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Housing Market Imbalances in Byron Shire: Where to Now?

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Southern Cross University

Abstract

This paper examines the prospects for first-home buyers in Byron Shire, a popular 'sea-change' and tourist destination on the Far-North Coast of NSW. Firstly, the Shire's level of social disadvantage is highlighted with a range of socioeconomic variables. Byron Shire's median house prices are then introduced and affordability ratios are developed to expose the hurdles confronting first-home buyers. The analysis shows that decline in the affordability of housing has far outweighed any positive impact from the government's first-home buyer grant.

The paper concludes that traditional ratio measures that compare housing costs with income are insufficient for exploring how households experience decline in the affordability of housing. An ethnographic approach will help understand how they view, respond and adapt to the reality that homeownership is becoming an impossible dream. Such an approach may reveal new demand side policies which can be tailored to the marginal buyer if they are means tested.

Introduction

Increasing numbers of Australians have migrated to high amenity non-metropolitan coastal destinations over the last few decades (Kelly and Haslem McKenzie 2005; Pendagast et al 2004; Australian Local Government Association 1994; Paris 1990). This process, often referred to as the 'sea change' phenomenon is said to be motivated by factors relating to housing affordability. Lower income groups are said to leave the city in search of cheaper housing, while affluent sea changers realise capital gains from their city properties and 'down size' in lifestyle destinations (Gurren et al 2005). There is evidence, however, that coastal areas are becoming less affordable. Indeed, in recent years land values have risen markedly and housing stress is being experienced in areas often associated with high proportions of low income households and socio-economic disadvantage (Wulff et al 2005).

This paper explores the affordability of housing in the popular sea change and tourist towns of Byron Shire on the Far-North Coast of NSW. Firstly, the level of socioeconomic disadvantage will be explored with a range of socioeconomic variables. Affordability ratios will then be developed to highlight recent decline in the affordability of housing and expose the hurdles now confronting first-home buyers. Byron Shire's strongest ever boom in real estate has recently been experienced. This boom has been attributed to a shortage of listings, the first home buyer grant, changes to capital gains tax, historically low interest rates and improved road links with South East Queensland (Eldridge 2002; Garnaut and Wade 2003). Byron Shire's house prices are now the highest for any area of NSW outside Metropolitan Sydney (Australian Bureau of Statistics 2004; Croft 2004).
The paper then explores the Federal Government’s policy approach for maintaining the level of homeownership in Australia, with a discussion of the problems of the First Home Buyer Grant Scheme (FHOGS). Prospects for the success of this scheme in Byron Shire are then explored. The paper concludes with a discussion on the need for an ethnographic study of residents affected by decline in the affordability of housing, to better tailor future policies for achieving homeownership for the marginal buyer.

**Byron Shire**

Byron Shire, population 30,245 (Australian Bureau of Statistics 2002), is situated in the statistical region known as Richmond-Tweed, on the Far North Coast of NSW. Richmond-Tweed is one of the fastest growing regions in Australia (National Economics 2002). Net migration to Richmond-Tweed accelerated during the 1970s as many new residents moved from the cities for lifestyle and retirement pursuits (Cumming et al 1996). As stated earlier, the process is now typically called the sea change phenomena (Kelly and Haslem McKenzie 2005), although it has been labeled counterurbanisation, or net internal migration down the urban hierarchy in earlier studies (Brown 1984; Dean 1984; Sant 1993; Burnley 1996).

Byron Shire shares boundaries with the local government areas (LGAs) of Tweed, Lismore and Ballina and is within an hour’s drive of Queensland’s Gold Coast. The shire is a diverse mix of towns and rural villages with their own distinctive cultural values, which embrace both traditional and alternative lifestyles (Byron Shire Council 2004). The main towns in this LGA include Byron Bay, Ocean Shores and Mullumbimby and their location appears in Figure 1. Byron Bay is a well-renowned tourism icon, indeed, one of the highest profile destinations in Australia and is well known internationally (Rob Tonge and Associates & Stephen Fletcher and Associates 2002). The common perception may well be that Byron Shire is a playground of the rich and wealthy. This view, however, is at odds with the inherent level of social disadvantage in the shire.
The relevant variables in an analysis of social disadvantage

Walmsley and Weinand (1997) noted the difficulties involved in relying on single indicators for providing an assessment of spatial inequalities. An array of variables can be used for highlighting socio-economic disadvantage in a sea change location such as Byron Shire. Indeed, a number of Census and other socioeconomic variables have been used in studies of regional disadvantage (Pritchard, Lea and Medhurst 2001; Sorenson 1999). Pritchard, Lea and Medhurst (2001) studied the level of regional advantage and disadvantage in Northern NSW with a diverse array of variables including, weekly family and household income, household type, the structure of dwellings, monthly housing loan repayments, weekly rent and the number of people waiting for public housing.

