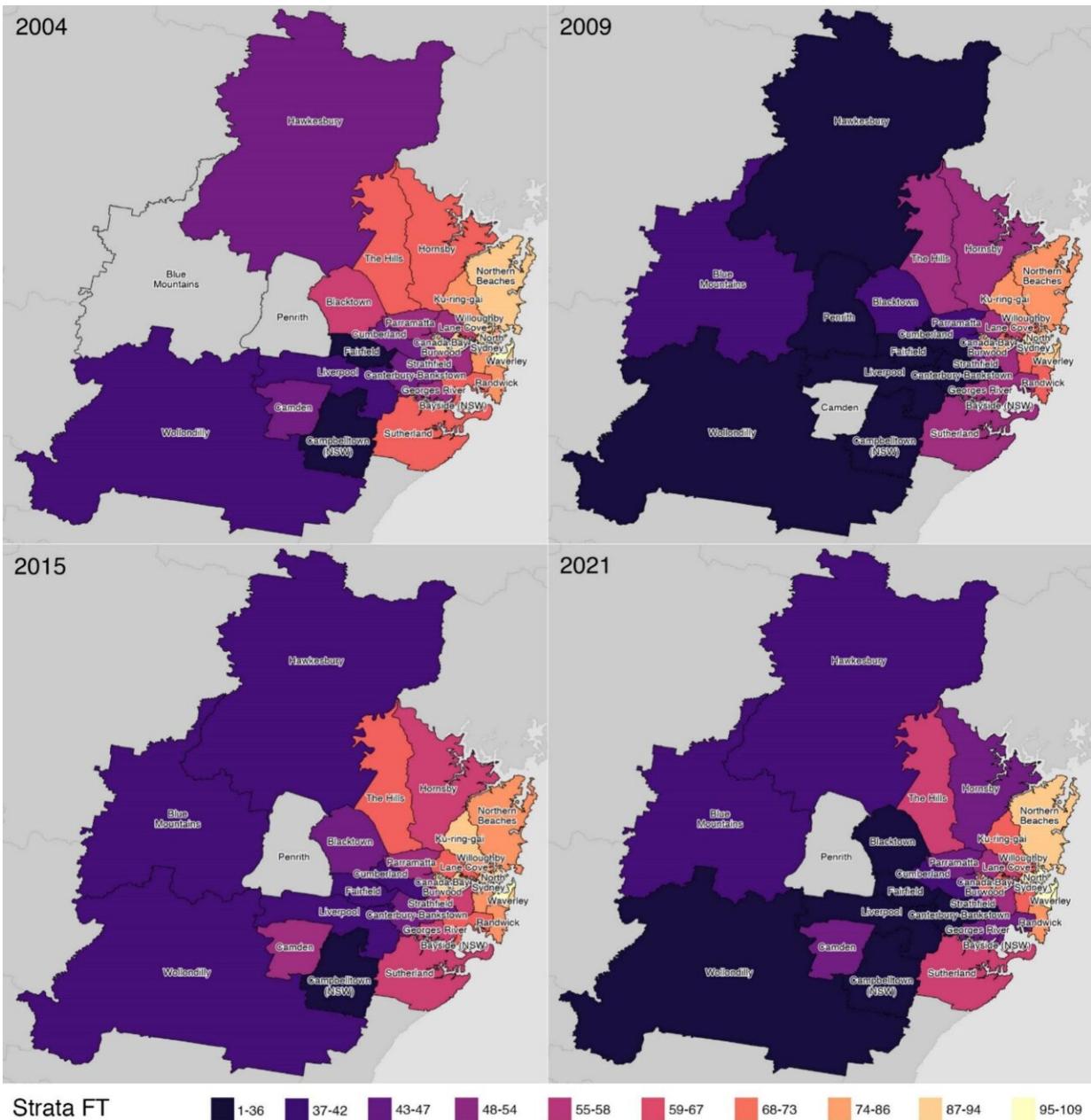


Sydney housing unaffordable on median full-time income, study finds

July 22 2024, by Ben Knight



Entry affordability index (%) of strata dwellings using full-time income. Credit: *Cities* (2024). DOI: 10.1016/j.cities.2024.105246

New research suggests Sydney's housing market will remain unaffordable until at least the 2030s.

Having a stable and regular [income](#) is no longer enough to comfortably enter the [housing market](#) anywhere in Sydney, says a new study. It predicts the situation will be dire until at least the next decade for anyone on a single standard income alone.

The research by Dr. Mustapha Bangura from the University of Technology Sydney (UTS) and UNSW Sydney Professor Chyi Lin Lee, found that there is nowhere in Greater Sydney where someone on the New South Wales (NSW) median part-time or full-time income can afford to buy a property. Instead, income supplements, like existing wealth or significant cash gifts from family, would be needed to purchase a property and afford mortgage repayments.

