others, perhaps through relationship breakdown, loss of job or injury are heading back down to the left of the continuum into crisis accommodation, boarding houses and couch surfing.

Tales from Tasmania: The Problem of ‘Renting Down’
According to the peak body Shelter Tasmania, the state has the lowest rate of homelessness nationwide that stands at 31.9 per 10,000 people — noticeably lower than the average of 50 per 10,000 for Australia. Yet, the relative lower figure of 31.9 is an increase of 32.9 per cent since 2006 for Tasmania, the second highest nationwide after the Australian Capital Territory which increased by 70.6 per cent to 50 per 10,000 according to Homelessness Australia.

Rental properties are becoming increasingly unaffordable in Tasmania, yet according to the Australian Bureau of Statistics (ABS) 4,138 private rental properties are still priced below $75 per week and another 4,419 properties between $75 and $99. The main problem with affordable rental properties is therefore the phenomena of ‘renting down’. This happens when households with higher incomes rent properties with a low rental price, while households with lower incomes are left with no choice but to rent the remaining available rental properties priced above 30 per cent of their incomes, putting them in rental stress.

When undertaking a theoretical optimisation within the current stock of private rental properties in Tasmania, where household incomes are matched with their optimal rental prices and thereby eliminating the phenomena of ‘renting down’, the unaffordability of rental properties in Tasmania changes significantly. As shown in the Table, after the optimisation there is a decline from nearly 18,000 households in rental stress to below 12,000, which shows that more than 50 per cent of the rental stress in Tasmania is due to the...
‘renting down’ of higher income households.

The Table shows there are 45,162 dwellings with rental prices up to $350, and 36,037 renting households with an income up to $1,250, which gives a surplus of 20.2 per cent more dwellings than renters in those affordable categories. Furthermore, it becomes clear that 11,788 renters remain in rental stress even after theoretical redistributing.

10,480 of renters remaining in rental stress range between the categories of $75 and $200 rent. The mathematical optimisation reduced the amount of households experiencing rental stress to 11,788 households or 23.1 per cent out of a total 50,952 renters. That is 51.1 per cent less renters experiencing rental stress than the current 34.9 per cent. Even after optimising, there is a shortage of nearly 12,000 affordable dwellings.

When analysing the households separately, the greatest shortage is for the 44.1 per cent lone person households that are experiencing rental stress.

In Search of Solutions

To avoid ‘renting down’, there have to be a tailored solution for the lower income households, especially the 44.1 per cent lone person households that includes the household type where homelessness is most prevalent.

A possible approach could be to develop affordable studios and one-bedroom flats, which are not at risk for higher income households ‘renting down’ to. This approach would also be tailored for the needs of the 44.1 per cent lone person households and the homeless who need affordable and low maintenance rental properties, and not larger and high maintenance houses.

The vacancy rate can explain more about the rental supply in Tasmania. Real Estate Institute of Australia (REIA) earliest recorded quarterly vacancy rates for Hobart is June 1987 for which the vacancy rate was 6.1 per cent and 3.2 per cent for December 2014. Canberra and Perth had respectively vacancy rates of 4.1 per cent and 4.2 per cent for December 2014 and Darwin even a 5.4 per cent vacancy rate. Further, according to REIA the earliest recorded quarterly vacancy rate for Canberra decreased from 4.1 per cent in March 1980 to 2.4 per cent in June 1987, but has since again increased to 4.1 per cent in December 2014.

Renting in Hobart is less affordable, compared to household incomes, than the average capital cities nationwide and significant less affordable than Canberra. It is apparent that vacancy rates can indicate an undersupply of rental properties that then decrease rental affordability.

In Tasmania there were only 5.9 per cent, or 12,250 flats for 2011–12 and a 3.2 per cent vacancy rate in Hobart for the quarter December 2014. An added one per cent rental property translates in 2,000 dwellings that can alleviate the low rental supply. These rental properties should be studios and one-bedroom flats ranging between $75 and $150 as presented in the Table below.

When the lone person households would have an alternative where they can move to, they will free up the larger dwellings and especially the ones ranging between $150 and $200.

This will then further redistribute households in the freed up rental properties. Besides, the higher supply will decrease the rents and relieve current renters from rental stress.

How Do We Deliver?

