HOUSING AFFORDABILITY, INEQUALITY AND THE ASSET ECONOMY: A STUDY OF QUEENSLAND REGIONS

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During the last decade in Australia, the combination of asset price inflation and wage stagnation has made housing affordability a prominent concern in public discussion and social science research. Economists and policymakers have engaged in complex debates about its nature, causes and possible corrective measures. Inequality is a recurring theme in these deliberations, both a cause and an effect of the changing housing asset values. Rising house prices have increased the difficulties facing aspiring homeowners, while existing homeowners, particularly those owning more than one property, have increased their personal wealth. Thus, socio-economic inequalities have both shaped and been shaped by the changing housing market conditions. Some researchers contend that ownership of assets has now become the key determinant of socio-economic structure, as illustrated by the claim that 'the key element shaping inequality is no longer the employment relationship, but rather whether one is able to buy assets that appreciate at a faster rate than both inflation and wages' (Adkins *et al*. 2020: 5). This is the crux of what has come to be known as the 'asset economy' perspective.

Spatial inequality is an important feature in the situation because the value of residential property, particularly its land component, varies so much between different places. Land values are highest in the cities, particularly in areas with good transport facilities or attractive environmental features. Australian studies of housing affordability have commonly focussed on the major cities, especially Sydney and Melbourne, because that is where

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the largest investments occur and the spatial patterns of internal inequality are most apparent. This article broadens the focus by considering non-metropolitan areas too, seeking to identify whether similar or different forces operate there. It thereby investigates the salience of the asset economy phenomenon from a broader regional perspective.

Empirically, the focus of the article is on recent changes in housing prices and incomes for nine regions in Queensland. This State provides a good basis for an exploratory case study because it has a series of major secondary centres in regions at large distances from the State capital, enabling an assessment of the extent to which 'asset economy' tendencies operate across both metropolitan and non-metropolitan areas.

The article begins by considering how discussions of Australian housing affordability and inequality may be framed, including consideration of how the asset economy perspective sets the issues in relation to the broader processes of capital accumulation. It then examines housing and income levels between 2015 and 2020 in nine selected Queensland regions, ranging from peri-metropolitan regions like the Gold Coast and the Sunshine Coast to more distant regions such as those centred on Mackay and Cairns. Next, it considers housing affordability metrics in detail for four of the regions, revealing some notably contrasting patterns of housing affordability. Finally, the article discusses the implications of this study for the political economy of housing, for public policy and for future research.

Housing affordability and inequality

Housing has long been of interest to social scientists because of its multifaceted role in social stratification and the reproduction of capitalist societies. In Australia in the 1970s, a wave of housing studies explored housing unaffordability in relation to socio-economic inequality. A strong theme was that the 'great Australian dream' of home ownership had turned into a 'great Australian nightmare' (*eg.* Kemeny 1983). Nearly half a century later, the same motif is still widely used (*eg.* Gittins 2022). In the intervening period, there have been numerous historical, analytical and empirical studies of the patterns, problems and underlying causal factors (*eg.* Paris 1993; Yates 2012; Troy 2012; Pawson *et al.* 2020). Underlying these analyses are differences of framing and perspective.

The focus of neoclassical economic approaches to housing analysis is characteristically on market demand and supply, emphasising the price mechanism as a responsive, equilibrating process. From this perspective, rising house prices are a predictable consequence of surging demand butting against restricted supply. The primary focus is therefore on whether demand-side or supply-side factors are causing inflationary outcomes and which type of policy 'interventions' are appropriate – moderating demand or removing supply constraints. Taking the latter stance, recent calls from housing industry interests have almost invariably been for relaxation of government regulations that supposedly restrict housing supply. Even if demand-side considerations are accorded comparable attention, however, the perspective remains constrained. Like neoclassical economic analysis in general, it fails to confront that inequality is an internal cause-and-effect mechanism within the differential ownership of land and housing wealth. It fails to adequately recognise that any 'market' for housing represents 'a domain of struggle between different, unequal groups' (Madden and Marcuse 2016: 47).

