



Housing Solutions and Action Plan

November 2021



**Regional
Capitals
Alliance**

WESTERN AUSTRALIA

Executive Summary

In the post Covid 19 environment, Western Australia’s regional areas have seen a resurgence in economic activity, population growth and housing demand driven by a number of interrelated and independent global, national and local factors. Western Australia’s major regional locations are struggling to respond to significant shifts in demand and are now suffering a housing availability crisis. The lack of access to appropriate housing options is limiting access to workers, increasing business and living costs, discouraging investment, and constraining business activity across regional WA. If not resolved, this will hinder the social and economic development of WA, constrain the State’s economic growth and harm Australia’s international competitiveness.

Many housing markets nationally and internationally have experienced increases in demand following the Covid 19 pandemic and it would be easy to dismiss the current challenges facing regional WA as a short-term issue. However, while this is partly responsible and is contributing to increased demand and short-term housing industry supply chain issues, this is exacerbated by underlying market challenges and policy barriers unique to regional markets that prevent the efficient functioning of regional housing markets. Rather than being short term in nature, recent history has shown that these barriers and challenges have become a structural problem for regional economies, encouraging boom bust housing cycles, discouraging private investment, and entrenching market disfunction.

The Regional Capitals Alliance (RCA) as leaders in their communities and across regional WA have identified that it is critical that action is taken to address these structural problems and to create more balanced and efficient housing markets. RCA recognises that local government alone cannot effect sufficient change to deliver the required impacts. RCA members are therefore committed to working with State and Federal Governments, the private sector and non-government organisations to implement a range of actions and initiatives to address barriers and challenges to regional housing investment and to make regional housing markets more sustainable.



This Housing Action Plan has been designed to guide the RCA as it seeks to focus efforts on improving housing availability in regional WA and is targeted based on the factors of the housing market most able to be influenced by local government on its own or in partnership with others.

The Plan is focused on three objectives that will deliver long term improvement in the efficiency of regional housing markets.

Objective 1: Increasing awareness of Housing Issues, Challenges and Opportunities in Regional WA

Objective 2: Removing Barriers to Investment in new Housing supply in Regional WA

Objective 3: Increasing Housing Investment in Regional WA

The strategies and actions identified in this Plan should be used to:

- Guide the actions and efforts of RCA members' staff locally;
- Guide the collective efforts of RCA; and
- Provide a base to advocate for action by others
 - In partnership with RCA; and
 - independent of RCA.

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Context and Background

Regional Western Australia is experiencing a housing availability crisis with all major regional markets struggling to respond to significant shifts in demand for housing. Many housing markets nationally and internationally have experienced increases in demand following the Covid 19 pandemic and it would be easy to dismiss the current challenges facing regional WA as a short-term issue.

However, while this is partly responsible and is contributing to increased demand and short-term housing industry supply chain issues, this is exacerbated by underlying market challenges and policy barriers unique to regional markets that prevent the efficient functioning of regional housing markets. Rather than only being short term in nature, recent history has shown that these barriers and challenges have become a structural problem for regional economies, encouraging boom bust housing cycles, discouraging private investment, and entrenching market dysfunction.

Regional Housing Market Conditions

Table 1 outlines the current housing market conditions across WA’s 10 Regional Capitals. While the specific nature and causes for the issues may vary across the State, the housing availability challenge exists to some degree throughout all regions across WA.

Town	Vacancy Rate September 2021 (REIWA)	Available Rentals – (Realestate.com) Oct 2021	Houses for sale (Realestate.com) Oct 2021	Land for Sale (Realestate.com) Oct 2021
Broome	0.5%	25	125> houses	20> lots
Hedland	Not reported	53	100> houses	20> lots
Karratha	1.3%	62	110> houses	30> lots
Geraldton	1.6%	31	350< houses	200< lots
Kalgoorlie	1.4%	60	200< houses	30> lots
Northam	Not reported	1	110< houses	70< lots
Bunbury	0.6%	65	550< houses	200> lots
Busselton	1.0%	4	150< houses	40> lots
Albany	0.5%	22	170< houses	140< lots
Esperance	0.5%	2	100> houses	80< lots

Table 1 - Regional Housing Data 2021

Housing as an Enabler

Access to appropriate housing is a critical enabler of regional economic and social development. Population growth and housing availability in regional communities are inextricably linked to economic growth and to the creation of liveable and sustainable communities. Economic investment and development attract workers and job seekers to regional locations in the pursuit of new job opportunities increasing the demand for housing.

The availability of, and access to, housing enables the smooth transition of workers and job seekers to regions providing the required skills and labour necessary to support, enhance and sustain regional economic growth and development.

History has demonstrated that an absence of timely access to appropriate housing for growing regional communities can distort housing and employment markets, constrain investment and growth, and limit the ability of regional communities to maintain effective retail, hospitality, social and community services required to maintain liveable communities. More broadly, housing provides a key platform for the social and urban fabric of the community, shaping the layout and feel of streets and towns and shaping the types and location of households that can lived in. The types, forms, cost, and availability of housing are therefore critical to shaping the nature, diversity, and interactions of local communities.

The capacity of Regional WA to sustainably accommodate the potential growth in populations and workforce required to drive the State’s continued economic growth will be dependent on efficiency of the local markets to facilitate access to timely, appropriate, and cost-effective housing supply. Ultimately, the efficiency of the housing market will be driven by two critical factors:

1. Access and availability of affordable land supply
2. The ability to fund, finance and deliver the construction of sufficient dwellings.

Infrastructure WA in its State Infrastructure Strategy, *Foundations for a Stronger Tomorrow*, recognises the criticality of housing supply in regional WA to WA’s long-term economic success. The Strategy notes that continued growth in the WA economy is highly dependent on strong growth in regional economies. It positions regional housing supply as critical infrastructure that needs to be



planned and delivered for the benefit of all Western Australians, emphasising the linkage between housing supply and regional development, government service delivery, and the liveability and sustainability of regional communities.

Economic Conditions

Following the onset of the Covid 19 pandemic in March 2020 and the initial economic and social shock of lockdowns and restrictions, the Western Australian economy has stabilised, bounced back and experienced significant growth. Western Australian industry and businesses have benefited from the State's Covid free status as well as the Covid restrictions in other Australian states and international competitor markets to achieve world leading economic growth and job creation activity. The WA economy grew by 4.3% during 2020-21 and the growth in activity has continued into 2021-22.