An extensive body of research has also highlighted the way in which housing markets are affected by socio-demographic factors and by changes in household incomes and unemployment (Kelly and Haslam McKenzie 2005; Squires and Gurran 2005; Yates 2002). Squires and Gurran (2005) explored the affordability of housing in a number of high growth regions in NSW, Queensland and Victoria with the aid of data on household income, house price inflation, rent, unemployment, the proportion of part-time employees and the proportion of recipients on income support.
This paper explores the level of disadvantage in Byron Shire with a list of variables similar to the analyses of Squires and Gurran (2005) and Pritchard, Lea and Medhurst (2001). More specifically, the variables chosen include unemployment, the structure of the labour market, household income, the structure of households and the percentage of individuals receiving welfare benefits. Changes in a number of these variables are traced with ABS Census data and recent ABS data on those receiving welfare benefits (see ABS 2005). In each case comparisons are made with the NSW average. Only household income figures from the 2006 ABS Census have been included in this paper. Statistics for the remaining variables will be added to the analysis when they are released to the public. In addition, unemployment figures have been obtained from Department of Employment and Workplace Relations (2006). Once Byron Shire's relative disadvantage has been established, recent data on house prices will be used for studying the affordability of housing.

**Average household income in Byron Shire**

Average gross household incomes of residents residing in Byron Shire compare poorly with the NSW average. Byron's average stood at about $716 per week, while the state average was about $1069 in 2001 (Australian Bureau of Statistics 2002). The capacity of local first homebuyers to purchase properties at prices approaching Metropolitan Sydney levels is likely to be highly restricted. When this paper was prepared insufficient 2006 ABS Census data was available to compare Byron Shire's average level of household income with the state, or the nation.

**The structure of Byron Shire's workforce**

Table 1 shows the percentage of workers that are employed in a variety of industries in Byron Shire. Traditional industries, such as agriculture are employing a smaller percentage of the total workforce than in the 1980s. The majority of new jobs have been generated in service sectors supporting the tourist industry, or new residents. In particular, jobs have been generated in accommodation, hospitality, retail, construction and human services such as health. Many of these jobs are likely to be casual, seasonal and low paying (Department of Planning 1995). There also appears to be a relatively low proportion of workers engaged in highly skilled and professional occupations perhaps with the exception of the health sector. This outcome appears to be consistent with the relatively low level of household income in Byron Shire. Once again, the capacity of many to buy their own home will be restricted by the low pay that correlates to the type of work patterns in the shire.
### Table 1: Structure of the workforce by industry type 1986 – 2001

