



Affordable Housing Needs Report

City of Port Phillip

28 July 2023





© SGS Economics and Planning Pty Ltd 2023

This report has been prepared for City of Port Phillip. SGS Economics and Planning has taken all due care in the preparation of this report. However, SGS and its associated consultants are not liable to any person or entity for any damage or loss that has occurred, or may occur, in relation to that person or entity taking or not taking action in respect of any representation, statement, opinion or advice referred to herein.

SGS Economics and Planning Pty Ltd
ACN 007 437 729
www.sgsep.com.au

OFFICES IN CANBERRA, HOBART, MELBOURNE, AND SYDNEY ON THE COUNTRY OF THE NGAMBRI/NGUNNAWAL/NGARIGO, MUWININA, WURUNDJERI, AND GADIGAL PEOPLES.

Contents

- 1. Introduction..... 4
 - 1.1 Purpose..... 4
 - 1.2 Definitions 4
 - 1.3 Methodology 5
- 2. Affordable housing needs within City of Port Phillip..... 7
 - 2.1 Current levels of social housing within City of Port Phillip..... 7
 - 2.2 Need for housing assistance based on 2021 Census data 8
 - 2.3 Need for housing assistance based on 2016 Census data 11
 - 2.4 Summary 13

1. Introduction

1.1 Purpose

The City of Port Phillip (CoPP) is committed to understanding the current and future housing needs in the municipality. The purpose of this report is to provide an overview of the current state of affordable housing availability within the City and if this will meet the current and future needs of residents.

In doing so, this report considers:

- Current levels of social housing
- Forecast need for social and affordable housing including household type and income levels.

1.2 Definitions

Affordable housing

The definition of affordable housing is as per the Planning and Environment Act 1987:

“Affordable housing is housing, including social housing, that is appropriate for the housing needs of any of the following:

- very low income households
- low income households
- moderate income households”.

The income ranges for affordable housing are determined by the State Government and reviewed yearly. The 2023 income ranges for each household are articulated in Table 1.

TABLE 1: INCOME RANGES FOR AFFORDABLE HOUSING (GREATER CAPITAL CITY STATISTICAL AREA OF MELBOURNE), JUNE 2023

	Very low-income range (annual)	Low-income range (annual)	Moderate income range (annual)
Single adult	Up to \$29,770	\$29,771 to \$47,630	\$47,631 to \$71,450
Couple, no dependant	Up to \$44,650	\$44,651 to \$71,450	\$71,451 to \$107,170
Family (with one or two parents) and dependent children	Up to \$62,510	\$62,511 to \$100,030	\$100,031 to \$150,030

Source: Victorian Government Gazette, 2023, Planning and Environment Act 1987, Section 3AB – Specification of income ranges

In 2018 the Minister provided a list of matters to have regard to when determining what is appropriate for the housing needs of very low, low and moderate-income households. These include allocation, affordability, longevity, tenure, type, location, integration, and need.

Rental Stress

A key purpose of affordable and social housing is to alleviate rental stress within very low, low, and moderate income households. As indicated by the diagram below, there are two commonly accepted levels of rental stress:

- **Moderate housing stress** is when a household must spend more than 30 per cent of their gross income on rent.
- **Severe housing stress** is when a household must spend more than 50 per cent of their gross income on rent.

When households are in rental stress they are unable to finance other necessities such as food, health care, and education.