The study, [published](#) in the journal *Cities*, is the first study to examine the link between housing [affordability](#) and employment contracts.

"While we expected the issue of housing affordability to be severe for part-time employment, we found that full-time employees are also significantly affected," says Prof. Lee, senior author of the study from the School of Built Environment at UNSW Arts, Design & Architecture. "This highlights the widespread housing affordability crisis and the need for comprehensive policy solutions."

Incomes insufficient to afford housing

Income is a critical component of housing affordability and varies significantly depending on the type of employment.

Due to the changing dynamics of the job market and other social factors, more part-time employees are entering the workforce. In Australia, the proportion of part-time employees grew from 20.6% in May 2020 to 23.6% in May 2021, says the Australian Bureau of Statistics, .

"As more part-time contracts are offered to working households, their earnings are impacted, affecting their chances of entering the housing market," Prof. Lee says. "This suggests that employment contract type is crucial for housing affordability analysis, which is somewhat overlooked in the existing literature."

For the study, the researchers developed an affordability index based on the likely mortgage repayment of a prospective homebuyer according to the market value of properties, having a 20% deposit, the average housing lending rate, and a loan period of 30 years.

They then looked at which areas of Sydney were affordable on median part-time and full-time earnings based on a cost-to-take-home pay ratio of 30%—widely considered the threshold for housing affordability.

They found that nowhere in Sydney was affordable based on the [2021 NSW weekly median income](#), for part-time employees of \$600. Part-time earners in almost all parts of Sydney could not buy a property even if they spent their entire salary on housing.

Though the 2021 median income for full-time employees was higher at \$1,500 per week, nowhere in Greater Sydney was affordable. Some strata dwellings (usually apartments and units) in parts of Western Sydney were only slightly above the 30% affordability ratio, though all non-strata dwellings (freestanding houses) were unaffordable.

"The major consequence of median incomes not being sufficient to enter the housing market in Sydney is that households relying solely on their earnings will have limited chances of achieving homeownership," Prof. Lee says. "So, it's clear the Australian dream of owning a home is becoming increasingly harder to attain."

Housing is unaffordable until at least 2031

The research also forecasts that, without interventions to improve housing affordability, there will still be nowhere in Sydney where a median part-time or full-time income alone can afford to buy a home until at least 2031.

"We assume that the variables used in calculating entry affordability, including income, lending rate, housing price, and loan-to-value, will follow the 2004–2021 trajectory," Prof. Lee says. "We also assume an absence of global events such as pandemics during the projected period."

Additionally, the research found a direct relationship between housing affordability and proximity to Sydney's central business district (CBD). The closer to the CBD, the more challenging it becomes to enter the housing market.

"The study focuses specifically on Sydney, which may limit the generalizability of the results to other regions," Prof. Lee says. "Using assumptions in forecasting future trends also introduces uncertainty to the projections."

Need for housing policy interventions

Due to rising prices, Prof. Lee says, entering the housing market has become increasingly difficult. As a result, [family support](#), often referred

to as the "Bank of Mum and Dad," has become increasingly important as a supplementary income source for many first-time homebuyers.

Additionally, first-time homebuyers are often required to adjust their housing preferences and consider less desirable markets to achieve homeownership, hoping to relocate to more desirable areas as their income improves.

"We may see increasing polarization of housing sub-markets where gaps between neighborhoods continue to grow," Prof. Lee says. "The situation may also lead to housing-induced poverty, where households might forgo other essential activities to cover housing expenses."

Prof. Lee says significant housing reform is needed to prevent the cost of housing from spiraling further out of reach. A combination of supply-side and demand-side policies is needed to make housing more affordable for aspiring homebuyers, particularly those in part-time employment or without access to income supplements.

"Currently, the focus has been on demand-side policies, such as the First Home Owner Grant (FHOG), essential to helping more first-homebuyers enter the market," Prof. Lee says. "However, the government should consider doing more to address the supply side in the immediate term."

Supply-side interventions include building more housing, particularly fast-tracking and increasing the construction of affordable homes targeted at low-income households by governments. Another solution is implementing broader inclusionary zoning policies where developers are incentivized, for example, through subsidies, to allocate more units in new developments to those on low and moderate incomes.

"By boosting the supply of affordable housing, the government can help alleviate the pressure on the housing market as a whole and improve

affordability for aspiring homebuyers," Prof. Lee says.

More information: Mustapha Bangura et al, Entry affordability of employment types: Evidence along the theory of full-time and part-time wage differentials, *Cities* (2024). [DOI: 10.1016/j.cities.2024.105246](https://doi.org/10.1016/j.cities.2024.105246)

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