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, Forestry and Fisheries</td>
<td>14.18%</td>
<td>9.74%</td>
<td>7.56%</td>
<td>5.54%</td>
</tr>
<tr>
<td>Mining</td>
<td>0.25%</td>
<td>0.42%</td>
<td>0.49%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>6.88%</td>
<td>8.10%</td>
<td>8.68%</td>
<td>8.11%</td>
</tr>
<tr>
<td>Electricity, Gas and Water</td>
<td>1.28%</td>
<td>0.95%</td>
<td>0.73%</td>
<td>0.44%</td>
</tr>
<tr>
<td>Construction</td>
<td>8.16%</td>
<td>8.73%</td>
<td>7.15%</td>
<td>7.45%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>3.08%</td>
<td>3.48%</td>
<td>3.98%</td>
<td>4.16%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>16.02%</td>
<td>14.87%</td>
<td>15.95%</td>
<td>16.60%</td>
</tr>
<tr>
<td>Accommodation, Cafes and Restaurants</td>
<td>6.82%</td>
<td>8.96%</td>
<td>10.12%</td>
<td>10.90%</td>
</tr>
<tr>
<td>Transport and Storage</td>
<td>3.24%</td>
<td>2.59%</td>
<td>2.77%</td>
<td>3.06%</td>
</tr>
<tr>
<td>Communication Services</td>
<td>2.25%</td>
<td>1.44%</td>
<td>1.13%</td>
<td>0.98%</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>3.20%</td>
<td>2.89%</td>
<td>2.11%</td>
<td>1.80%</td>
</tr>
<tr>
<td>Property and Business Services</td>
<td>5.12%</td>
<td>5.37%</td>
<td>7.96%</td>
<td>9.12%</td>
</tr>
<tr>
<td>Government Administration and Defence</td>
<td>5.02%</td>
<td>4.10%</td>
<td>3.51%</td>
<td>2.88%</td>
</tr>
<tr>
<td>Education</td>
<td>8.10%</td>
<td>7.51%</td>
<td>8.43%</td>
<td>8.88%</td>
</tr>
<tr>
<td>Health and Community Services</td>
<td>8.45%</td>
<td>8.63%</td>
<td>10.14%</td>
<td>11.09%</td>
</tr>
<tr>
<td>Cultural and Recreation Services</td>
<td>1.78%</td>
<td>2.51%</td>
<td>2.46%</td>
<td>3.09%</td>
</tr>
<tr>
<td>Personal and Other Services</td>
<td>2.48%</td>
<td>3.15%</td>
<td>3.33%</td>
<td>3.34%</td>
</tr>
<tr>
<td>Non-classifiable economic units</td>
<td>0.83%</td>
<td>0.27%</td>
<td>1.17%</td>
<td>0.57%</td>
</tr>
<tr>
<td>Not stated</td>
<td>2.87%</td>
<td>6.30%</td>
<td>2.33%</td>
<td>1.88%</td>
</tr>
</tbody>
</table>


### Unemployment in Byron Shire

The unemployment rate for Byron Shire stood at 7.1 percent in December 2006 (Department of Employment and Workplace Relations 2006). This figure compares poorly with the national rate of 4.4 percent and the NSW rate of 4.8 percent.

In spite of strong growth in tourism it would appear that the service sector has not successfully brought the rate down to more acceptable levels in Byron Shire. There appears to be a lack of job opportunities relative to the growth of the population and traditional sources of labour demand: such as agriculture, forestry and supporting infrastructure, no longer provide reliable and expanding employment opportunities. Growing sectors are now likely to be construction, wholesale, retail trade, finance, community services, recreation and tourism (Buultjens et al 2003) although they have not kept pace with the growth of the population, nor provided high-income returns in many cases (Buultjens et al 1996; Department of Planning 1995).
Household structure and socioeconomic disadvantage in Byron Shire

Table 2 shows the changing make up of households in Byron Shire. The proportion of families with children has fluctuated quite substantially over the last 20 years and is now well below 1986 levels. The percentage of people residing in lone person households and single parent families, however, rose steadily during the period and is now substantially higher than in 1986. Unfortunately, lone parent and single person households often figure highly in statistics of socioeconomic disadvantage (Burke 2007) and are therefore less likely to be in a position to afford to purchase their own home.

Table 2: Change in the make up of households in Byron Shire 1986 – 2001

<table>
<thead>
<tr>
<th></th>
<th>Byron Shire</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Family Households</td>
<td></td>
</tr>
<tr>
<td>Couple Family with children</td>
<td>46%</td>
</tr>
<tr>
<td>Couple family without children</td>
<td>27%</td>
</tr>
<tr>
<td>One parent family</td>
<td>8%</td>
</tr>
<tr>
<td>Other family</td>
<td>3%</td>
</tr>
<tr>
<td>Non-single family households</td>
<td></td>
</tr>
<tr>
<td>Multi-family households</td>
<td>5%</td>
</tr>
<tr>
<td>Lone person households</td>
<td>5%</td>
</tr>
<tr>
<td>Group households</td>
<td>4%</td>
</tr>
</tbody>
</table>


Proportion of recipients of income support

Figure 2 indicates that Byron Shire has a relatively high proportion of recipients of income support (those receiving disability support, single parent and age pensions, Youth Allowance and Newstart). Indeed, the figure for Byron Shire is considerably higher than the state average.

