



Jobs key to housing affordability

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By a range of indicators, the cost of housing in Sydney is increasingly unaffordable, with the median house price now approaching \$1 million. The recent rapid rate of growth in Sydney's property values has made entering the market extremely difficult for first-home buyers. It's hardly surprising that the rate of Sydney mortgages being taken out by first-home buyers has fallen to an historic low of 7 per cent.

What does this mean for the Hunter? Are we likely to attract a spate of capital city refugees fleeing the high prices of Sydney?

In June 2011 Sydney's median house price was around \$652,000; four years later it was around \$943,000. With first-home buyers typically requiring a 20 per cent deposit to secure a loan, the minimum deposit needed rose more than two-fifths (from around \$130,000 to over \$190,000) between 2011 and 2015. This far outweighed the 12 per cent growth in average wages over this period, making it harder for potential buyers to save for their first home in Sydney. While first home-buyers' grants were intended to help pay some of this deposit, their impact may have simply upped the asking price, contradicting their intent and making affordability harder for potential first-home buyers.

But how affordable is housing in our own Region and how likely are we to attract people to the Hunter as a result of lower house prices?

Over the past four years, the growth in Sydney house prices (45 per cent) has been more than double the Hunter's house price growth (19 per cent). Even in the Hunter's best performing LGAs – Newcastle and Lake Macquarie – house price growth remained below that of Sydney, suggesting that the Hunter is more affordable.

However, housing affordability depends on more than just the price of a house – it also depends on the borrower's income, which in turn depends on their employment status. Over the four years to June 2015, the Hunter's unemployment rate almost doubled (from 4.3 per cent to 8.3 per cent), whereas Sydney's stayed around 5 per cent. Some of the lower growth in Hunter house prices – relative to Sydney – reflects the weaker Hunter employment market. The fact that Hunter house prices have risen less than Sydney's is little consolation for a person who has lost their job; in both markets, home ownership would be unaffordable.

One indicator of housing affordability is a borrower's weekly mortgage payment as a percentage of their weekly household income. If this is more than 30-35 per cent, housing is deemed to be 'unaffordable' for the borrower. In 2011, this measure indicated that home ownership was unaffordable for almost 40 per cent of Sydney's mortgagees; in contrast, the share for Newcastle and Lake Macquarie mortgagees was just below one-



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quarter. Given the growing gap between Sydney and Hunter house prices since 2011, home ownership affordability may have worsened in Sydney, despite its relatively stronger employment market.

But how big a drawcard for the Region is housing affordability? A recent survey by the Hunter Research Foundation (HRF) showed there was a combination of reasons motivating people who either migrate to or return to the Hunter. Only 2 per cent of them nominated the cost of housing as the main reason, similar to the proportion in 2010. The biggest change between 2010 and 2015 was that work is now significantly more common as the reason for returning to the Hunter (30% of returnees in 2015 compared with 10% in 2010), while family ties and returning 'home', although still the number one reason, has become relatively less common (38% in 2015 compared with 51% in 2010).

It was largely family ties that brought me back to Newcastle after a number of years working and living in Brisbane. But this may not have been possible if I hadn't been able to find meaningful work. It was a bonus that, with my partner, I could also afford to buy a house within a short distance of the city. While it may seem intuitive that the Hunter's home ownership affordability – compared to that of Sydney – should be a drawcard, its other attractions, including its relaxed lifestyle, inner-city accessibility, and natural environment, may be more important to people.

An improving labour market would undoubtedly add to the Hunter's appeal to both those relocating and those returning. At the HRF, we hope to see continued improvement in the Region's labour market, particularly in areas outside Newcastle and Lake Macquarie, in order to enable more potential home-buyers to take advantage of our relative levels of affordability and to bring their skills and talents to the Hunter.

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