The surge in economic activity has been largely driven by factors such as international increases in commodity prices, favourable agricultural conditions, home grown tourism and the flow through of Federal, State and Local Government Covid stimulus measures. Much of this additional wealth has been generated in regional WA bringing a mix of benefits and challenges.

Movement to the Regions

The strong economic conditions, jobs growth and the impact of the Covid pandemic has contributed to a population influx into regional communities. Regional WA has seen an increase in locals returning from the metropolitan area, interstate and overseas; city-based workers capitalising on newfound opportunities to work remotely with intermittent commuting; and others relocating to Regional WA to pursue lifestyle and regionally based careers opportunities. In addition, in response to Covid border restrictions, WA's major mining companies have shifted employment policies to prioritise WA based workers, and this has been supported by the State Government providing incentives for FIFO workers to relocate to WA. This has resulted in the relocation of interstate FIFO workers to WA settling in the metropolitan area or regional WA.

The increased movement of people to regional WA combined with State and Federal Government Housing stimulus initiatives has increased demand on existing housing stock and land supply. As a consequence, the rental vacancy rates across major regional capitals have dropped to historically low levels. Table 1 shows the rental vacancy rate and rental property availability across all major regional capitals is below 1.6% with many well under 1.0%. Traditionally, rental markets are functional with a vacant rate above 3% suggesting regional rental markets are highly constrained.

Labour Supply and Nature of Workforce

The increased economic activity particularly in mining, agriculture, tourism and hospitality has resulted in a significant increase in demand for workers in regional communities. While the mining industry is able to accommodate fluctuations in its workforce through a mix of local and FIFO recruitment, agriculture, tourism and hospitality industries are traditionally reliant on a mix of local, seasonal and backpacker workforce. However, with a reduction in backpackers and seasonal workers due to Covid travel restrictions, demand for local or domestically based workers is very high.

While seasonal and backpacker workers are more easily accommodated in transient or temporary housing arrangements including motels, caravan parks and on-site (farm and work camps or villages), local or domestically based workers will generally require access to more long-term accommodation options such as rental housing. These expectations, combined with the reduced availability of the more temporary accommodation options (motels and caravan parks) due to high domestic tourist activity is placing further pressure on regional housing markets.

Impact of Lack of Housing Availability

Continued lack of housing availability and housing market inefficiency in regional centres results in rapidly rising rental and house prices and causes significant flow on impacts for the State and National economies, regional communities and individual households.

The nature and the extent of the impact escalates as the issue becomes more severe as outlined in Figure 1.



Figure 1 - Impact of Lack of Housing Availability

More specifically the impacts include:

A reduction in services and amenity for regional communities as businesses, government and service providers struggle to attract and retain staff due to an absence of housing or unstable housing arrangements.

Increasing overcrowding, homelessness and housing stress as low to moderate income households struggle to manage rising housing costs.

Increasing regional disadvantage for vulnerable and disadvantaged households due to the inability to deliver effective Government and non-government services.

Increased costs of Government service delivery due to increasing demand for social housing and support, higher housing costs for Government workers, non-government service delivery and increasing external input costs.

A reduction in Western Australia's international competitiveness as higher housing costs flow through to higher business costs, increased labour costs, production cost increases and constrained internal and external supply chain capacity.

Reduction in short- and long-term population growth in regional WA as high housing costs discourage intra, interstate and international migration.

A reduction in economic investment as businesses are unable to invest in the expansion of operations and also upgrading plant and equipment through lack of access labour and skills. This displaces activity to other parts of the State.

Reductions in local economic activity as local businesses reduce hours, services or shut down due to higher costs and inability to attract staff.

Discouraging relocation of families, individuals and small businesses to Regional WA – further hampering regional economic and social development.

Importantly, constrained regional housing markets that prevent or discourage regional investment do not result in greater economic benefits being derived in the metropolitan area through displacement and locational substitution. Rather this represents a dead weight opportunity loss to the Western Australian economy and community as investment simply does not occur and the public value benefit losses are borne of regional residents.

Barriers, Challenges and Opportunities

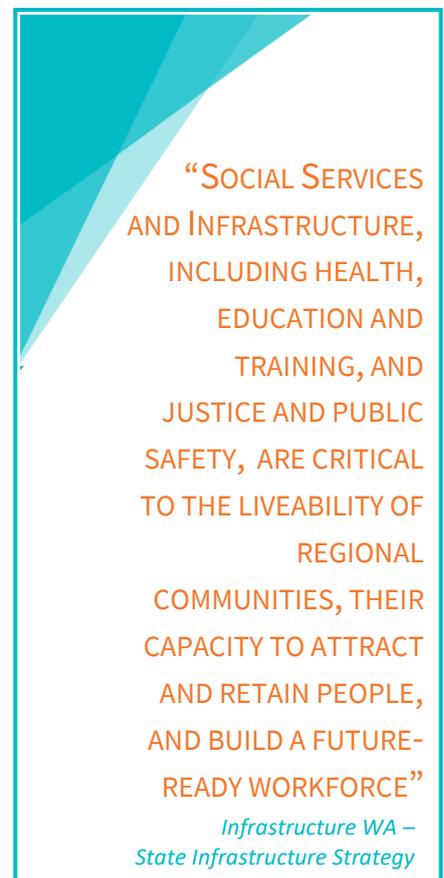
Recognising the willingness of RCA members to take a leadership role in addressing the current crisis, analysis has been completed to assess the barriers, challenges and opportunities to improving housing market efficiency across Regional WA. The following provides a brief snapshot of some of the key barriers and challenges:

WA Infrastructure Strategy

The release of Infrastructure WA’s State Infrastructure Strategy, *Foundations for a Stronger Tomorrow*, and the Housing Strategy 2020-2030 provide opportunities for the RCA to leverage increased engagement and focus on regional housing issues with the State Government.

Infrastructure WA has acknowledged the crucial role that regional housing will play in supporting the continued growth in the State’s economy. Infrastructure WA’s strategy recommends regional housing plans be developed to underpin regional housing investment priorities identifying that “social services and infrastructure, including health, education and training, and justice and public safety, are critical to the liveability of regional communities, their capacity to attract and retain people, and build a future-ready workforce”. Regional Capital’s should seek to leverage Infrastructure WA’s identification of benefits of regional housing to State development to ensure housing supply issues are given sufficient focus in future social and economic infrastructure planning by State Government agencies and utility providers.

