



Greater Hobart Committee

Four Cities. One Hobart.

Background Paper 6:
Housing and Affordability



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Introduction

The *Greater Hobart Act 2019* is a result of collaboration between the four central Hobart councils of Clarence, Glenorchy, Hobart and Kingborough as a means to encourage greater cooperation and coordination in the strategic development of the Greater Hobart area. The Act creates a legislative framework and governance structure to encourage collaborative decision-making between the Tasmanian Government and the four central Hobart councils in regard to the future development of Greater Hobart, as a place to live, work and do business.

The Act defines the '*Greater Hobart area*' as the aggregation of the four central Hobart local government areas, but it is acknowledged that residents in other local government areas in the surrounding region also access employment, cultural and recreational activities within the central Hobart area. As this is the case, the Act provides flexibility to invite other councils to be involved in aspects of planning for the future development of the Greater Hobart area.

This paper intends to provide some background on the Greater Hobart area as it pertains to housing types, availability and general affordability of housing in the Greater Hobart area.

It should be noted that there is a difference between 'housing affordability' and 'affordable housing'.

Housing Affordability relates to the general ability of people on average incomes to afford to purchase property or rent in a particular area, with this ability generally being presented as the proportion of income being spent on housing related expenses. An accepted measure is that a household can be considered to be under housing pressure if it spends 30 per cent or more of its income on housing related expenditure.

Affordable Housing relates to the provision of housing by government specifically to ensure people on low-incomes are able to access housing. There are varied models used by governments in Australia to ensure the availability of affordable housing that can include public and private sector involvement.

It should be acknowledged that pressure on household budgets can be caused by not only housing related expenditure associated with housing affordability, but also the cost of transportation to school and work, infrastructure costs, and general cost of living and gaining access to government services as well as cultural and recreational pursuits.

This paper also includes a summary of actions and strategies being implemented in Tasmania to ensure that sufficient housing and affordable housing is available for residents.

Housing

The location and dwelling type of new housing constructed in the Greater Hobart area will be critical in furthering the strategic development, and liveability, of the city over coming years. There are several aspects to housing that influence the character of the city at present and will influence the development of greater diversity and renewal of housing stock over coming decades.

Dwelling Structure

The overwhelming dwelling type in the Greater Hobart area is a detached separate dwelling with 84 per cent of all dwellings being separate houses. Flats and apartments make up 9 per cent of all dwellings and semi-detached terraces or townhouses make up 7 per cent of all dwellings in the Greater Hobart area.

Table 1: Breakdown of Dwellings by Type in Greater Hobart Area

	Clarence		Glenorchy		Hobart		Kingborough		Greater Hobart	
Dwelling Structure										
Separate House	19 640	93%	15 043	81%	13 639	69%	12 336	93%	60 658	84%
Semi-detached, terrace, townhouse, etc	901	4%	1 172	6%	2 139	11%	619	5%	4 831	7%
Flat/Apartment	380	2%	2 180	12%	3 914	20%	268	2%	6 742	9%
Other	86	0%	73	0%	92	0%	59	0%	310	0%

Source: Australian Bureau of Statistics, 2016 Census data

There is also a relatively high degree of variation between the four central Hobart councils, with the more rural, greenfield councils of Clarence and Kingborough having a much higher proportion of separate dwellings with both recording 93 per cent of dwellings in this category.

The more compact and urban councils of Glenorchy and Hobart display a greater diversity of housing types using the three broad categories collected within the census data. A full 20 per cent of Hobart dwellings are classified as flats or apartments and Glenorchy records 12 per cent of its dwellings in this category, well above the 2 per cent that both Clarence and Kingborough have in this dwelling type.

There is clear scope for a greater degree of housing diversity in the Greater Hobart area, and this has the potential to increase housing and population density in identified corridors. The challenge will be to implement planning strategies that can encourage this greater diversity and can accommodate housing requirements in various locations and in various price brackets that maintains affordability and access to services in the region.