1.3 Methodology

Current and future housing need

To understand the need for housing assistance, SGS has used the SGS Housing Assistance Demand (HAD) Model. An overview of the HAD model is shown in Figure 1. This model was originally produced by SGS in 2018 for the Victorian State Government. It has since been further developed and refined to apply to local governments across Victoria, New South Wales, and Tasmania. The model is based on Census data and estimates the number of households that may require housing assistance, i.e., the demand for social and affordable housing. It models current demand through assessing:

- Income thresholds
- Household types
- Household incomes
- Tenure
- Rents
- Location

This is assessed against the current housing market to determine households in need of assistance based on income levels (very-low, low, and moderate). Future demand for housing assistance uses the Census data and a range of demographic forecasts to assess:

- Population growth
- Demographic changes
- Income and rent distribution changes

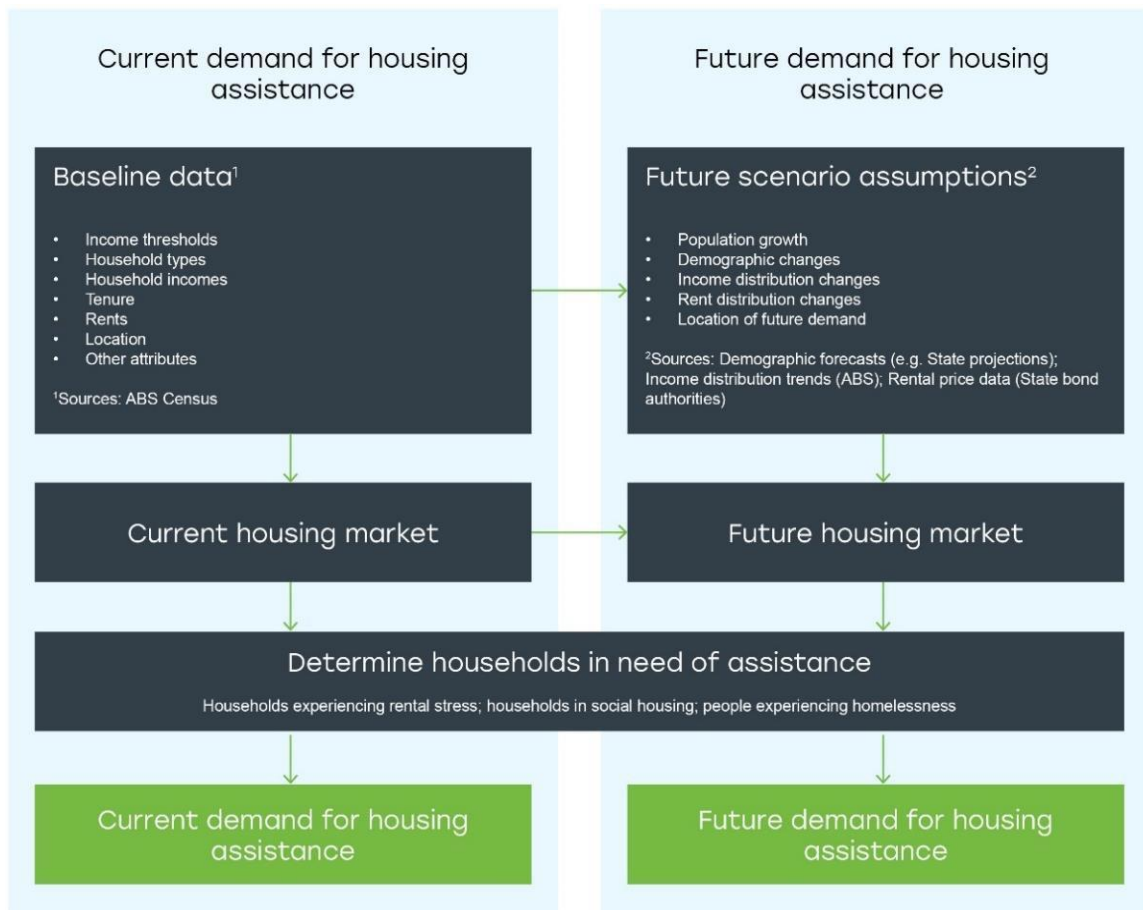
- Location of future demand

This is compared against the future housing market with households further disaggregated by income level (very-low, low, and moderate) to understand the forecast need for assistance.

The HAD model estimates the number of households experiencing rental stress due to financial constraints only and focuses on households who cannot comfortably afford rents in the private market (paying more than 30 per cent of their income on rent).