Local Government is best placed to support the State Government to identify local housing priorities and issues and to help develop fit for purpose solutions that suit individual regional conditions. RCA members are well positioned to take a leadership role in these planning processes given their connection to their local communities and their broader networks with adjoining regional councils.



As such, RCA members should also seek a commitment from the State Government to formalising the Regional Housing plan process. In addition, they should position themselves to take a leadership role, potentially to Chair and help facilitate the design and engagement process, with State Government resourcing.

Housing Strategy and Renewed commitment from Government to Social Housing Investment

The State Government has made a number of significant strategic and financial commitments that provide opportunities to improve housing supply and housing market efficiency in regional WA.



The Housing Strategy 2020-2030 launched by the Housing Minister in October 2020 aims to connect people to safe, stable and sustainable homes, while improving housing choice and outcomes for households and communities. It will also create an agile housing system that can respond to social and economic changes. The Strategy commits to:

- Connecting 150,000 WA households to a home
- Increasing social housing by 6% (2,600 dwellings) by 2030;
- Providing 20,000 Keystart Home Loans by 2030;
- Building liveable, inclusive and connected communities that improve social and economic participation; and
- Improving outcomes through a more integrated approach to housing and service assistance.

In addition, for local government and regional WA, the Strategy commits Government to the development of place-based responses to housing demand and to:

- (1) Assisting local government authorities to develop and implement local housing strategies that support affordable housing outcomes;
- (2) By 2025, develop a system to enable planners, developers, local government authorities and consumers to easily access housing information;
- (3) Develop a regional and remote housing implementation plan to deliver a practical approach to achieving housing outcomes for people and communities living outside the Perth metropolitan area.

As part of the 2021 Budget, the State Government announced a wide-ranging investment in social housing and homelessness initiatives that includes:

- \$750 million Social Housing Investment Fund to substantially increase Western Australia's social housing stock levels
- \$80 million to deliver about 150 new modular social housing properties and \$10 million for the spot purchase of around 25 existing homes for social housing;
- \$20 million to support urban renewal of ageing social housing precincts in Albany, Bunbury and Geraldton.

This is in addition to previous commitments that include:

- \$470 million in existing investment state-wide for social housing through Social Housing Economic Recovery Package and the Housing and Homelessness Investment Package, including the delivery of 150 new homes in regional areas;
- \$34.5 million for Housing First Homelessness Initiatives in the Perth metropolitan area, Bunbury, Geraldton, Mandurah and Rockingham;
- \$18 million for Geraldton Aboriginal Short Stay Accommodation and \$20 million for Kununurra Aboriginal Short Stay Accommodation.

These are significant investments and commitments by the State Government and will make a strong contribution to social housing investment in Regional WA. These commitments from the State Government should be commended and RCA members should pursue the opportunity to work with the Department of Communities to maximise the benefits of these investments and commitments for their communities.

However, there remain challenges on this front for RCA members. The investment in urban renewal (Withers, Spencer Park and Spalding) while long sought after and welcomed is unlikely to deliver full value in the three locations identified. The identified scope of activities is likely to address some issues however, with an emphasis on refurbish of existing stock, minimal land activation and development, and limited focus on placemaking and community regeneration the impact will be contained. Similarly, other locations suitable for urban renewal investment such as Bulgara, Broome and potentially West Busselton have not been included.

In addition, the State Government has indicated that its focus will be on increasing, replacing and upgrading social housing (income-based housing) and that it is less interested in supporting investment in affordable rental (discount to market) housing options. Given the reliance on low-income key and essential workers to sustain regional economies there is likely to be increasing policy tension between RCA members and the State on this issue.

This is particularly important as a major market based affordable rental program, the National Rental Affordability Scheme (NRAS), starts to expire over the next few years. NRAS provides financial incentives for landlords to rent newly constructed housing to eligible households at a discount of 20%. Landlords are eligible to receive the incentive for up to ten years. More than 4,000 incentives have been provided across WA, some in regional WA, and incentives will commence being to be removed over the next two years (tailing off out to 2036).

2021-22 NRAS Year		
Household Composition	Initial Income Limit	Existing tenant income limit*
One Adult	\$52,795	\$65,994
Two Adults	\$72,993	\$91,242
Three Adults	\$93,191	\$116,489
Four Adults	\$113,389	\$141,737
Sole Parent with One Child	\$73,044	\$91,305
Sole Parent with Two Children	\$90,558	\$113,198
Sole Parent with Three Children	\$108,072	\$135,090
Couple with One Child	\$90,507	\$113,134
Couple with Two Children	\$108,021	\$135,027
Couple with Three Children	\$125,535	\$156,919

*Shows figures 25% more than initial household income limits. If combined gross household income of existing tenants exceeds the initial income limit by 25% or more in two consecutive years, the tenants cease to be eligible.

RCA members should continue to actively engage the State Government on these and other housing delivery issues.

An Absence of Comprehensive Data

With Infrastructure WA’s acknowledgement that housing is critical infrastructure to ensure continued economic growth in regional Western Australia, housing market conditions in regional WA should be closely monitored to enable effective planning and policy responses. Unfortunately, there is currently no comprehensive regional housing data published by the State Government to effectively monitor and track regional housing activity and regional housing market efficiency. While a variety of data is published on the Western Australian housing market, there is no comprehensive data set on conditions and trends in regional markets.

The Housing Industry Forecasting Group reports on a six monthly basis, however, is largely focused on the overall level of housing market activity in the metropolitan market. REIWA produces and publishes rental and property turnover and price trend data only. The Department of Planning, Lands and Heritage publishes Regional Land Supply Assessments for individual regions however only one or two regions are covered each year. The Bankwest Curtin Economics Centre’s *Housing Affordability in WA* provides state-wide analysis of housing affordability for home purchase and rental. While all these sources are valuable, the information is disaggregated, intermittent and does not provide a comprehensive view of housing market efficiency and access in Regional WA. There is no regular data produced about land availability, social housing stock and demand, regional home lending volumes, or on general housing market supply and demand.

The absence of available, current and comprehensive data on housing conditions, trends and future demand requirements limits the ability of local governments to actively engage with the State Government and other stakeholders to plan for future scenarios, coordinate local responses and identify short term issues and long-term trends in regional housing markets. It is noted that RCA members have access to a range of the data however, through the collation and publication of a comprehensive data on regional housing markets, it will enable broader discussion of regional challenges and highlight the policy issues for Government. Such data would complement and contribute to RCA’s current benchmarking of Government services.