The analysis pioneered over a century ago by Henry George offers a different framing, putting more emphasis on the origins of inequality. It digs deeper into why and how private land ownership creates problems of housing affordability and inequality (Obeng-Odoom 2022). Land is identified as the key inflationary element in housing markets because it is typically the largest element in property values. Moreover, the private ownership of land acts as a vehicle for capturing the bounty of nature and the fruits of public urban infrastructure investment as accretions of personal wealth. This facilitates the pursuit of speculative gains in property markets, compounding socio-economic inequalities. In this way, Georgist analysis puts the spotlight on the differential ownership of landed property as the primary source of inequality, leading to the advocacy of comprehensive land taxation as the required 'remedy' wherby ground rent is captured for public purposes rather than unearned private gain.

A third political economic perspective relates the housing situation more directly to the accumulation process that pervades all capitalistic economic activities. This shifts the focus from land *per se* to capital assets more generally, including the relationship between housing assets and other forms in which capital may be accumulated. David Harvey made a seminal contribution to this Marxian current of political economic analysis with his study of how capital is switched between the primary and secondary circuits of capital – from investment in industrial activities in which surplus value is produced to investments in urban development projects (Harvey 1989). This focus on the dynamics of flows of capital shows the processes causing the distinctive rhythms of capitalist economic activity, including cycles of investment in housing, the built environment and urban development. Housing analysis is thereby situated in relation to the broader inequalities that shape opportunities for capital accumulation, the principal dynamic of all capitalist processes.

These concerns, centered on understanding the political economic dynamics and inequalities associated with housing provision, are recurrent in contemporary housing debates. While the basic neoclassical framing of demand, supply and equilibrium price remains central to developer lobby- and media-influenced housing policy discourse, housing research has desirably become less constrained by the neoclassical perspective than most other fields of 'applied economics'. While a full review of this literature is beyond the scope of this primarily empirical study, there is one strand within it that links most directly to the current concerns. This is the recent research on the 'asset economy' in Australia that has been pioneered by Lisa Adkins, Melinda Cooper and Martijn Konings (2020; 2021).

The distinctive emphasis of the 'asset economy' approach is on investment in housing as a favoured form of capital accumulation, undertaken not only by a capitalist class but by a broader stratum of 'middle-class' people whose investment behaviours shape the patterns of both housing supply and demand. The characteristic inference is that 'asset appreciation operating in tandem with wage depreciation has entailed a thoroughgoing transformation of the social structure such that class and stratification now increasingly follow asset-based logics' (Konings *et al*. 2021: 453). Inflation of asset prices (particularly housing) relative to average incomes comes to be a defining characteristic of modern capitalism, driving a reconstitution of class stratification and entrenching economic inequality.

Whereas traditional conceptions of class have focused on the structural conflict of interests between workers and owners/managers, proponents of the asset economy viewpoint sees the major economic division as more centred on ownership or non-ownership of real estate. They emphasise that they are not discounting the importance of wages to people's ability to participate in the economy. Rather, their claim is that employment income becomes 'less and less itself a gateway to a middle-class lifestyle and increasingly important primarily as a determinant of one's ability to participate in the logic of the asset economy' (Adkins *et al.* 2020: 64).

Thus, the growth of the 'asset economy' may be regarded as significantly changing modern capitalism's structure and functioning. Asset economy researchers observe that many people now plan and live their lives through the prism of speculative asset appreciation (Adkins *et al* 2020: 69). Not all can do so, because of existing inequalities between households' capacities to participate in the process. It is commonly said that the millennial and older generations have derived most benefit from the appreciation in housing asset values, relative to younger demographic cohorts. However, asset economy researchers point out that it is *within* the millennial generation that the fault-lines engendered by the asset economy are becoming most clearly visible (Adkins *et al* 2020: 68). Young people who can access the 'bank of mum and dad' (Wright 2023) to help them enter the housing asset accumulation process have a huge advantage over those for whom this option is unavailable. Therein lies a process whereby *intra*-generational inequalities tend to be perpetuated and magnified.