Household Types

At a Greater Hobart area level, 66 per cent of households comprise families living together, and 30 per cent are single person households. Group households, where unrelated individuals share a dwelling, comprise just 4 per cent of households in the Greater Hobart area.

Kingborough has the highest proportion of family households at 74 per cent, while Hobart has the lowest proportion at 60 per cent.

In contrast, Kingborough has the lowest proportion of single person households at 24 per cent, and Glenorchy at 34 per cent has the highest. Due in part to its high student population, Hobart has the highest proportion of group households at 8 per cent.

Table 2: Household Composition in Greater Hobart Area

	Clarence		Glenorchy		Hobart		Kingborough		Greater Hobart	
Household composition										
Family household	14 791	70%	11 617	63%	11 877	60%	9 835	74%	48 120	66%
Single person household	5 764	27%	6 230	34%	6 413	32%	3 169	24%	21 576	30%
Group household	501	2%	659	4%	1 588	8%	307	2%	3 055	4%

Source: Australian Bureau of Statistics, 2016 Census data

The high number of single person households, and the high proportion of separate dwellings in the Greater Hobart area points to a relatively large number of detached dwellings being inhabited by single persons. The fact that there is a quite sizeable proportion of separate dwellings being inhabited by single person households raises questions about the efficiency of Greater Hobart's housing stock at accommodating its population.

Since the previous census, single person households were the fastest growing segment of the population. There may be some correlation between the rise in single person households and the increasing proportion of the population in older age categories. There is likely to be a reasonable proportion of this cohort that would appreciate a greater selection of smaller and more flexible dwelling types to allow easier downsizing of accommodations and thus increase the recycling of larger dwelling stock to family households.

Dwelling Size

Broadly, the average number of bedrooms per dwelling across the Greater Hobart area is around three bedrooms, with Clarence and Kingborough producing an average of around 3.1 bedrooms per dwelling and Glenorchy and Hobart recording 2.8 bedrooms per dwelling.

Obvious trends appear across council areas with more urban councils recording greater proportions of smaller dwellings with 2 bedroom or less like Glenorchy (31 per cent) and Hobart (39 per cent) against much lower proportions for Clarence (20 per cent) and Kingborough (23 per cent).

Similarly, the preference for larger houses over recent years means that the councils where the greater proportion of development has occurred over recent decades show higher proportions of dwelling with three or more bedrooms, with 78 per cent of dwellings in Clarence being three or more bedrooms and 76 per cent in Kingborough. Glenorchy and Hobart displayed lower proportions of larger dwellings with 66 per cent and 60 per cent respectively.

Table 3: Dwelling Size in Greater Hobart Area

	Clarence		Glenorchy		Hobart		Kingborough		Greater Hobart	
Number of Bedrooms										
4 or more	5 287	25%	2 885	16%	4 734	24%	3 856	29%	16 762	23%
3	11 222	53%	9 375	51%	7 105	36%	6 288	47%	33 990	47%
2	3 477	17%	4 664	25%	5 542	28%	2 470	19%	16 153	22%
1 or less	663	3%	1 110	6%	2 094	11%	470	4%	4 337	6%
not stated	419	2%	470	3%	392	2%	227	2%	1 508	2%
Avg no. bedrooms per dwelling	3.1		2.8		2.8		3.1			
Avg no. people per household	2.4		2.3		2.3		2.5			

Source: Australian Bureau of Statistics, 2016 Census data

The primary driver for the differences in dwelling size between councils is greater densification of population and dwellings in Hobart and Glenorchy thus prompting greater diversification in housing type and size within the more urban environments.

Dwelling Ownership

Again there are distinct patterns that divide the more urban councils of Glenorchy and Hobart from Clarence and Kingborough that have seen the greatest development in dwelling numbers in the Greater Hobart area.

There are greater proportions of dwellings being rented within the council areas of Glenorchy (34 per cent) and Hobart (35 per cent) when compared to Clarence (23 per cent) and Kingborough (21 per cent). And similarly, there is a greater proportion of outright home ownership or ownership with a mortgage in Clarence (74 per cent) and Kingborough (76 per cent) when compared to Glenorchy (62 per cent) and Hobart (61 per cent).

