



# Mapping mis-location and housing stress in the private rental sector: A case study of Brisbane, Australia



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## ABSTRACT

This paper examines the geographic patterns of 'mis-located' households in terms of a mismatch of income and rental payments in the private rental market in Australia, particularly among low-income renters whose housing costs often take up a larger proportion of their household income. It occurs as a result of two possible processes: first, an absolute shortage of low-cost rental stock; and second, the occupation of affordable housing by higher-income households which could afford to pay more for their housing but choose not to. While previous research has examined the effects of these two conditions upon housing affordability for low-income renters, the extent to which they are associated with growing socio-spatial polarization is under-studied. Using Brisbane as a case study, we undertake neighborhood scale mapping and use cross-sectional approaches to address critical gaps in the understanding of spatial rent mismatch across the urban landscape. GIS-based analysis not only highlights areas of housing stress and displacement in metropolitan suburbs, but also offers broad implications for policies to address the mis-location of private rental housing in Australian neighbourhoods.

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## 1. Introduction

Once thought to be a tenure of transition for those planning home ownership or awaiting a social housing property, the private rental sector is becoming an increasingly significant, and diverse, housing sector. Changes in housing policy away from the direct provision of state-funded public housing have created a situation in which the private rental sector is now the dominant tenure form for those on a low-income or government pension (Seelig, 2001). At the same time, increases in the cost of housing have forced would-be homeowners to cancel or defer homeownership and existing homeowners to transition back into private rental following marital breakdown, job relocation or economic hardship (Kemp & Keoghan, 2001). In Australia, the effect is a steady growth of private renting as a tenure type from 20.3% of all housing tenures in 1981 to 23.4% in 2011 (Stone, Burke, Hulse, & Ralston, 2013). Also evident is a bifurcated private rental profile made up of two distinct sub-markets which Hulse and Burke (2000, p. 2) describe as

follows: 'a relatively large and successful sector of choice for those who have adequate incomes and a sizeable low-cost low-income sector for those who cannot access anything more affordable or appropriate'.

Questions have been raised, however, about the capacity of a commercially-driven private rental market to properly meet the needs of low-income households (Hulse & Pawson, 2010) and the affordability pressures placed upon those households if it cannot. Existing data suggests there is reason to be concerned. In 2011, for example, Wulff, Reynolds, Arunachalam, Hulse, and Yates (2011) estimated that 63% of private renters in the lowest 40% of the national income distribution were unable to access affordable housing. In the lowest quintile, the proportion increased to 79%. Housing is understood to be affordable for low-income households when that household spends 30% or less of its income on housing-related costs (Nepal, Tanton, & Harding, 2010; Yates & Gabriel, 2006). When the cost of housing exceeds that proportion, households are likely to experience housing stress.

Rental housing 'mis-location' can be defined in terms of the location of households into rental properties that do not match their income levels. For households at the lower-end of the income spectrum, mis-location most commonly occurs through their

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occupation of higher-rent properties, which can lead to housing stress. One cause of this situation is a straightforward shortage of rental stock at the lower end of the market, but it also occurs from another form of rental housing mis-location in which moderate to high-income households take up low-rent housing, effectively removing those dwellings from the affordable supply for households on lower incomes. Understanding how these dual processes work, individually and combined, to create housing affordability pressures for low-income groups is essential if policy is to be successful in mitigating the burgeoning housing affordability challenges for those who are most disadvantaged. Equally important, however, is recognition that these processes do not play out uniformly across city areas, but interact with broader urban dynamics to create an uneven geography of advantage and disadvantage. Mapping the areas of convergence and disparity between the housing needs of low-income renters and the availability of low-cost rental stock in specific cities will help to pinpoint hot-spots where housing pressures for low-income renters are greatest. These pressures relate not only to the difficulty of low-income groups accessing housing in high-demand neighbourhoods, but also to the possible consequences of living in low-demand, disadvantaged neighbourhoods where affordable housing is in reasonable supply, but where there are other trade-offs around transportation, services and economic participation (Baum 2008).