The development of this 'asset economy' perspective reflects a more general tendency to refocus inequality studies from income (as a flow) to wealth (as a stock). This is partly due to the influence of Thomas Piketty's *Capital in the Twenty-First Century* (2014), a central finding of which is that accumulated asset wealth over recent decades 'significantly outstripped the growth of the economy in general and of wages in particular' (Adkins *et al* 2021: 549). The distribution of that economic wealth – who owns what? – has become a key political economic concern. Piketty points to the transition that has occurred 'from a society with a small number of very wealthy rentiers to one with a much larger number of less wealthy rentiers' (2014: 532).

The asset economy theorists put the point rather differently, arguing that the rentier phenomenon, although still present, is not such a major determinant of the economic outcome as in the 20th Century when large segments of the population came to participate in the dynamics of asset and home ownership. This, they say, 'means that the model of semi-automatic accumulation of rentier wealth in the hands of a small set of elites is of only limited use' (Adkins *et al* 2021: 550). The logics that drive asset inflation are now propagated by people from other segments of society rather than only those at the top.

Some insight into the institutional settings that have led to the growth of the 'asset economy' in Australia comes from Isla Pawson's observation in a previous issue of this journal that: 'the general practice of speculating on housing is integral to Australia's current accumulation regime' (Pawson 2018: 132-3). Pawson highlights the importance of negative gearing, whereby investment expenses and losses are allowable as offsets against other income for the calculation of personal tax liability. As she says: ‘Because the state is bound by an imperative to (re)produce the conditions in which this can occur, it has doubled down on negative gearing – a key institution that underpins investment demand in housing and protects its role in Australia’s growth regime’ (Pawson 2018: 139). Arguably, the introduction by the Howard government of a 50% capital gains tax discount was even more significant (Adkins *et al*. 2020). These policies created a constituency of homeowners and investors whose economic lives are inextricably linked to the continued growth of property prices. So, even if a government now tried to slow or reverse the appreciation of property prices, it would likely pay a political price for doing so. It is a view echoed by the observation that: ‘The way in which property inflation has insinuated itself into the overall fabric of Australian society and come to occupy a pivotal place in its infrastructure consistently hamstrings attempts to ameliorate its consequences and to counteract the effects of property lock-out’ (Konings *et al.* 2021: 22).

It is how these processes play out ‘on the ground’ that substantially determines who are the winners and losers. The effects in different countries, cities and regions can vary, as noted by urban political economist Brett Christophers (2021b). When reviewing the case made here for the asset economy approach, Christophers points to Australia’s distinctive features, such as the ‘outsized local role of investor-buyers’, to whom 35% of mortgage credit is extended across Australia and up to 50% in Sydney (Christophers 2021b: 10). He also contends that the focus on Sydney is problematic because it is an extreme case of runaway house price inflation, such that they ‘arguably could not have found a less representative case – certainly for Western capitalist societies in general, and even, more narrowly, for those societies whose major urban centres have similarly experienced strong rates of house-price inflation’ (*ibid*).