Studios and one-bedroom apartments developed on scale ranging between $75 and $150 rental income per week would also be within the realm of a sustainable business model, as the rental income generated would be sufficient to cover the construction and maintenance costs. Especially with the knowledge that the demand for these properties is real, as most current lone person household renters with lower incomes are left with no alternative but to rent larger houses while experiencing rental stress.

### Rental stress, weekly income <$350 & weekly rent <$1250, 2011, Tasmania

<table>
<thead>
<tr>
<th>Weekly Income</th>
<th>Weekly Rent</th>
<th>Total Stress</th>
<th>Total Dwellings</th>
<th>Rental Stress</th>
<th>Total Renters</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0–$74</td>
<td>$75–$99</td>
<td>$100–$149</td>
<td>$150–$199</td>
<td>$200–$224</td>
<td>$225–$274</td>
</tr>
<tr>
<td>Nil income</td>
<td>611</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1–$199</td>
<td>1,231</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$200–$299</td>
<td>2,296</td>
<td>1,308</td>
<td>1,308</td>
<td>3,604</td>
<td></td>
</tr>
<tr>
<td>$300–$399</td>
<td>3,111</td>
<td>3,129</td>
<td>3,129</td>
<td>6,240</td>
<td></td>
</tr>
<tr>
<td>$400–$599</td>
<td>3,347</td>
<td>4,741</td>
<td>4,741</td>
<td>8,088</td>
<td></td>
</tr>
<tr>
<td>$600–$799</td>
<td>4,200</td>
<td>2,610</td>
<td>2,610</td>
<td>6,810</td>
<td></td>
</tr>
<tr>
<td>$800–$999</td>
<td>2,826</td>
<td>2,128</td>
<td>2,128</td>
<td>4,954</td>
<td></td>
</tr>
<tr>
<td>$1000–$1249</td>
<td>4,499</td>
<td></td>
<td>4,499</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Stress</td>
<td>11,788</td>
<td>36,037</td>
<td>45,162</td>
<td>79.8%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Gruzman E 2015, A Case for Land Value Tax in Tasmania, p. 43, table 2.1
When lone person households have an alternative, they would not hesitate to rent appropriate rental properties while guaranteeing property investors a steady stream of income. The low vacancy rates and low number of flats also justify the development of studios and flats on scale while assuring a sound investment. Households on the verge of homelessness, or homeless people who need a tailored solution to be able to step out of homelessness would be best served. This could occur with a solution offered by the private property market.

Final Thoughts
While the rental prices are much higher in Australasia’s large cities, many of the points from this article still ring true. Private sector developers need to be encouraged to deliver particular housing products, namely smaller, affordable, low maintenance, and well-located apartments. Unfortunately, the trend in recent years has been to deliver exactly the opposite type of housing.

There is considerable scope for the planning system to be used to steer developers towards particular types of properties. Approvals for complying developments can be streamlined, as with the New South Wales (NSW) Government’s planning approach for ‘new generation’ boarding houses. Inclusionary zoning has been used in South Australia and the two territories to encourage a portion of the delivery to be lower priced properties for affordable rent or sale. Density and height bonuses could be awarded to developers who include more small and affordable units.

Australia has a clear and well researched problem in delivering enough homes: supply is not keeping pace with demand. Yet we need to make sure that the housing that is delivered is at the right price range and location. There is little point in merely encouraging development of MacMansions with five bedrooms and media rooms to watch massive home entertainment systems. Nor should we promote affordable housing and then place it on the edge of cities where there is no access to jobs, public transport and social services.

Of course we could just use public money to build social housing that can be rented out affordably over the long-term, and restrict applicant eligibility to prevent ‘renting down’. However, unless we can find a local Jeremy Corbyn — the newly elected leader of Britain’s Labour party who favours good old-fashioned council housing — we will need to rely on market solutions. Let us therefore make sure we steer the market in the right direction, or homelessness will only keep getting worse.

Endnote
1. http://www.academia.edu/12726825/A_case_for_Land_Value_Tax_in_Tasmania_Transitional_Community_Land_Trust_towards_affordable_housing

Emmanuel Gruzman is an Associate of the Housing Action Network. He graduated with distinction on a Master’s degree from the University of Antwerp in 2015, while researching affordable and social housing at the University of Tasmania. This included a Parliamentary Internship Scheme sponsored by Rebecca White MP on the Better Housing Futures stock transfers in Tasmania.

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