It should be noted that the 2021 Census data was collected during the COVID-19 pandemic where there was an increase in affordable rental options (see Figure 4). Since this time the supply of affordable rental options has dramatically decreased. Given this, the number (and share) of households experiencing several rental stress is likely to have increased in the intervening years.

FIGURE 1: OVERVIEW OF SGS' HOUSING ASSISTANCE DEMAND MODEL



Source: SGS Economics and Planning 2022

2. Affordable housing needs within City of Port Phillip

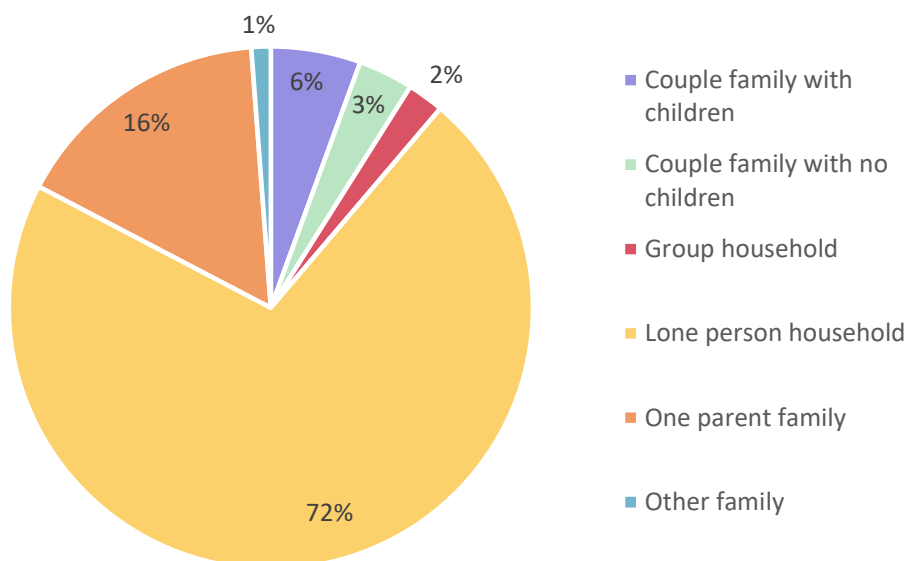
2.1 Current levels of social housing within City of Port Phillip

The City of Port Phillip has a long history of social housing provision. There was a total of 3,949 social housing units in the City of Port Phillip in 2021 (7.6% of all residential households). This includes long term accommodation comprised of dwellings managed by community housing providers (38%) and public housing managed by the State housing authority (62%).¹ In addition, there were 76 crisis support accommodation units and 129 transitional housing units.²

When broken down by household type, lone person households occupy the greatest proportion of social housing (72%), followed by one parent families (16%) (Figure 2).

Social housing is spread throughout the municipality, with higher concentrations in the north and north east sections of the City.

FIGURE 2: SOCIAL HOUSING IN PORT PHILLIP BY HOUSEHOLD TYPE



Source: SGS Economics and Planning 2023, Housing Assistance Demand model

¹ Department of Families, Fairness and Housing, 2021

² Department of Families, Fairness and Housing, 2021

2.2 Need for housing assistance based on 2021 Census data

The section includes with analysis of the need for housing assistance based on data derived from the 2021 Census. We note however that the 2021 Census was taken during the COVID pandemic in a period where rents were unusually low due to low demand, while at the same time many lower income households benefited from (temporarily) higher welfare payments. In Melbourne, the average rent fell by 12% between March 2020 and mid-2021 but had returned to pre-pandemic level by mid-2022 (see Figure 3).

Need for assistance

The total number of households in the City of Port Phillip in 2021 was 52,106.³ This is forecast to grow to 83,675⁴ by 2041. A proportion of these future households will require access to social or affordable housing to alleviate rental stress or avoid homelessness – that is, they are very low to moderate income households spending more than 30 per cent of their income on housing.