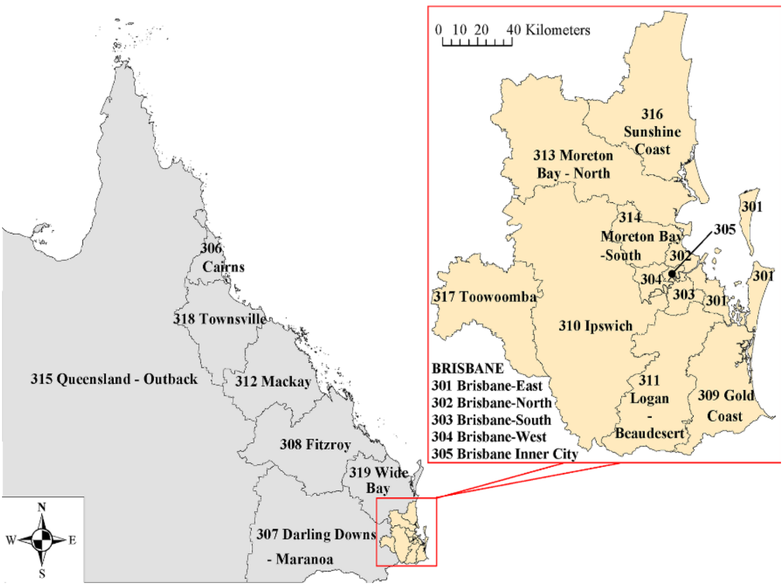
These political economic issues need further investigation in a spatial context to see whether the typical research focus on major urban centres provides an adequate basis for understanding the dimensions of housing affordability. In this spirit, the following empirical analysis explores the applicability of the asset economy’s analytical framework to regions that are substantially different and distant from Sydney and Melbourne.

Incomes and property prices in Queensland regions

Seeking to redress the bias towards capital cities in the scholarly literature and public discourse, Queensland makes a good case study because of its atypical number of secondary urban centres, ten of which have populations over 50,000. It has the most decentralised population of all the Australian States, with more people living outside the Brisbane metrolitan area than within it. The key questions are whether different asset economy dynamics play out in the metropolitan and non-metropolitan regions and what lessons arise for housing policy, spatial inequality and regional policy.

The regions studied are the Brisbane Greater Capital City Area and eight 'statistical area 4' (SA4) regions: Cairns, Townsville, Mackay-Isaac-Whitsunday, Central Queensland, Wide Bay, the Sunshine Coast, Toowoomba and the Gold Coast, as shown in Figure 1.

Figure 1: Regions in Queensland



Source: Parisi *et al.* (2019: 3).

For each region, the study considers the growth in median house prices relative to median incomes, using the latest data available from the Australian Bureau of Statistics at the time of writing, supplemented by housing affordability reports from CoreLogic-ANZ. The data covers 2015-2021, a period during which there was substantial house price inflation and nationwide concern about the increasing stresses of housing affordability.

The following analysis treats houses and attached dwellings seperately, recognising that different market dynamics may apply to each.

Affordability of houses

Table 1 summarises the economic conditions relevant to the affordability of detached houses for the nine regions, listed in geographical order from Cairns in the north to the Gold Coast and Toowoomba in the south. The numerical data relates to: (a) median household incomes (excluding government pensions and allowances); (b) median house property prices; and (c) the ratio between these median house prices and median incomes, taken as the key index of housing affordability in each locality.

From the first column of figures, we see that median household incomes in 2020 ranged from a low of $41,861 (the Wide Bay region) to a high of $57,845 (the Mackay region). The second column shows that median incomes grew in each of the 9 regions during the period 2015-20. The fastest rate of growth was in the Sunshine Coast region (13.9%). At the other extreme, Central Queensland had significantly the lowest income growth (6.6%), primarily because of decline in 2015-17 (Australian Bureau of Statistics, 2022d). Greater Brisbane's rate of income growth during the 5-year period (10.8%) was seventh of the nine regions.

The next pair of columns show the levels and growth in median house prices. Here too there is substantial regional variation. The Sunshine and Gold Coast regions experienced the most rapidly rising median prices (by 27.7% and 23% respectively) during the 5-year period. Median house prices fell in the Central Queensland, Townsville and Mackay regions. Greater Brisbane's record was middling, reflecting rates of house price increase that were lower than the coastal regions to its immediate north and south but higher than all the other study regions.