Table 4: Dwelling Ownership in Greater Hobart Area

	Clarence		Glenorchy		Hobart		Kingborough		Greater Hobart	
Tenure										
Owned outright	7 668	36%	5 415	29%	6 587	33%	5 060	38%	24 730	34%
Owned with a mortgage	7 934	38%	6 161	33%	5 633	28%	5 084	38%	24 812	34%
Rented	4 756	23%	6 274	34%	6 976	35%	2 787	21%	20 793	29%
Other/Not stated	704	3%	658	4%	676	3%	384	3%	2 422	3%

Source: Australian Bureau of Statistics, 2016 Census data

These trends also point towards the fact that areas with higher proportions of rental properties are more likely to be urban and closer to potential employment centres.

Land and Planning

There is significant variation in the actual area in hectares of the four Greater Hobart area councils. Hobart is the most compact council area with about 78 km² and an average of 689 persons/km² which includes a significant proportion of land zoned environmental management or recreation due to a proportion of the Mt Wellington Reserve falling within its council boundaries. Glenorchy also comprises a significant area of bushland due to the mountain backdrop on the western side of the river but has a total area of 121 km² and 393 persons/km².

Table 5: Breakdown of Area and Planning Zones in Greater Hobart Area

Land & Planning	Clarence	Glenorchy	Hobart	Kingborough	Greater Hobart
Land area (square km)	378	121	78	720	1 297
Dispersal of population (persons/square km)	151	393	689	52	151
Planning Zone Proportions by Area					
Residential	6%	15%	24%	2%	6%
Environmental & Rural Living	26%	3%	19%	30%	26%
Commercial/Health/Education	3%	7%	5%	1%	2%
Agricultural/Rural	37%	12%	0%	33%	31%
Utilities	2%	2%	4%	1%	2%
Env Mgmt/Recreation	26%	60%	48%	33%	34%

Source: Australian Bureau of Statistics, Regional Statistics by LGA 2016; Department of State Growth

Clarence and Kingborough have significant areas of rural and agricultural zoned land, and also relatively smaller, but still significant, proportions of environmental management and recreationally zoned land when compared to Glenorchy and Hobart.

More rural and agriculturally focussed councils, are usually characterised by large land areas and low population density and this is reflected in Clarence with a total area of 378 km² and 151 persons/km² and Kingborough with 720 km² and 52 persons/km².

Interestingly, at the Greater Hobart area level only 6 per cent of the total land area has a residential zoning. The populations residing within the broad zones listed in Table 6 above are not currently available, but the population density of these zones would obviously be much higher than the environmental and rural living densities. Kingborough has the highest proportion of environmental and rural living land with 30 per cent of its land area zoned in this manner. Clarence come in close behind with 26 per cent of its area zoned as environmental or rural living.

The concentration of industrial and manufacturing in Glenorchy comes across in the commercial proportions with 7 per cent of its area, compared to only 1 per cent of the land area in Kingborough being used for commercial, health or education purposes.