Using data from the 2021 Census it is estimated that **10,500 households in the City of Port Phillip were in need of housing assistance**. This includes the households currently living in long-term social housing (not temporary accommodation), who would otherwise likely be experiencing rental stress. Based on the current supply of affordable housing (3,900 dwellings⁵), there is an estimated shortfall of 6,600 affordable housing dwellings across the City.

The need for housing assistance is forecast to **increase to 17,300 households by 2041**. The Port Phillip Planning Scheme includes a local policy for Fishermans Bend, applying a 6 per cent affordable housing target to future residential development. This equates to approximately 800 dwellings for the *Fishermans Bend Urban Renewal Area* (the southern precincts located within Port Phillip). If the current supply of social housing dwellings does not change, other than the additional 800 affordable housing dwellings in Fishermans Bend, there will be an estimated **shortfall of 12,600 affordable dwellings**.

Given the absence of residential development and population in Fishermans Bend, there is currently no demand for social and affordable housing in this area. As the population grows, the HAD model forecasts a total of 2,900 households needing housing assistance by 2041.

If the 800 affordable dwellings are achieved, there will still be a shortfall of 2,100 affordable dwellings needed for Fishermans Bend. It is recommended that Council closely monitor the implementation of the Planning Scheme and continue to advocate to the State to improve affordable housing outcomes within Fishermans Bend.

³ 2021 ABS Census data

⁴ SGS Small Area Land Use Projections, based on Victoria in Future projections 2019

⁵ Department Families Fairness and Housing, 2021 – rounded to the nearest 100

TABLE 2: NEED OF HOUSING ASSISTANCE AND AFFORDABLE HOUSING SHORTFALL, 2021-2041 (2021 DATA)

Household type ¹	Port Phillip LGA		Port Phillip LGA <i>excluding Fishermans Bend</i>		Fishermans Bend*	
	2021	2041	2021	2041	2021	2041
Homeless	1,200 2%	1,900 2%	1,200 2%	1,900 3%	0	0
Severe rental stress	2,500 5%	5,400 6%	2,500 5%	4,300 6%	0	1,100 9%
Moderate rental stress	2,900 6%	5,300 6%	2,900 6%	4,200 6%	0	1,000 8%
Living in social housing	3,900 7%	4,700 [†] 6%	3,900 7%	3,900 6%	0	800 [†] 6%
TOTAL need for assistance	10,500 20%	17,300 21%	10,500 20%	14,400 20%	0	2,900 23%
Affordable housing shortfall	6,600	12,600	6,400	10,500	0	2,100

¹Rental stress includes very low to moderate income households spending more than 30 per cent of their income on housing. Numbers have been rounded to the nearest 100 and totals may not add.

*Port Phillip portion to the south – Fishermans Bend Urban Renewal Area

[†]Assumes an additional 800 Affordable housing from Fishermans bend based on assumption that the 6% affordable housing target would be fully implemented.

Notes: Percentages (%) are a share of all households. The count of social housing comprises long-term accommodation (not temporary accommodation), source: Department of Families, Fairness and Housing.

Source: SGS Economics and Planning 2023, Housing Assistance Demand Model (based on 2021 Census)

Need by income level

Level of income provides an indication of the need for social versus affordable housing. Social housing is targeted at households on low to very-low income as they require greater subsidised rents. Affordable housing however can be suited to households on moderate incomes with more financial capacity, requiring less rental subsidy.

In Port Phillip, of the estimated 17,300 total households that will need housing assistance in 2041 (see Table 2), the HADs model forecasts that approximately 56 per cent will comprise of very-low-income households, 19 per cent will comprise low-income households, and 25 per cent moderate-income households. This is a decrease in very low-income households compared to 2021 (Table 3).