Table 1: Household incomes, property prices and housing affordability, selected Queensland regions, 2015 – 2020

	Median income 2020 ($)	Change 2015-20 (%)	Median house sale price 2020 ($)	Change 2015-20 (%)	House price: Income ratio 2020	Change 2015-20 (%)
Cairns	47,752	12.8	400,000	5.3	8.4	-6.7
Townsville	56,111	12.1	315,000	-8.7	5.6	-18.5
Mackay	57,845	13.0	360,000	-4.0	6.2	-15.0
Central QLD	56,402	6.6	305,000	-10.4	5.4	-16.0
Wide bay	41,861	12.8	315,000	9.6	7.5	-2.9
Sunshine Coast	45,591	13.9	645,000	27.7	14.2	12.1
Greater Brisbane	53,851	10.8	546,000	13.8	10.1	2.7
Toowoomba	50,656	11.5	381,000	3.3	7.5	-7.4
Gold Coast	47,097	10.3	63,000	23.0	14.1	11.6

Source: ABS (2022a; 2022b; 2022c; 2022d; 2022e; 2022f; 2022g; 2022h; 2022i; 2022j).

The third pair of columns in Table 1 show housing affordability ratios, calculated by dividing the median dwelling price by the median household income. According to this measurw, the Gold Coast and Sunshine Coast stand out as the least affordable regions; moreover, their affordability worsened over the study period. In Greater Brisbane, affordability also worsened a little. Elsewhere, however, housing became more affordable relative to local median incomes.

Affordability of attached dwellings

Attached dwellings, comprising flats, apartments and townhouses, are generally more affordable than houses in the same area but broadly similar property market forces apply. Table 2 shows the price and affordability for attached dwellings in the study regions. As for detached houses, the Sunshine Coast and Gold Coast had the highest average prices and the most rapid price growth between 2015 to 2020. Cairns also saw attached dwelling prices appreciate, growing by just 4.8%. All other areas, even Greater Brisbane, had falling average adwelling prices. The largest falls were in the Central Queensland and Mackay regions, where prices fell by 30.7% and 20.2% respectively during the period.

Table 2: Attached dwelling prices and affordability, 2015, 2020

	Median Sale Price 2020 ($)	Change 2015-20 (%)	Price: Income Ratio 2020	Change 2015-20 (%)
Cairns	230,500	4.8	4.8	-7.6
Townsville	250,000	-13.8	4.5	-30.0
Mackay	239,500	-20.2	4.1	-41.5
Central QLD	215,000	-30.7	3.8	-53.7
Wide bay	252,500	-2.9	6.0	-16.2
Sunshine Coast	470,000	27.0	10.3	10.3
Brisbane GCSSA	390,000	-4.4	7.2	-15.9
Toowoomba	280,000	-6.4	5.5	-19.1
Gold Coast	440,000	18.9	9.3	7.3

Source: ABS (2022a; 2022b; 2022c; 2022d; 2022e; 2022f; 2022g; 2022h; 2022i; 2022j).

The right-hand columns in Table 2 show the affordability of attached dwellings during the five-year period, calculated on the same basis as for Table 1 and using the same median household income data in that table.

The Sunshine Coast and Gold Coast stand out as the two regions where attached dwellings were least affordable and become even less affordable during the period. Median prices in those regions rose to about 10 times the median household income by the end of 2020 – slightly lower in the Gold Coast but higher in the Sunshine Coast. In all the other seven regions, buying attached dwellings became more affordable relative to median household incomes, particularly in the Mackay, Central Queensland and Townsville areas. Greater Brisbane's median attached dwelling prices fell from 8.4 to 7.2 times the median income over the five-year period. As CoreLogic's housing affordability report notes, 'Brisbane shows persistent discrepancy between house and unit metrics […] suggesting that buyers have significantly more purchasing power in the unit segment' (CoreLogic-ANZ 2021: 21)

Disaggregated analysis for selected regions

Shifting from a broad view of the nine regions, we now narrow the focus to look in more detail at four of them - the Sunshine Coast, Gold Coast, Cairns and Toowoomba regions - and the key urban areas within each. This disaggregated analysis is appropriate because of the diversity within and between the more broadly defined regional areas. This was highlighted in CoreLogic's 2021 report on housing affordability, which noted that: 'While more affordable purchasing opportunities remain in pockets of regional Queensland, affordability pressures have shown little signs of easing in the coastal, lifestyle markets of the state' (CoreLogic-ANZ 2021: 23). The varied regional experiences reflect the different real estate 'climates' for current or future homeowners. It is therefore pertinent to explore whether specific localities within the 'lifestyle market' areas, such as the Gold Coast and the Sunshine Coast, differ from places such as Toowoomba and Cairns in the extent to which they exhibit asset economy dynamics and experience problems of housing affordability.