Recognising the commitments under the Housing Strategy and to support the objectives of Infrastructure WA’s future regional housing planning, an opportunity exists for RCA members to advocate for State Government to establish regular collation and publication of regional housing market data.

It is recommended that RCA members seek the support from Government to establish regular collation and publication of regional housing market data covering as a minimum the following datasets:

Rental Data	Sales Data	Land Availability	Construction Activity
<ul style="list-style-type: none"> • Median Rates • Vacancy Rates • Social Housing Stock Numbers • Social Housing Wait List Numbers • Number of Commonwealth Rental Assistance Recipients • Rental Affordability Index 	<ul style="list-style-type: none"> • Median Housing/Unit Prices • Listings and Sales Volumes • Home Loan Approvals • Home Purchase Affordability Index 	<ul style="list-style-type: none"> • Lots Sold • Lots Available for Purchase • Lots Developed • Lots Zoned Urban but Not Developed 	<ul style="list-style-type: none"> • New Home Sales • New Building Commencements

Housing Tenure

Western Australia’s regional housing markets are more reliant on rental housing to meet the housing needs of residents than the Perth metropolitan area. As shown in Figure 2, across regional WA almost a third of all households reside in rental accommodation.

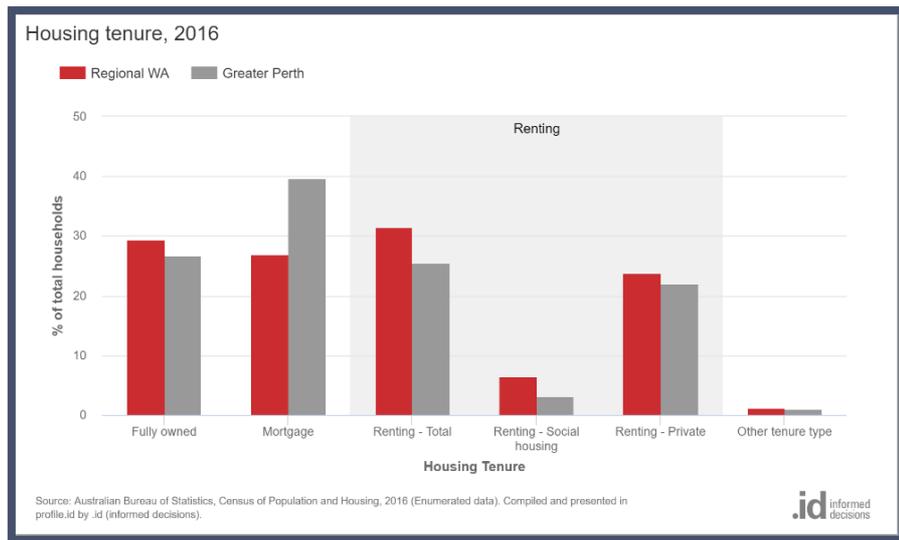


Figure 2 - WA Housing Tenure 2016 Census

This is higher than the quarter of households that rent in the Greater Perth region. While marginally more people fully own their home in Regional WA, only a quarter of regional households are buying a home compared to 40 percent of households in the metropolitan area.

Figure 3 and Table 2 show that across all major regional capitals, the reliance on rental housing is greater than that of the metropolitan area. In the Kimberley and Pilbara (and to a lesser extent the Goldfields) rental housing is the predominate housing tenure. This increased

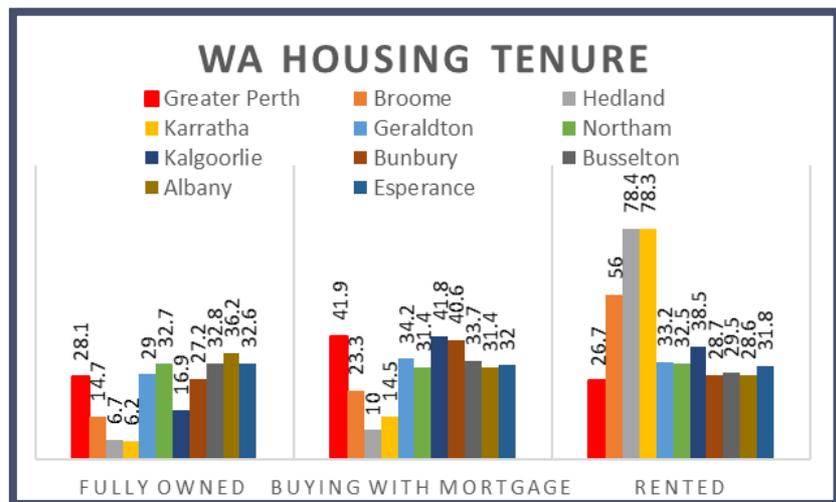


Figure 3 - WA Housing Tenure

reliance on rental housing rather than ownership significantly shifts the nature of housing demand and supply. For example, supply of rental housing is dependent on a third party being prepared to invest in property and make it available for long term rental. Across each market the majority of rental stock will be held by a mix of Government (social housing and Government regional officers housing), private mum and dad investors and businesses renting to staff.

Location	Fully Owned %	Owned with a Mortgage %	Renting Private %	Other Tenure %
Western Australia	28.5	39.7	28.3	3.5
Greater Perth	28.1	41.9	26.7	3.4
Broome	14.7	23.8	56.0	5.4
Hedland	6.7	10.0	78.4	4.9
Karratha	6.2	14.5	76.3	3.0
Geraldton	29.0	34.2	33.2	3.5
Northam	32.7	31.4	32.5	3.3
Kalgoorlie	16.9	41.8	38.5	2.8
Greater Bunbury	27.2	40.6	28.7	3.4
Busselton	32.8	33.7	29.5	4.0
Albany	36.2	31.4	28.6	4.1
Esperance	32.6	32.0	31.8	3.7

Table 2 – Housing Tenure Comparison Census 2016

However, the disproportionate level of rental housing within regional markets especially those with low levels of home ownership, ensure markets remain highly volatile to demand pressures. While home ownership is a largely personal investment decision based on financial and housing consumption preferences, investing in rental property is more akin to a business investment decision that balances risk and return.