Proportion of recipients of income support

Source: ABS 2005
So far, the analysis suggests that the level of social disadvantage is relatively high in Byron Shire. A discussion of median house prices and the affordability of housing follows below:

**House prices in Byron Shire**

This section traces the appreciation of median house prices for the three largest urban centres (Byron Bay, Ocean Shores and Mullumbimby) in Byron Shire between 2001 and 2006 (the most recent annual figures). Byron Shire experienced a housing boom between 2001 and 2003 and its impact on house prices can be readily seen from the changes in the median prices during this period. Indeed, the strongest appreciation occurred in 2001/2 in Byron Bay, the most expensive location in Northern NSW (Residex 2002).

Table 3: Median house prices in Byron Shire in 2001 and 2006

<table>
<thead>
<tr>
<th>Town</th>
<th>Number of Sales</th>
<th>Median Sale Price</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Calendar 2001</td>
<td>Calendar 2006</td>
</tr>
<tr>
<td>Byron Bay</td>
<td>271</td>
<td>$270,000</td>
</tr>
<tr>
<td>Ocean Shores</td>
<td>363</td>
<td>$147,500</td>
</tr>
<tr>
<td>Mullumbimby</td>
<td>97</td>
<td>$172,000</td>
</tr>
</tbody>
</table>

Source: Adapted from RP Data Ltd (2006)

Median house prices in 2001 were about $270,000 in Byron Bay, $147,500 in Ocean Shores and $172,000 in Mullumbimby (see table 3). The number of sales in 2001 reflects the strength of the property market in boom times. By 2006, median prices had appreciated to over $600,000 in Byron Bay, $395,000 in Ocean Shores and $391,300 in Mullumbimby. The market had slowed substantially, however, and the number of sales was at least 50 percent lower than those recorded during 2001.

It is acknowledged that the median figures for 2006 are less reliable due to the relatively small number of sales. Indeed, the median can be distorted by the changes in the quality and type of property sales from period to period (Stilwell and English 2004). This is likely in the case of Byron Bay, where median prices fluctuate strongly from month to month. Very few sales, however, were less than $450,000 in 2006. Likewise, the bottom of the market for a three bedroom detached dwelling in Ocean Shores was about $350,000 in 2006. These outcomes reflect the value premium attached to land in the coastal areas of Byron Shire. There are also implications for the affordability of housing and these will now be assessed with the aid of ratios of affordability.

**Affordability ratios**

The trends in the median house prices just discussed will influence whether potential first-home buyers can successfully achieve homeownership. The affordability of housing is generally assessed, however, with ratios which compare income with housing costs over time. Two common ratio measures include:

- An index of housing affordability; and
- The ratio of median house prices to annual average earnings
The Housing Industry Association (HIA) and Commonwealth Bank have used the first method to calculate their affordability index of homeownership since 1984. This index measures the ratio of average disposable household income to the qualifying income required to meet payments on a typical dwelling (HIA Economic Group 2007). Indexes are calculated for capital cities and the rest of each state on a quarterly basis.

To calculate the qualifying income it is assumed that the first-home buyer has a deposit of 20 percent and loan repayments are equal to 30 percent of disposable household income. When deciding how much to lend to customers, banks have a requirement that no more than 30 percent of disposable income should be spent on servicing the loan. This threshold has been routinely adopted by researchers when determining the level of housing stress in all forms of tenure, although the normative nature of this measure has often been contested (Gabriel et al 2005; Karmel 1998; Landt and Bray 1997).

The term of the loan is 25 years and the rate of interest is the Indicator Lending Rate, as published in the Reserve Bank Bulletin (http://rba.gov.au/statistics/bulletin 2007). In other words, this measure assumes that the median priced house is bought with funds borrowed from a bank to cover 80 percent of the purchase price (Stilwell and English 2004). Finally, house prices and monthly mortgage payments are the only costs which are considered when calculating the index. Costs such as rates, repairs and maintenance, stamp duty and real estate agents fees are therefore not included (HIA Economic Group 2007).

The median price of established dwellings is obtained from home loans financed by the Commonwealth Bank and does not take account of changes in the mix of size, location and quality of dwellings financed. Variations from one quarter to the next will therefore reflect any changes in the composition of housing financed, as well as changes in the price of a house of a given size, location and quality (HIA Economic Group 2007).