TABLE 3: HOUSEHOLD INCOME LEVEL ACROSS CITY OF PORT PHILLIP, 2021-2041

	2021	2041
Very low income	66%	56%
Low income	17%	19%
Moderate income	17%	25%

Source: SGS Economics and Planning 2023, Housing Assistance Demand model

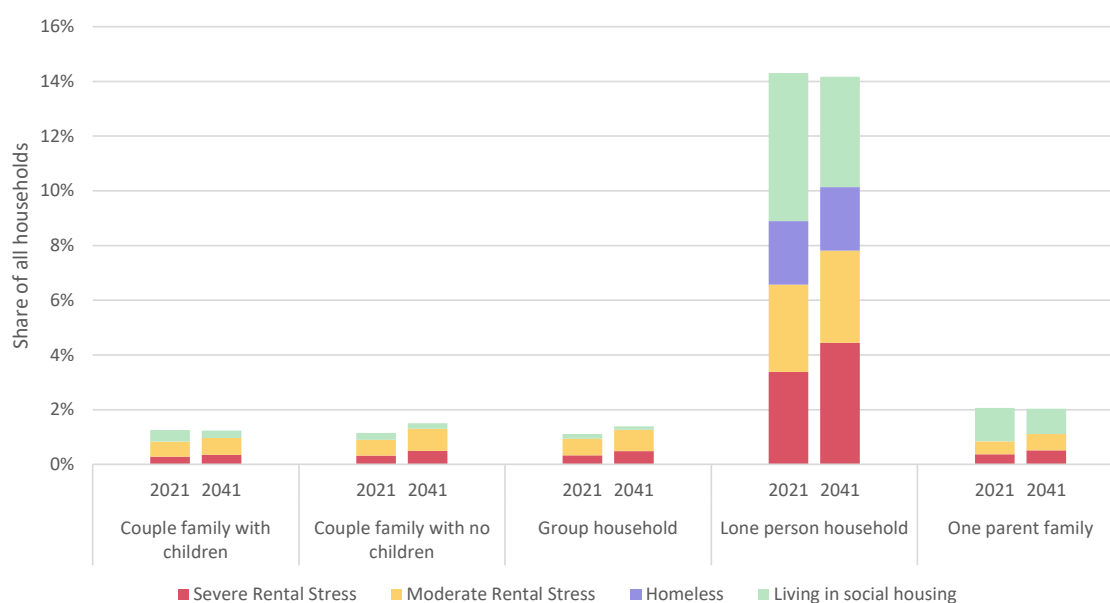
Forecast need by household type

Of the 21 per cent of households forecast to require housing assistance in 2041, the greatest need for housing assistance will continue to be among lone person households (14%). This is followed by one parent families (2%) (Figure 3).

Figure 3 also includes households living in social housing as well as people experiencing homelessness. Households most likely to be living in social housing are lone person households (4%) and one parent families (1%). In relation to people experiencing homelessness, it is assumed that people experiencing homelessness are included within lone person households. It should be noted however that homelessness also impacts families and single parent households.

The proportion of *severe* rental stress is forecast slightly increase across all household by 2041 if there is no intervention. This means more households paying more than 50 per cent of their income on housing costs.

FIGURE 3: COHORTS IN NEED OF HOUSING ASSISTANCE BY HOUSEHOLD TYPE, PORT PHILLIP, 2021-2041



2.3 Need for housing assistance based on 2016 Census data

It is important to note that the 2021 Census was taken during the COVID pandemic in a period where rents were unusually low due to low demand, while at the same time many lower income households benefited from (temporarily) higher welfare payments. In Melbourne, the average rent fell by 12% between March 2020 and mid-2021 but had returned to pre-pandemic level by mid-2022 (see Figure 3).

FIGURE 4 INDEX OF MELBOURNE AVERAGE RENTS (MARCH 2020 = 100)



Source: Helm, T. (2023) Melbourne's Pandemic Rental Dynamics: An (Un)Natural Experiment in Excess Supply, Prosper Australia Research Institute.