There are legitimate reasons for the current imbalance in the various markets and given the transient nature of the populations that live and work in some regional locations, rental housing is always likely to be the predominant housing tenure. There may however, be opportunities to increase the level of rental housing owned by organisations and groups with a long term commitment to the location and who are likely to invest in regional rental housing for a broader objectives than commercial returns.

For example, across Regional WA there are a number of Community Housing Providers and Indigenous Corporations that are regionally based, locally focused and committed to delivering benefits to residents of regional WA. While they make commercial decisions to invest in rental housing portfolios, their investment decisions will consider commercial returns in the context of the social and community benefits they will be able to deliver over the long term. They are therefore less likely to be reactive to market fluctuations acting more like homeowners than investors.

Encouraging and leveraging the efforts of these organisations to develop and own local rental portfolios, deliver affordable housing for key workers and facilitate home ownership programs for local residents, RCA Members will be able to increase the level of long-term stable properties held within their communities. They will also increase the level of social capital and infrastructure available to vulnerable residents of their communities supporting longer term social and economic development.

Home Purchase Rates are low

Despite the recent spike in property prices the resulting from the post Covid increase in demand, home ownership indicatively remains more affordable in many regional markets than the Greater Perth region. Table 3 shows the home purchase affordability ratio across the regional capitals.

Location	Median Income	Median Sale Price	Price to Income Ratio
Greater Perth	\$103,897	\$490,000	5.0
Broome	\$89,439	\$507,500	5.4
Port Hedland	\$151,319	\$297,500	1.4
Karratha	\$155,474	\$470,500	2.2
Geraldton	\$81,442	\$290,000	3.4
Northam*	\$78,626	\$235,000	3.0
Kalgoorlie	\$119,280	\$299,000	2.7
Bunbury	\$87,912	\$355,000	4.0
Busselton	\$81,294	\$510,000	6.4
Albany	\$77,499	\$380,000	5.1
Esperance	\$89,401	\$350,000	3.9

Table 2 - Housing Purchase Price to Income Ratios Bankwest Curtin Affordability Report 2021

* Not reported however, Census and REIWA data adapted consistent.

This would suggest that home ownership should be attainable for more households in these markets, however regional Western Australians face increased barriers to home ownership than their metropolitan counterparts, particularly in relation to new housing supply.

Residents of regional WA confront the dual challenge of increased housing construction costs and increased household operating costs. The cost of new housing in Regional WA is significantly higher than the cost of an equivalent dwelling in the Perth metropolitan area. Due to smaller contractor pools, additional material costs, and competition for labour regionals costs range from 5-10% higher in Northam, Bunbury and Busselton, 10-15% in Albany, Esperance, Geraldton and 20-30% in the Goldfields, Pilbara and Kimberley.

In addition, the housing costs associated power, water and insurance can be significantly more expensive than the metropolitan area. Insurance costs in the north-west are extraordinarily high where premiums can be upwards of \$10,000 a year. These additional cost burdens impact borrowing capacity, constrain the ability to save a deposit and creating further barriers to accessing home ownership.

Due to the volatility of regional housing markets, lending policies of all major lenders apply more stringent lending conditions on home lending in regional WA. In the Pilbara and Kimberley, the major banks require a deposit of 30% to provide home finance. The impact of this condition and the regional cost impacts, is outlined in Case Study 1 below.

Case Study 1: Regional Cost and Lending Policy Impacts

Construction costs are approximately 20% higher in the Pilbara and Kimberley than the metropolitan area.

Household living costs, through power, water and insurance costs are also around 30% higher in the Pilbara and 20% higher in the Kimberley.

The major banks currently require a 30% deposit on home lending across the Pilbara and Kimberley

Karratha

Karratha currently has available land through DevelopmentWA and a range of local builders. The minimum cost for a new entry level house and land package is between \$550,000 - \$600,000. An equivalent house and land package in Perth would cost around \$430,000 - \$470,000.

For a family with two children on \$130,000 per year with average household expenses of \$5,000 per month, could afford to borrow \$480,000 for a home. However, due to the increased costs of living in the Pilbara this reduces to \$260,000.

To obtain a home loan from a traditional lender they would require a deposit of around \$190,000, or 14 years of saving at a 10% savings rate. A similar family in Perth could require a deposit of around \$50,000 (and pay lenders mortgage insurance of around \$10,000), or less than 4 years at a similar savings rate

	Karratha	Perth
Property Cost	\$570,000	\$460,00
Deposit Required	\$190,000	\$50,000
Loan Amount	\$380,000	\$420,000 (inc. capitalized LMI)
Loan Repayment	\$2,000 per month	\$2,2000 per month

In addition, due to the increased living costs in the Pilbara, to afford the home loan required to purchase the property, the Karratha family would need to increase their income to \$145,000 per annum.

Keystart and the Commonwealth Government's First Home Loan Deposit Scheme are two initiatives designed to support access to home ownership and are available across regional WA. Keystart does provide favourable eligibility conditions across regional WA and is strongly focused on supporting regional home ownership. However, the extent of the constraints relative to the lending policy flexibility and the awareness of the availability of the Keystart option may not be sufficient to significantly increase take of Keystart finance. Further engagement with Keystart on the nuance of lending criteria and increased awareness of product availability across WA may support RCA members to increase home ownership rates in their communities.

The First Home Loan Deposit Scheme is designed to support and complement existing bank lending policies and address the barriers to saving a deposit. It allows for the Government to provide a loan guarantee covering up to 15% of the property value enabling first home buyers to access home loans without LMI with a 5% deposit. This scheme was expanded in the 2021 Budget to support single parents. Again, while a positive initiative that will suit some regional WA markets, the Scheme is reliant on banks being willing to lend within regional WA and the price thresholds for regional WA (\$400,000) are applied across the State and are lower than the metropolitan area (\$550,000). RCA members may wish to approach the Federal Government to consider the flexibility and accessibility of this initiative for regional WA.

In addition, employment policies from the State Government and private sector, and Federal taxation regulations (FBT) actively discourage regional households from pursuing homeownership and establishing economic roots in regional communities.

For example, while the State Government's Government Regional Officers Housing program offers a home ownership option, the operation of the Scheme effectively prioritises and incentivises eligible employees to remain as rental tenants rather than pursuing home ownership – at significant additional cost burden to the State Government. The Home Ownership option caps financial assistance at 5 years, while there is no limit on the provision of discounted rental accommodation. In addition, not all State Government agencies make the home ownership option available to their employees. This can create the perverse situation where Government employees can receive discounted rental housing for many years, while investing in residential property in other housing markets.