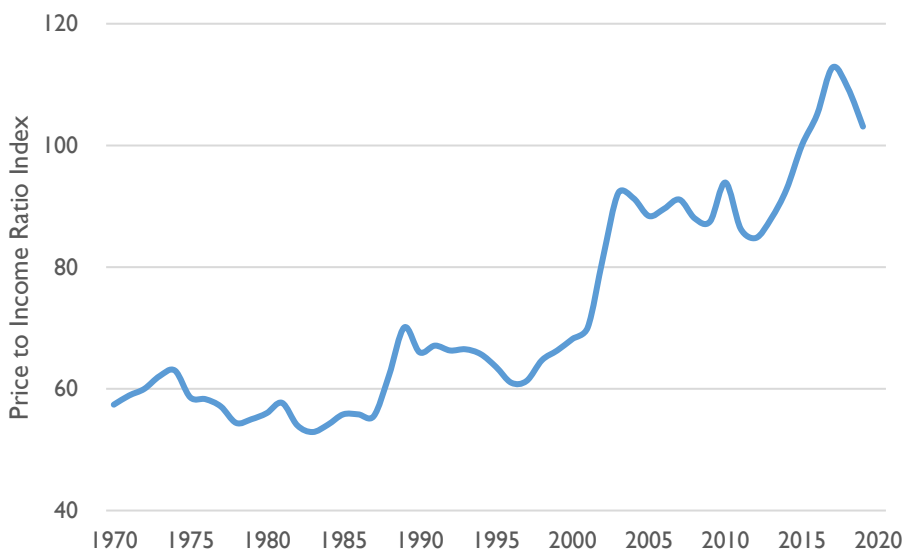
Housing Affordability

'Housing affordability' is generally the relationship between expenditure on housing and household incomes. Expenditure on housing can include the impact of house price fluctuations, mortgage payments or rent and the proportional extent to which these costs impact the income of households.

Current Trends

Housing affordability in Australia has generally declined since the mid to late 1980's, with the price to income ratio increasing markedly over that period, but improvements have been experienced over recent years since peaking in 2017 as shown in Chart 1 below. The OECD price to income ratio index shows an 84 per cent increase between 1980 and 2019.

Chart 1: Price to Income Ratio Index for Australia 1970 to 2019



Source: OECD.Stat October 2020, https://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES#

House prices increase in areas where demand is highest, so over the last 40 years prices have increased more in the most populous cities, with Sydney and Melbourne leading the way. However, Tasmania has also experienced solid house price growth over the same period.

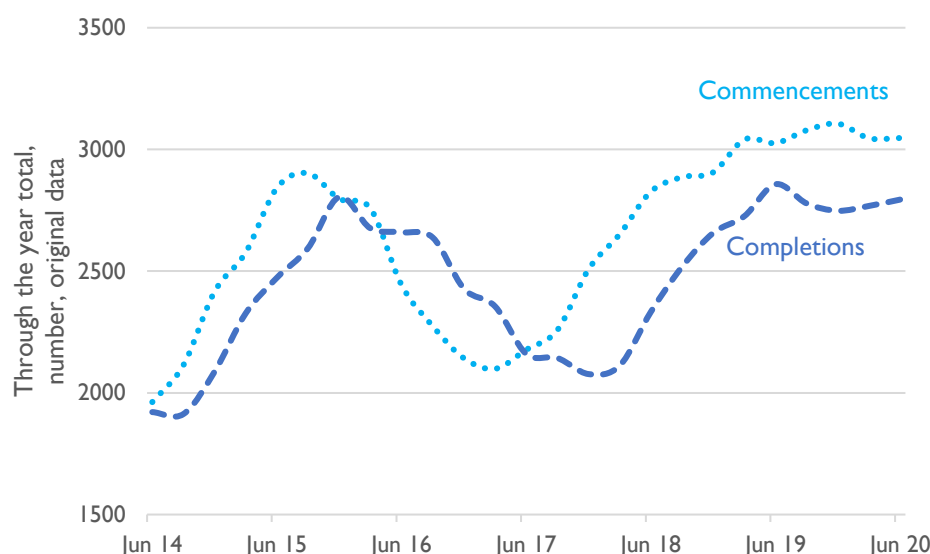
At the moment, Tasmania's housing market is experiencing a boom with an increase in demand through strong population growth and a lack of corresponding supply which is driving house prices and rents higher. According to the Australian Bureau of Statistics *Residential Property Price Index* (6416.0), Hobart property prices have increased 47 per cent over the past five years to June 2020, compared to a 22 per cent increase for the weighted average of the eight capital cities.

The Real Estate Institute of Tasmania reports that over the last five years, the median rent for a home in Hobart has risen from \$320 per week in September 2015 to \$450 per week in September 2020, an increase of 40 per cent over the period.

The commencement of new dwelling construction fell from mid-2015 to mid-2017 whereupon building activity increased as a reaction to the demand for dwellings in the State. Completions generally follow the same profile as commencements but with a six to nine month time lag for construction to be

completed. The data indicates that commencements and completions have generally levelled off in the State since early to mid-2019.