This paper provides an analysis of the causes of low housing affordability and rental stress among low-income renters by developing a conceptual framework for quantifying rental housing mis-location among low-income households and empirically mapping how mis-location occurred across the city of Brisbane, Australia from 2006 to 2011. It then considers the extent to which housing mis-location and stress among low-income renters in Brisbane can be attributed to either a shortage of supply of low-cost housing stock for low-income households, or low-cost housing stock being pre-empted by higher-income renters. The analysis is guided by four research questions, as follows: 1) What is the nature and extent of private rental housing mis-location in Brisbane and have there been any changes in the five year period from 2006 to 2011? 2) How is the shortage of low-cost rental housing stock for low-income households spatially patterned across Brisbane? 3) How is the occupation of low-cost housing by higher-income renters, and related displacement of low-income households, spatially patterned across Brisbane? 4) In which parts of the city are low-income renters still able to access affordable rental housing?

The next section presents an overview of research on the housing affordability pressures facing low-income renters, including those caused by their displacement from otherwise affordable housing stock. It is followed by an exposition of the study area, data and methodology used to quantify and map rental housing mis-location. Finally, the results are presented and discussed, with the implications and limitations of the current research identified in the last section. The discussion outlines how the findings will guide housing and urban policy development in a way that anticipates the needs and aspirations of low-income households and supports policy interventions to match rental needs across suburbs.

## 2. Housing affordability, availability and displacement in the private rental sector: a review

It is generally understood that if households in the lowest 40% income distribution are paying more than 30% of their income on housing-related costs, they are likely to be encountering significant housing stress. This is not true of higher-income groups which may have a high enough buffer to meet other costs once rent has been covered. Research on housing stress among low-income

households suggests that it manifests itself in the following ways: increased financial hardship; an inability to meet other essential costs; high stress levels induced by worries about meeting rental payments or other bills; a risk of being stigmatised with a poor rental history or credit rating which compounds the challenges of finding suitable accommodation; frequent moves in the search for affordable housing; and trade-offs in terms of neighbourhoods where housing is more affordable (Hulse, Burke, Ralston, & Stone, 2012; Mason, Baker, Blakely, & Bentley, 2013; Yates, 2008). Burke and Pinnegar (2007) for example, have found that, compared with a household paying 30% of its income on rent, a household paying 40% was two and a half times more likely to go without a meal; twice as likely to have sold or pawned belongings to cover essential payments; and almost twice as likely to have children with inadequate health or dental care. Additionally, 43% reported having been in arrears with their rent at some point over the previous three years (see also Seelig & Phibbs, 2006).

To understand the factors underpinning housing stress among low-income groups, it is important to take into account broader trends in the housing market. One of the most significant has been changes in the public housing sector and the redirection of funding away from direct housing provision. With burgeoning waiting lists, social housing allocation policies have been progressively tightened along needs-based criteria, such that tenancies are only allocated to those deemed 'high needs' (Groenhart & Burke, 2014). For the remainder, the private rental sector is the only alternative and a range of programs have been implemented in recent decades to support the growth of the private rental sector as a way of encouraging low-income groups to avoid or leave social housing (Yates & Wulff, 2000).

Whatever growth has occurred in the private rental sector, however, has predominantly occurred in the top end of the rental market, resulting in a shortage of affordable rental dwellings for low-income households in nearly every Australian capital city (Yates, Wulff, & Reynolds, 2004). According to Yates and colleagues, in 2001, there was a shortage of 59,000 properties for households earning less than \$335 per week (representing the bottom 16% of all households). Although these figures are now outdated, the policy settings surrounding the private rental sector are relatively unchanged, and the principal cause of the affordable housing shortage continues to be the lack of incentives for Australia's small-scale private landlords to invest in the affordable housing market (Hulse et al., 2012; Yates et al., 2004). As Hulse and Pawson (2010) argue, the principal form of investment into the private rental market via tax incentives such as negative gearing has tended to stimulate supply at the middle to high end of the market, while programs explicitly designed for the lower-end of the market have been more ad-hoc.

As noted earlier, though, the distribution of low-cost rental housing across urban areas is geographically uneven, meaning that, even when properties are available for low-income renters, they are likely to be clustered in certain neighbourhoods. While we assess this distribution for Brisbane later in this paper, the general trend is a concentration of low-cost rental housing in the outer-regions of capital cities or non-metropolitan areas which typically lack the services, infrastructure and connectivity of neighbourhoods located closer to the city (Yates, 2008). As both Randolph and Holloway (2002) and Hulse et al. (2012) report, this spatial distribution of low-cost housing into suburban and outer-suburban areas has changed in recent decades. Where once, lower-income households resided in working class neighbourhoods close to the inner city, gentrification has boosted land and property prices in inner city neighbourhoods, thereby displacing low-income groups into more peripheral areas.

What all this evidence suggests is that the mis-location of low-

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