Similarly, current Fringe Benefits Tax arrangements disincentivise the private sector from providing financial assistance to employees to purchase a home in a regional location. This encourages a high reliance on FIFO employment, discourages relocation to regional locations and increases dependency on short term or rental accommodation arrangements in regional towns. With a renewed focus on establishing a local workforce in response to Covid travel restrictions, there may be potential for RCA members to work with the State Government, or independently, to advocate to the Federal Government for potential changes to FBT arrangements.

Despite these challenges and barriers, there is opportunities for RCA members to promote the benefits of home ownership in their cities. RCA members should ensure that the availability of the various Schemes are widely promoted across their communities. This should include engagement with the relevant organisations to ensure regular promotional visits to regional WA, including engagement with RCA members.

Local Planning and Approval Processes

Timely and orderly availability and access to residential land is reliant on the completion of appropriate long term land planning, just in time infrastructure investment by utilities agencies and proactive development activity by State Government and private sector landowners and developers. This is enabled and supported by local government through their Town Planning responsibilities and processes.

RCA members should ensure that their Local Planning Strategy remains current and future focused with sufficient urban zoned or identified land to accommodate anticipated and potential population growth and development. This will enable them to proactively engage with the State Government and utilities agencies to facilitate just in time infrastructure investment in power, water and sewer infrastructure.

Active engagement with Development WA and major private landholders will encourage timely planning and investment in greenfields development. The focus of this effort should be on promoting preparation and responsiveness to demand for new residential land supply. This should see consistent availability of land for sale with the ability to quickly bring on new land supply when demand increases.

Subject to local conditions, to ensure RCA members balance the overall demand on available residential land supply and adequately understand infrastructure requirements, they should focus on ensuring there is consistently sufficient land supply through greenfields and infill development opportunities for two competing purposes, residential land for economic development and residential land for population growth. Residential land for economic development should facilitate the development of land for temporary workforce accommodation such as a workers accommodation village and tourism accommodation. Residential land for population growth will accommodate traditional permanent housing for rental and home ownership. Inadequate planning and provisioning for either use has the potential to create unreasonable competition for land use, distorting the housing market and result in suboptimal land use and urban development outcomes.

In addition, RCA members should ensure that they use their role in the Town Planning process to proactively influence the efficiency of the housing market in two ways, approval processes and encouragement of housing diversity and affordability. Timely approval processes should enable investment in new housing supply to flow as quickly as possible minimising delays and enabling supply. RCA members are encouraged to pursue proactive planning policies that incentivise affordable housing and diversity. While current town planning process seek to actively encourage housing diversity, there are underutilised provisions that can incentivise the delivery of additional affordable housing through the provision of density bonuses if housing is to be used as affordable housing. Given the community value of affordable housing for key workers in regional communities, RCA members are encouraged to consider implementing incentives of this nature.

Regional Differences

Regional housing markets face unique challenges that are not faced by the metropolitan area that impact housing availability and market efficiency in different ways. While all regional capitals experience significant movement with agricultural and mining activity, other local issues facing RCA members vary greatly. The local economic drivers, business decisions, climatic conditions, the level of government activity and current and future population trends in each community can affect housing market behaviour in a variety of ways.

In the Pilbara and the Goldfields, the obvious movements in commodity prices and business investment are the most stark direct drivers of their housing market activity. However, in other markets such while also affected by mining and agricultural activity, their markets face different challenges. Table 4 and Case Study 2 highlights the impact disruptive tourism options such as AirBnB can have on rental housing availability.

Town	Vacancy Rate – September 2021 (REIWA)	Available Rentals – (Realestate.com) Oct 2021	AirBnB listings - (one week stay booking 3+ months in advance, non school holiday period)
Broome	0.5%	25	86
Hedland	Not reported	53	5
Karratha	1.3%	62	8
Geraldton	1.6%	31	75
Kalgoorlie	1.4%	60	17
Northam	Not reported	1	30
Bunbury	0.6%	65	48
Busselton	1.0%	4	300
Albany	0.5%	22	100
Esperance	0.5%	2	44

Table 3 - Available Rental Stock vs Air BnB listings

Case Study 2: Disruptive Tourism Economy

A three-bedroom, one-bathroom property located in Nulsen, the most affordably priced suburb of Esperance is currently listed on AirBNB at \$1,200 per week for a non-school holiday period booking.

If this property was made available for long term rental it would command a market rental of between \$250 and \$300 per week.

There are currently only two rental properties available for long term rental in Esperance, however, there are more than 40 properties listed on AirBNB, many of which are single residential homes.

The benefits tourism brings to those regional communities, particularly in the current post Covid economic climate, however it is illustrative of the unique challenges faced in maintaining housing market efficiency in regional markets.

Missing out on available Investment

A key enabler of housing supply in Regional WA is the ability to access sufficient low-cost capital and to attract investment in new housing supply.

There are a range of available sources of lower cost Government backed capital funding that can support regional housing markets however, engagement with relevant agencies indicates that there is limited take up of these opportunities. There appears an absence of awareness on the availability and the way this funding can be accessed. As a result, regional WA is missing out on accessing this important available capital.

The types of available funding sources include the Northern Australian Infrastructure Facility (NAIF), the National Housing Finance and Investment Corporation (NHFIC), Indigenous Business Australia (IBA), Indigenous Land and Sea Corporation (ILSC) and the National Disability Insurance Agency’s Specialist Disability Accommodation (SDA) RCA members should prioritise efforts to enable the flow of these available funding into their local housing markets.

An example of a missed opportunity is the National Housing Infrastructure Fund (NHIF) provided through NHFIC. NHFIC was established to provide funding and finance support to enable the supply of social and affordable housing largely through Community Housing Providers. However, to enable affordable housing supply the NHIF was established to provide a grant and low cost debt to help fund infrastructure costs that would normally prevent affordable housing projects from proceeding. The NHIF is available to local government, State Government and Community Housing Providers to facilitate housing projects on the basis that a component of the project be used to deliver affordable housing outcomes. The NHIF is yet to be accessed across Western Australia.



NHFIC helps improve housing outcomes for all Australians

- Support to buy a home
- Financing community housing providers
- Financing new housing infrastructure projects
- Housing Research Portal

Under occupied properties and underutilised land

Across the various regional capitals, there is significant housing capacity tied up in the inefficient use of existing housing assets or unrealised potential from vacant government owned land.