Chart 2: New Dwelling Commencements and Completions, Tasmania



Source: Building Activity, ABS Cat No 8752.0, Tables 34 & 38

Furthermore, commencements continue to outpace completions, most likely due to capacity constraints within the construction industry. It is positive that the number of commencements have remained strong despite peaking in December 2019. This indicates that demand remains strong for new dwellings and it is likely that completions will remain strong over coming quarters as projects end.

Some complexity exists within the housing market in Tasmania, and especially Greater Hobart, in that there has been a recognised lack of short-stay accommodation in Greater Hobart during peak periods over recent years. This has led to significant investment in hotel developments with some nearing completion and other close to commencement. It has been estimated that around 1 000 new hotel rooms will come online by June 2021 within the Greater Hobart area.

The demand for accommodation during peak periods prompted a rise in private dwellings being listed on sharing websites such as AirBnB and Stayz. As a result, this placed additional pressure on dwelling supply for the rental market which may have contributed to an increase in rental payments over recent times.

Recent data made available in association with the *Short Stay Accommodation Act 2019* provides a more detailed view of the private dwellings in the Greater Hobart area being listed on short-stay accommodation websites.

Table 6: Short Stay Accommodation Data Summary – Greater Hobart Area

Principal Place of Residence	No			Yes, comprises all or part of the premises			Grand Total
Planning Permit	Not Required	Required	Total	Not Required	Required	Total	
Clarence	18	83	101	196	25	221	322
Glenorchy	1	34	35	98	10	108	143
Hobart	47	296	343	546	88	634	977
Kingborough	44	117	161	151	29	180	341
Greater Hobart Area	110	530	640	991	152	1143	1783

Source: Short Stay Accommodation Act 2019, Data Report 3 covering June Quarter 2020

The data provided by the four main short-stay accommodation websites indicates that the majority of listings in Greater Hobart (1 143 properties or 64 per cent) are people sharing their own home, while the remainder are non-owner occupied properties being rented out as short stay accommodation.

Table 7 below summarises the change between the March 2020 and June 2020 quarters under the *Short Stay Accommodation Act 2019*, which indicates that there has been a decline in the number of properties being listed as short stay accommodation.

Table 7: Change in Short Stay Accommodation –March qtr 2020 to June qtr 2020

Principal Place of Residence	No			Yes, comprises all or part of the premises			Grand Total
Planning Permit	Not Required	Required	Total	Not Required	Required	Total	
Clarence	-11	-14	-25	-23	5	-18	-43
Glenorchy	-9	3	-6	-6	2	-4	-10
Hobart	-60	-63	-123	-59	11	-48	-171
Kingborough	-13	-18	-31	-22	7	-15	-46
Greater Hobart Area	-93	-92	-185	-110	25	-85	-270

Source: Short Stay Accommodation Act 2019

As of January 2021, SQM Research estimates that the rental vacancy rate in Hobart was 0.6 per cent, the lowest of any Australian city, reflecting the ongoing shortage of private rental accommodation. This is higher than the 0.3 per cent recorded in October 2018, but a sign that supply is still constrained and demand remains high for long term rental accommodation.

In periods such as this, there may be increased pressure on governments to ensure that there is sufficient social and community housing available as a safety net for those people most in need in the community.

Government Action

All three levels of government are working in collaboration to increase supply of housing to support housing affordability in the State. Market forces dictate the level of investment in the residential construction sector, but governments can influence the level of housing supply through planning policies, regulatory approvals systems and other incentives or disincentives in place at any time. The ease of gaining planning and building approvals and the incentives that apply can act as either an accelerator or brake to the residential construction sector.

Some of the key programs and initiatives are listed below.

Australian Government

The Australian Government has a suite of policies and incentives that relate to its powers to set superannuation policy and how this might relate to either saving for a first home or how an older person may downsize their primary place of residence and make a lump sum contribution to their superannuation.