Temporarily lower rents and higher income meant that the measured need for housing is assistance in 2021 differed from the 2016 estimate. Since 2021 the supply of affordable rental options has dramatically decreased. Given this, the number (and share) of households experiencing several rental stress is likely to have increased in the intervening years.

Table 4 below presents the same data as Table 2 above but based on 2016 Census data. The main differences between the estimates based on 2021 Census and the 2016 Census is the change in the proportion of people experiencing moderate rental stress compared to severe rental stress, with a decrease in households in severe rental stress.

TABLE 4: NEED OF HOUSING ASSISTANCE AND AFFORDABLE HOUSING SHORTFALL, 2021-2041 (2016 DATA)

Household type ¹	Port Phillip LGA		Port Phillip LGA <i>excluding Fishermans Bend</i>		Fishermans Bend*	
	2021	2041	2021	2041	2021	2041
Homeless	1,000 2%	2,000 2%	1,000 2%	2,000 2%	0	0
Severe rental stress	3,500 7%	10,000 12%	3,500 6%	6,500 9%	0	3,000 25%
Moderate rental stress	2,000 4%	200 0%	2,000 4%	100 0%	0	100 1%
Living in social housing	4,000 8%	4,700† 6%	4,000 8%	4,000 6%	0	700+ 6%
TOTAL need for assistance	10,500 21%	16,900 20%	10,500 20%	12,600 18%	0	3,800 27%
Affordable housing shortfall	6,500	12,200	6,500	8,600	0	3,100

¹Rental stress includes very low to moderate income households spending more than 30 per cent of their income on housing

*Port Phillip portion to the south – Fishermans Bend Urban Renewal Area

† This includes the additional 700 Affordable housing from Fishermans bend based on assumption that the 6% affordable housing target would be fully implemented.

Note: Percentages (%) are a share of all households.

Note: the social housing count comprises long-term accommodation (not temporary accommodation), source: Department of Families, Fairness and Housing.

Source: SGS Economics and Planning 2022, Housing Assistance Demand Model (based on 2016 Census)

2.4 Summary

The affordable housing needs data for the City of Port Phillip indicate that there will continue to be a demand for affordable housing, with demand increasing by 2041. While there is expected to be some affordable housing allocated in the future Fisherman's Bend development, this will not keep pace with demand. Given this, additional affordable housing across the municipality will be required.

The types of households requiring the most assistance will continue to be lone person households, however all household types will experience an increase in rental stress.

Given that the 2021 Census data was collected when there was an increase in affordable rental options, which have now dramatically decreased, the number (and share) of households that are experiencing several rental stress is likely to have increased in the intervening years. The 2021 measurement of the prevalence of housing stress is therefore considered irregular and unlikely to be an accurate measure of actual need.⁶ While Council should consider both the 2016 and 2021 estimates of need for housing assistance in future planning, policy development and/or service provision, it is likely that the 2016 estimates provides a better picture of the persistent need for affordable housing in Port Phillip.

⁶ SGS modelling for *future* need for housing assistance applies a correction to the ratio of rents to incomes in future years to correct for the abnormal conditions in 2021. This modelling estimates that by 2041, 13% of households could be in need of housing assistance (the 'central' estimate) or 15% of households should the ratio between rents to incomes increase.

**CANBERRA / NGAMBRI /
NGUNNAWAL**

Level 2, 28-36 Ainslie Avenue
Canberra ACT 2601
+61 2 6257 4525
sgsact@sgsep.com.au

HOBART/ NIPALUNA

PO Box 123
Franklin TAS 7113
+61 421 372 940
sgstas@sgsep.com.au

MELBOURNE / NAARM

Level 14, 222 Exhibition Street
Melbourne VIC 3000
+61 3 8616 0331
sgsvic@sgsep.com.au

SYDNEY / WARRANG

Suite 2.01/50 Holt Street
Surry Hills NSW 2010
+61 2 8307 0121
sgsnsw@sgsep.com.au