The State Government’s recent announcements about investing in social housing refurbishments and urban renewal activities will go some way to activating vacant and underutilised social housing. However, further opportunities exist to realise additional housing supply capacity through underutilised social housing stock, Department of Communities and Development WA owned land and other Local and State Government held land and property assets. This could include RCA members seeking to purchase land under the Crown Land disposal process at significantly reduced cost on the basis that any savings would be invested in headworks or infrastructure costs.

RCA members should seek to establish a local process or arrangement with Government (Department of Communities, DPLH and Development WA) to identify and optimise the use of available Government owned land and property assets to facilitate housing supply in their towns.

Regional Land Supply Infrastructure and Investment Fund

Concern is often raised across regional WA about the reluctance of Development WA to proceed with projects on the basis that they are unable to achieve their required commercial hurdle rates.

The Landcorp Act requires Development WA to achieve commercial returns to the State on all their projects. A key driver to the commercial viability of regional land projects is the level of infrastructure, headworks and servicing costs required to facilitate development. Given the scale and availability of utilities infrastructure in regional locations, Development WA projects will often require upgrades or additional utilities infrastructure to meet future demand created. These costs are largely in addition to standard headworks and servicing costs and significantly hamper the commercial viability of development to levels below Development WA’s required hurdle rate.



Furthermore, until 1998 the LandCorp Act included a requirement that it should ensure provision of residential land for the social and economic needs of the State including:

- a) the provision of subdivided land at the lower end to the middle range of the market in order to ensure a competitive element in the market;
- b) the development of potential residential land for disposal in super-lots to ensure that there is a continuous supply of residential land;
- c) the provision of subdivided land in those more remote areas of the State where in the opinion of the Minister there is no private developer willing or adequately able to provide that land;
- d) the provision of subdivided land for social needs to persons who would otherwise be unable to afford to acquire a home.

This requirement was repealed on the basis of that *“Homeswest assumes full responsibility for the former function of providing subdivided residential land for first home buyers and the lower end of the market. The Department of Land Administration will continue to provide subdivided land in regional townships. Landcorp would retain responsibility for the development of crown land in major regional towns or in complicated specific projects. The authority may undertake any of its functions either as a landowner in its own right, as a project manager or as a consultant.”*

This move repositioned Landcorp (now Development WA) to exclusively focus on the development of regional land supply for commercial returns. With Landgate (formerly DOLA) no longer involved in regional land subdivision and the Department of Communities (formerly Homeswest) land functions moving to Development WA, there is an absence of focus supply of land at the lower end of the housing market and efficient functioning of regional land supply.

There is provision for Government to provide additional financial support to Development WA to enable regional projects that do not meet the required hurdle rate to proceed via provision of a community service obligation (CSO) contribution. Unfortunately, requests for individual project CSO contributions are undertaken in isolation based largely on the level of priority for projects in individual regions. There is not currently a standing Annual budget commitment of funding to ensure orderly and timely residential land supply in regional WA.

In the absence of a policy focus in Government on the efficiency regional land supply, RCA members should consider advocating to Government for the establishment of a dedicated Regional Land Supply Investment and Infrastructure Fund. This fund would provide an annual budget allocation available to Development WA and infrastructure agencies to fund the shortfall in infrastructure costs and the required CSO payments to Development WA to ensure a steady supply of land across Regional WA.

Turning the Tide

The RCA as leaders in their communities and across regional WA are committed to working with State and Federal Governments, the private sector and non-government organisations to implement a range of actions and initiatives to address barriers and challenges to regional housing investment and to make regional housing markets more sustainable. The advice below provides guidance and insights about how RCA members should seek apply their individual and collective efforts.

Leaders and Role Players

RCA recognise the need to take action to support their communities and are seeking to ensure any effort invested can have the meaningful impact. The housing market is influenced by a wide variety of policy, economic and consumer influences and many of the major levers required to influence these sit largely outside of the control of Local Government. However, Local Government with its planning, development and community functions is part of the broader housing policy ecosystem that enables or inhibits housing market efficiency. Furthermore, as the most local of leaders in their communities, local government is acutely aware of and impacted both professionally and personally by the issues in their local housing markets.

Local government is traditionally circumspect in seeking to influence housing markets recognising the potential to overreach on this issue, creating local expectation and inadvertently taking on responsibility for matters outside of its control, capability or that should be the purview of the State and Federal governments and/or the private sector. However, taking this into account, there is the opportunity for RCA members to play an active role (and in some cases are playing) in supporting housing availability in their communities.

Figure 5 below outlines the range of housing market influencers and players. This identifies the potential scope and opportunity for RCA members to work with a range of groups and stakeholders to influence housing market dynamics.

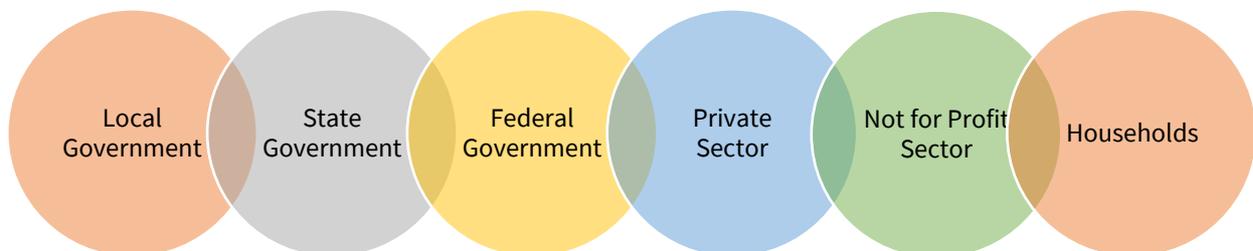


Figure 4 - Spheres of Influence and Opportunity – Housing Market Influencers and Players

Figure 6 identifies the various the policy levers through which RCA members can influence local housing market outcomes.

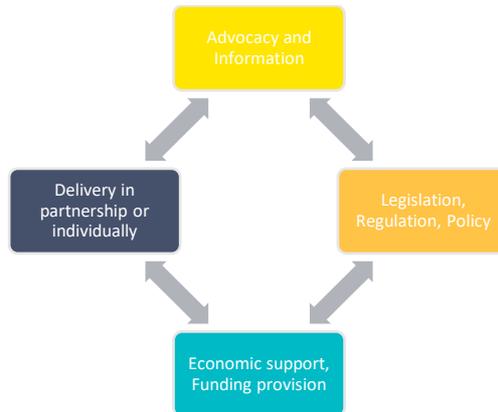


Figure 6 - Levers available to influence housing markets

It is not suggested that all policy levers should be used in all circumstances. However, with well-considered and strategic responses, RCA members have the potential to shine a light on regional housing challenges, significantly improve the efficiency of their housing markets and increase access to housing in their communities.