The [First Home Super Saver Scheme](#) allows potential first home buyers to boost their savings by allowing them a reduced rate of tax by building a home deposit inside their superannuation. The FHSSS allows individuals to contribute up to \$15 000 per year and have a total of \$30 000 within the scheme and the concessional tax rate of 15 per cent on superannuation contributions is expected to boost savings towards a home deposit by at least 30 per cent compared to a standard savings account.

The [downsizer superannuation contribution](#) removes a financial barrier for older people to downsize and move out of homes that no longer meet their needs, and thus release larger homes to be available for younger families. People over the age of 65 years can make a superannuation contribution of up to \$300 000 from the proceeds of selling their home, and existing contribution caps and restrictions will not apply to the downsizer contribution.

Tasmanian Government

The Tasmanian Government is [reforming the Tasmanian planning system](#) by introducing a single planning scheme for the State, which will replace the 30 planning schemes covering each of the council areas and the Sullivan's Cove precinct in Hobart. The reforms are ongoing and gradually being implemented and it is expected that the Tasmanian Planning Scheme will be fully implemented by the end of 2021. Providing consistent planning requirements will simplify the planning approvals process in the State and provide a more consistent environment for developer applications and investment in the State generally.

The Government has also been implementing a program of red-tape reduction across numerous areas to reduce regulation where possible to boost private sector investment and help drive additional economic activity in the State.

The Premier announced in his [State of the State](#) address on 3 March 2020 several housing related measures to address the current housing pressures. The Government will seek to ensure that home ownership remains within the reaches of first home buyers by extending the First Home Owners Grant for a further two years to 2022 thus providing a larger window for eligible applicants to access \$20 000 towards their first home. The Premier also announced a similar two year extension of stamp duty concessions for first home buyers and eligible pensioners seeking to downsize their home.

The Government also announced in the State of the State that after consulting with TasWater, TasNetworks and industry representative bodies it will introduce legislative timeframes for the processing

of permits applications for energy, water and sewerage services to reduce the time it takes to obtain necessary development approvals to further simplify the planning approvals process to get dwellings approved and built quicker.

The Land Titles Office will also be allocated more resources and funding in the 2020-21 Budget to enable the release of land to market in a shorter timeframe. It is expected that these combined actions will decrease the time it takes to construct dwellings, increase the supply of land and potentially save months on the time it takes to provide additional housing in the State.

Local Government

Councils can contribute to the availability of adequate housing through appropriate and sustainable strategies to support land release and infill development.

Local government is responsible for implementing the planning system on the ground within local communities by allocating zoning that supports an appropriate mix of land uses and ensures adequate land is available in relevant zones for development. The planning requirements and assessment process are critical to ensure the planning system is not a disincentive to housing investment.

Local government is also responsible for managing local land supply (through allocation of zoning) in line with legislation, State policies and regional land use strategies. Effective and consistent collaboration across councils is essential to ensure that council decisions in aggregate align with regional and state-level strategies and policies.

Affordable Housing

Affordable housing refers to low-income or social housing as a means to ensure that people who require assistance have appropriate housing options available to them. Affordable housing options are required for a variety of different people including for older people seeking to downsize, people with limited mobility, or people with low-incomes.

Trends

There has been a trend of reduced availability of affordable housing over recent years. The current surge in house prices and weekly rent over recent times has shifted the purchasing of property and the market rental of properties in some areas outside the reach of a larger number of people within the Greater Hobart area.

Rapidly rising rents has placed additional pressure on low income households and some have been forced out of the private rental market and this has increased the demand for social and community housing.

The Real Estate Institute of Tasmania reports that over the last five years, the median private sector rent for a home in Hobart has risen from \$320 per week in September 2015 to \$450 per week in September 2020, an increase of 40 per cent over the period.

SGS Economic & Planning produces a *Rental Affordability Index* and the most recent index for November 2019 indicates that affordability reduced significantly between November 2018 and November 2019 making Hobart the least affordable Australian capital city in which to rent a house.