This paper adopts the same method as the HIA/Commonwealth Bank Index to calculate the qualifying incomes and indexes for the main urban centres of Byron Shire in 2001 and 2006. The analysis will indicate that the growth in qualifying incomes has substantially exceeded the growth of household incomes and consequently the affordability of housing has declined.

The median house prices for this analysis were obtained from Real Price Data Ltd (2007) and are presented in Table 4. Two median prices have been used for calculating the qualifying income for Byron Bay in 2006, $642,500 (Scenario A: the calendar 2006 median), and $488,500 (Scenario B: the median for December 2006). The 2006 median reflects the sale of many premium properties (valued in the millions) during the year, although the number of sales was relatively small (see table 3). Quite a few three bedroom detached dwellings sold for around $500,000 in the December sample, although very few sold for less than $450,000 in all of 2006. Indeed, about $450,000 would be the bottom of the market for a detached dwelling. This suggested a credible median should be close to $500,000. Hence, the December median was also used in the analysis.

An average disposable household income for Byron Shire of $29,703 was calculated from the 2001 ABS Census of Population and Housing. ABS had not released 2006 Census material at the LGA level when this paper was prepared. However, average disposable incomes were calculated for the three main towns in Byron Shire with postcode level statistics from the

(Stilwell and English 2004).
2006 Census. These figures include $41,427 (postcode 2481: Byron Bay), $35,843 (postcode 2482: Mullumbimby) and $36,030 (postcode 2483: Ocean Shores). A weighted shire average of $38,915 was also calculated with postcode level data. It is acknowledged that this process will not capture all households in the shire. There is minimal overlap with surrounding shires, however, and all urban centres of Byron Shire are included in the analysis. Finally, the rates of interest chosen are the Indicator Lending Rates of 6.55 percent (2001) and 8.05 percent (2006).

Table 4: House purchase in Byron Shire 2001 – 2006

<table>
<thead>
<tr>
<th></th>
<th>Median House Price</th>
<th>Average Disposable Household Income</th>
<th>Rate of Interest</th>
<th>Loan Size</th>
<th>Qualifying Monthly Payment</th>
<th>Qualifying Annual Household Income</th>
<th>Affordability Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Byron Bay 2001</td>
<td>$270,000</td>
<td>$29,703</td>
<td>6.55%</td>
<td>$216,000</td>
<td>$1465</td>
<td>$58,600</td>
<td>0.51</td>
</tr>
<tr>
<td>Byron Bay 2006 (A)</td>
<td>$642,500</td>
<td>$41,427</td>
<td>8.05%</td>
<td>$514,000</td>
<td>$3948</td>
<td>$159,360</td>
<td>0.26</td>
</tr>
<tr>
<td>Byron Bay 2006 (B)</td>
<td>$488,500</td>
<td>$41,427</td>
<td>8.05%</td>
<td>$391,000</td>
<td>$3031</td>
<td>$121,240</td>
<td>0.34</td>
</tr>
<tr>
<td>Ocean Shores 2001</td>
<td>$147,500</td>
<td>$29,703</td>
<td>6.55%</td>
<td>$118,000</td>
<td>$800</td>
<td>$32,000</td>
<td>0.93</td>
</tr>
<tr>
<td>Ocean Shores 2006</td>
<td>$395,000</td>
<td>$36,030</td>
<td>8.05%</td>
<td>$316,000</td>
<td>$2449</td>
<td>$97,960</td>
<td>0.37</td>
</tr>
<tr>
<td>Mullumbimby 2001</td>
<td>$172,000</td>
<td>$29,703</td>
<td>6.55%</td>
<td>$137,600</td>
<td>$933</td>
<td>$39,720</td>
<td>0.75</td>
</tr>
<tr>
<td>Mullumbimby 2006</td>
<td>$391,300</td>
<td>$35,843</td>
<td>8.05%</td>
<td>$313,040</td>
<td>$2426</td>
<td>$97,044</td>
<td>0.37</td>
</tr>
</tbody>
</table>

Source: developed for this study with data from RP Data Ltd and the Reserve Bank Bulletin