RCA members are likely to be most effective by recognising and positioning themselves as role players encouraging, adapting to, and complementing the activities of others. The specific nature of the role played by RCA members should vary dependent on location and circumstance however, they should in the main position themselves as leaders and facilitators advocating and supporting the required actions by others to increase housing availability.

Strategies and Actions

With RCA members seeking to take a lead role in enhancing the efficiency and sustainability of their local housing markets it is recommended that they seek to undertake a range of initiatives and actions focused on achieving three objectives:

Objective 1: Increase awareness of Housing Issues, Challenges and Opportunities in Regional WA

Objective 2: Removing Barriers to Investment in new Housing supply in Regional WA

Objective 3: Increasing Housing Investment in Regional WA

To achieve these objectives RCA will need to use all available policy levers at their disposal and should apply a range of strategies and actions. Recognising that no one solution in isolation will drastically improve the situation rather many minor changes and enhancements are likely to deliver considerable cumulative impacts. Some of the actions should be taken collectively and some individually and while not all RCA members will need to, or feel comfortable taking all actions, they provide a collective approach designed to have short- and long-term impact on housing market efficiency. It is recommended that those actions include:

Strategy 1: Effective Local Planning and Approvals

RCA members are committed to playing their role in improving regional housing market efficiency. A key component will be to ensure there is orderly supply of residential land, efficient approval processes, and that they prioritise housing diversity. To support this RCA members should:

Action 1: Ensuring Local Planning Schemes and Infrastructure Investment Plans are current, coordinated and future focused

Action 2: Timely Approval Processes

Action 3: Provide Planning Incentives for Affordable Housing

Strategy 2: Leverage Infrastructure WA's draft strategy Foundations for a Better Tomorrow and the State Government's Housing Strategy 2020-2030 to improve the focus on regional housing.

RCA members should use the commitments under the Infrastructure WA draft strategy and the Housing Strategy to increase accountability and leadership on regional housing issues with and across the State Government.

To achieve this RCA members should:

Action 1: Position RCA members as leaders and influencers of the regional housing agenda

Action 2: The advocate for the collation and publication of Regional Housing Data

Strategy 3: Partnering and collaborating with Government and Others to leverage investment in Regional WA

RCA members have limited capacity to address housing issues on their own. However, by working in partnership and collaborating with others they will be able leverage their own efforts and the efforts to others to maximise housing investment and the efficiency of local housing markets.

To achieve this RCA members should:

Action 1: Partner with the State Government to make more efficient use of existing land and housing assets

Action 2: Support and enable the delivery of land and housing projects

Action 3: Consider investing in land and housing projects

Action 4: Encourage and support Community Housing Providers and Indigenous Organisations to invest in additional housing in regional WA

Strategy 4: Policy and Regulatory reforms, solutions or initiatives

RCA members are acutely aware of the barriers and challenges faced by their communities in facilitating housing supply. As leaders in their communities, RCA members should continue to encourage State and Federal Government agencies to remove barriers to housing investment in regional WA.

To achieve this, RCA members should

Action 1: Advocate to the State and Federal Government to change specific policies or regulation that discourages or prevents investment in Regional housing

Action 2: Advocate for policies and initiatives that encourage sustainable investment in Regional Housing

Action 3: Advocate for the establishment of a State Government Regional Land Supply Infrastructure and Investment Fund

Strategy 5: Capitalising on State and Federal Government Investment and Financial Assistance Opportunities

Ensuring regional WA benefits from accessing all available sources of housing investment capital and financial assistance opportunities should be a key priority of RCA members. This has the potential to bring significant investment into regional housing markets and unlock considerable housing market capacity. To achieve this RCA members should:

Action 1: Actively pursue opportunities to access (and encourage and support their communities to) all available funding opportunities

Action 2: Ensuring regional communities have access to Home Purchase and Housing Assistance Information

Strategy 6: Promoting Regional Housing Choice

Some regional housing markets are unbalanced and there are opportunities to improve housing market stability through a more balanced tenure mix and greater housing diversity. RCA members should actively encourage private investment in their communities through promoting housing market choice. To achieve this, RCA members should

Action 1: Promote regional home ownership and housing diversity

Action 2: Promote, support, and encourage regional housing initiatives

Housing Action Plan Snapshot

Strategy	Recommended Actions / Initiatives
Strategy 1: Effective Local Planning and Approvals	Action 1: Ensuring Local Planning Schemes and Infrastructure Investment Plans are current, coordinated and future focused Action 2: Timely Approval Processes Action 3: Provide Planning Incentives for Affordable Housing
Strategy 2: Leverage the Infrastructure WA and the State Housing Strategy 2020-2030 to improve the focus on regional housing	Action 1: Position RCA members as leaders and influencers of the regional housing agenda Action 2: The advocate for the collation and publication of Regional Housing Data
Strategy 3: Partnering and collaborating with Government and Others to deliver more housing	Action 1: Partner with the State Government to make more efficient use of existing land and housing assets Action 2: Support and enable the delivery of land and housing projects Action 3: Consider investing in land and housing projects Action 4: Encourage and support Community Housing Providers and Indigenous Organisations to invest in additional housing in regional WA
Strategy 4: Policy and Regulatory reform, solutions and Initiatives	Action 1: Advocate to the State and Federal Government to change specific policies or regulation that discourages or prevents investment in Regional housing Action 2: Advocate for policies and initiatives that encourage sustainable investment in Regional Housing Action 3: Advocate for the establishment of a State Government Regional Land Supply Infrastructure and Investment Fund
Strategy 5: Capitalising on State and Federal Government Investment and Financial Assistance Opportunities	Action 1: Actively pursue opportunities to access (and encourage and support their communities to) all available funding opportunities Action 2: Ensuring regional communities have access to Home Purchase and Housing Assistance Information
Strategy 6: Promoting Regional Housing Choice	Action 1: Promote regional home ownership and housing diversity Action 2: Promote, support and encourage regional housing initiatives