The index shows that based on the SGS methodology even an average income household in Hobart would be placed in rental stress if paying the current median rent, with over 30 per cent of median income allocated to median rental payments. The report suggests that low incomes and an inadequate supply of rental housing is driving the decline in rental affordability in Hobart.

The private rental market is driven by supply and demand and population growth in the Greater Hobart area and a lack of available rental properties has caused a surge in weekly rental payments, and more dwellings need to be constructed to accommodate current demand. If the supply of new rental dwellings can outpace current demand growth, the rental vacancy rate will increase and there will be an easing of weekly rental payment growth. However, some low-income households will continue to struggle given the disparity between income growth and rental growth.

It is important for governments to work together to ensure a steady supply of affordable housing over coming years. It will also be important to ensure a variety of affordable housing design options to cater for different stages in life and at various price points, as well as good locations for this housing to ensure that residents feel connected and able to participate in the community.

Government Action

Action is being taken by all three levels of government to ensure an adequate supply of housing for the most vulnerable Tasmanians.

Australian Government

The Australian Government has also sought to [boost the availability of affordable housing](#) through incentivising additional investment. The initiative provides an additional 10 per cent capital gains tax discount to Australian residents who invest in eligible affordable housing development, which means that investors may be eligible for CGT discounts of up to 60 per cent.

Also in September 2019, The Australian Government agreed to [waive Tasmania's \\$157.6 million housing related debt](#) to provide greater flexibility to the Tasmanian Government to address the current housing affordability challenges. A condition of the debt waiver is that previous repayments should be redirected to programmes to increase access to social housing, reduce homelessness, and improve housing supply across Tasmania. The waiving of the housing debt builds on the existing commitments to housing and homelessness in the City Deals and funding already provided under the National Housing and Homelessness Agreement.

Tasmanian Government

The Affordable Housing Strategy targeted the provision of additional social housing across the State and the first stage of the strategy has assisted around 1 600 households and included the supply of 941 new affordable lots and homes to help more low-income households into home ownership and to build more social housing dwellings.

The [Affordable Housing Action Plan 2019-2023](#) is the second stage of the Affordable Housing Strategy and the Government has committed \$125 million in the Action Plan over coming years. This will bring the total investment for affordable housing to almost \$200 million over an eight year period. Stage Two will provide an additional 1 500 new affordable lots and homes for Tasmanians, and assist around 2 000 households.

The Premier announced in his [State of the State](#) address on 3 March 2020 several measures that continue to provide greater access to affordable housing for vulnerable Tasmanians. The Government will extend its current agreements with the community housing sector to 2040 to provide long-term certainty for the sector, and well as transfer the management of almost 2 000 more Housing Tasmania owned properties to not-for-profit community housing providers, which will provide additional revenue streams for those providers to leverage the further construction of an additional 700 social and affordable dwellings over the next 20 years. This, as well as the announcement in December 2019, of the construction by the Government of 80 social and affordable homes with \$12 million in funding from the Community Housing Provider Grants, and an additional commitment \$22 million to build 220 new social and affordable houses by June 2023 funded from the debt payments that are no longer required due to the Housing Debt Waiver provided by the Australian Government, results in around an additional 1 000 social and affordable houses being provided over and above the Affordable Housing Action Plan targets.

Local Government

Councils take a varying role in the provision of affordable housing and addressing homelessness in Tasmania depending on the circumstances within certain geographical areas and the ability of the council to assist.

In general, the provision of social and affordable housing is the responsibility of the State Government but some councils take a proactive role in the provision of affordable housing within their council area to help address community and strategic settlement issues within council areas.

Nevertheless, the primary way that councils can influence the provision and location of affordable housing is through the strategic design of planning schemes. This can ensure affordable housing options are provided within precinct planning and area plans, close to transport corridors and employment opportunities, to result in a more balanced settlement pattern. This strategic approach would encourage resident participation, whatever their age or socio-economic status, in cultural, recreational and economic activities for the benefit of the community as a whole.



Greater Hobart Committee

Four Cities. One Hobart.