According to the HIA-Commonwealth Bank method, in 2001, a first-home buyer of a median priced dwelling in Byron Bay would borrow $216,000 (after providing a 20% deposit). The qualifying household income to service this loan is $58,600 per annum. The index of average household income to the qualifying income is therefore, 0.51, inferring that a household on the average income could not afford the median house. This relatively negative outcome is even worse after the 2006 calculations have been completed. Indeed, under Scenario A the qualifying income skyrocketed to $159,360 (a large deposit of $128,500 must be payed to secure the loan) and to $121,240 under Scenario B (a large deposit of $97,500 is still required). The affordability indexes also declined to 0.26 and 0.34 respectively. On these figures homeownership appears to be a distant dream for most first-home buyers.

The calculations for Ocean Shores and Mullumbimby indicate that affordability nosedived throughout Byron Shire between 2001 and 2006. The qualifying disposable incomes required to purchase the median house in 2001 ($32,000 in Ocean Shores and $39,720 in Mullumbimby) were relatively close to the shire average ($29,703) and therefore reasonably affordable. This outcome is supported by the affordability indexes of 0.93 (Ocean Shores) and 0.75 (Mullumbimby). Indeed, Byron Bay appeared as an unaffordable enclave in 2001 because the remainder of the shire was quite affordable. By 2006, however, the qualifying disposable income increased nearly threefold to $97,960 in Ocean Shores and $97,044 in Mullumbimby. Average disposable income, however, only increased to $36,030 in Ocean Shores and $35,843 in Mullumbimby and the affordability indexes declined to an
unaffordable 0.37 in both towns. Hence, the affordability of housing has plummeted throughout Byron Shire.

The second measure, the ratio of median house prices to annual average earnings also paints a bleak picture for Byron Shire's first-home buyers. Average annual gross individual taxable income was $30,773 in Byron Shire in 2001 (ABS 2006). Given the median house price in Byron Bay at the time ($270,000), a buyer of the median priced property would pay 8.77 times the Shire's average income. By 2003 (the most recent available figures for individual taxable income), income stood at $33,016 and the median house price had escalated to $526,000. The 2003 buyer would have paid 15.93 times this level of income.

The 2001 ratios for Ocean Shores and Mullumbimby were relatively affordable at 3.96 and 4.6 respectively. By 2003, however, they had spiralled to 9.54 (Ocean Shores) and 8.93 (Mullumbimby). The median house prices were $315,000 (Ocean Shores) and $295,000 (Mullumbimby) at the time (Real Price Data Ltd 2007). House prices have continued to increase relatively strongly in these towns (see Table 4) and no doubt when the income figures for 2006 are available higher ratios will be revealed.

The First Home Owner Grant Scheme

Despite numerous reports on housing affordability, progress in addressing the issue has been limited (Burke 2003). While there has been some government response focussed on first home buyers through the First Home Owner Grant Scheme (FHOGS) and eliminating stamp duty, there is increasing concern that current policies are not sufficient to address the problems experienced by many low income households (Burke 2003). FHOGS is a one-off, non-means tested payment of $7000 that assists people to purchase, or construct their first home (Office of State Revenue Victoria 2007 http://sro.vic.gov/sro/SROWebSite.nsf/rebates_fhog.htm). The Howard Government introduced this scheme in July 2000 as compensation for the imposition of the Goods and Services Tax (GST) on new housing. FHOGS was made available to all first-time buyers, however, it also included those purchasing used properties which did not incur the GST. The supply of housing is relatively inelastic and without means testing the scheme has pushed up the price of housing (Saunders 2005). Indeed, the grant has almost certainly made it harder for first time purchasers and those on lower incomes to realise the goal of homeownership (Kelly, Croft, Gillete and Sheppard 2005).

As stated earlier, a weighted figure of $38,915 for average disposable household income in Byron Shire was calculated with postcode level data from the 2006 Census. On the basis of this figure the maximum amount a childless couple could borrow would be about $260,000 (Realestate.com.au Homeloans 2007). This couple would require a deposit of about $228,000 to secure ownership of the median priced house. Likewise, a couple with two children could borrow about $180,000 (Realestate.com.au Homeloans 2007) and would need a deposit of about $310,000. In Ocean Shores and Mullumbimby, the childless couple would need a deposit of about $135,000 and the couple with two children about $206,000. These figures are only estimates of the amount that a household of a specific structure could borrow. Obviously, the actual figure would depend on a household's individual circumstances. The point to be made is that a FHOGS grant of $7000 is a minor fraction of the deposit an average income recipient in Byron Shire will need to secure homeownership.
Qualitative analysis is required

Although affordability ratios are relatively simplistic and mortgage conditions now differ according to the term of the loan and the size of deposit, household incomes (and of course individual taxable incomes) in Byron Shire are clearly low by Australian standards. First-home buyers on average levels of income will find homeownership unaffordable in Byron Shire in 2007, although this was not the case as recently as 2001.

A new group of 'would be' homeowners is evident in Byron Shire and it appears that FHOGS will be ineffective in helping them to realise their goals of homeownership. Unfortunately, residents 'views' of their housing situation, tradeoffs in terms of location and of course the help they may get from relatives cannot be assessed with normative quantitative ratios. Indeed, a whole picture perspective cannot be obtained from an affordability ratio (Seelig and Phibbs 2006). Ratios can identify an affordability crisis, and who is affected, but not how people are responding to their situation, or their views on the future direction of policy. Indeed, analysing the outcomes of a process can be a poor substitute for analysing the process itself and the behaviour of all agents in the process (Wienk 1992).

One way of looking beyond outcomes to processes and the behaviour of agents is through the use of ethnographic studies. Surely the starting point of an effective policy response to the plight of first-home buyers must stem from discussions with the very people who are affected by the issue of affordability. Possible questions which require answers could include: are low and moderate income-earners leaving the shire in search of affordable ownership elsewhere? Are there thresholds involved, indeed, how is such a decision made? What other trade-offs are being made? Are some residents obtaining help from parents and friends and are there implications for policy? Finally, what can governments do to help lower the hurdles confronting first time buyers? An ethnographic study would be useful for shedding light on residents views of the above issues and their ideas could aid in tailoring future polices for homeownership.

Tax concessions to encourage parents to help their children become homeowners?

Discussions with recipients of middle and low incomes may reveal that parents are willing to help their children become homeowners if governments provide them with sufficient tax incentives. Indeed, a tax concession similar to the Research and Development Tax Concession could encourage parents to help their children raise the deposit funds needed to achieve homeownership. Likewise, tax incentives could encourage parents to provide funds to allow their low income children to relocate to areas of higher affordability and sustain themselves for long enough to secure employment. Ethnographic discussions may therefore reveal a range of possibilities for further policy. Indeed, more can be done on the demand side if policies are means tested to minimise any inflationary consequences.

Conclusion

This paper has shown that the affordability of housing in Byron Shire is poor in spite of the relatively high proportion of social disadvantage. Byron Shire's average level of household
income compares unfavorably with the state average largely because the workforce is predominantly engaged in low pay and low skill occupations. The shire also suffers from high levels of unemployment and contains a relatively high incidence of singles and sole parent families. Byron Shire's house prices are the highest in regional NSW. In 2001, Byron Bay was an unaffordable enclave and the rest of the shire was quite affordable. By 2006, however, the prospects for first-home buyers are bleak throughout Byron Shire, given the high level of household income needed to qualify for a mortgage to access homeownership. Indeed, homeownership is becoming a distant dream in this evolving sea change community.

The existing policy response is inadequate. A FHOGS grant of $7000 is a miniscule fraction of the deposit a first-home buyer will need to achieve homeownership in Byron Shire. This scheme has been poorly targeted and has fuelled house prices further, thereby worsening the prospects for recipients of middle and low incomes, the very people it was supposed to help.

More research is needed, particularly qualitative research into how people are responding and adapting to the decline in the affordability of housing in Byron Shire. An ethnographic study may provide further insight into how the hurdles confronting first-home buyers can be lowered. An advantage of this method is that it involves direct discussions with the people who are affected by the issue of decline in the affordability of housing. Finally, two possible policy responses have been suggested in this paper. These suggestions are tax incentives that encourage parents to provide financial help for their children to buy a house, or re-locate to areas of higher affordability. Obviously, any demand side initiatives will need to be means tested to minimise their impact on house prices.

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