Focusing on these smaller 'level three' statistical areas within the four regions enables a more granular inspection of housing affordability, using the forur metrics available from CoreLogic-ANZ's reports:

- median dwelling price to median income ratios
- the number of years it takes to save for a 20% deposit on a property with the median dwelling price, assuming a savings rate of 15% of median household income per year

- the proportion of median household income required to service a mortgage after making a deposit of 20% of the property value
- the proportion of median household income needed to pay the median housing rent.

The first metric is the principal measure of housing affordability already used here. The second metric is CoreLogic's measure of the height of the hurdle to entering the home buying process. The third is a measure of mortgage stress, which is a major element of financial stress that has intensified during recent years (Wright, 2021), commonly defined as existing when more than 30% of household income is needed for mortgage payments. The fourth metric broadens the analysis from housing purchases to rentals, recognising that housing rental stress may be just as significant as housing mortgage stress in assessing the incidence of unaffordability. The connection between the forms of housing stress is not straightforward: for example, rental stress may be markedly reduced by a plentiful supply of public housing. More typically though, the absence of a public housing option results in stronger correlation between the stresses of purchasing a home or renting a home, both being driven by similarly competitive and inflationary market processes.

Coastal lifestyle markets: Gold Coast and Sunshine Coast

As coastal lifestyle markets that attract a variety of demographic groups, including young families, retirees and investors, both the Gold Coast and Sunshine Coast regions have experienced consistently rising property values relative to median incomes during recent years. Owing to their proximity to Brisbane, natural beauty, climate and lifestyle, they have also been focal points for increasing attention from intra- and inter-State buyers. Adding to this demand growth effect, Queensland experienced record levels of inter-State migration during the COVID-19 pandemic (Pollard 2021), adding fuel to already hot housing makets in which investors have been seeking capital gains.

The affordability data for key centres within the Gold Coast is presented in Table 3, focussing on the period between 2018 and 2021 for which the CoreLogic data is readily available. Across the six level 3 statistical areas (SA3) on the Gold Coast, dwelling prices rose relative to income in all cases, as did the amount of time required to save for a deposit and the percentage of time required to service a mortgage and pay rent.

Table 3: Housing affordability in the Gold Coast region

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Broadbeach - Burleigh	7.7	11.2	10.2	15.0	41.5	54.4	38.0	41.5
Coolangatta	9.3	12.4	12.4	16.5	50.2	60.1	41.3	46.9
Gold Coast - North	7.4	8.6	9.9	11.5	40.2	41.8	39.4	41.3
Robina	7	8.7	9.3	11.6	37.9	42.1	37.5	43.8
Southport	7.6	8.3	10.1	11.1	41.1	40.5	39.9	41.4
Surfers Paradise	6.3	7.7	8.4	10.2	34.1	37.1	40.0	41.7

Source: CoreLogic-ANZ (2021; 2018).

All the Gold Coast localities shown in Table 3 required an average of well over 30% of income to service a new mortgage, thereby putting the median household borrowing to buy under significant mortgage stress. As a consequence, the median household in 2021 needed between 10.2 and 16.5 years to save a 20% deposit, substantially higher than up from the 2018 range of between 8.4 and 12.4 years.

The right-hand columns in Table 3 also show rental stress levels across the region to be generally comparable to the levels of mortgage stress, although rental stress is significantly higher than mortgage stress in Surfers Paradise but lower in Coolangatta.

Because each line of data in Table 3 shows the increasing unaffordability of housing in towns on the Gold Coast between 2018 and 2021, it can reasonably be inferred that the dynamics of the asset economy are fuelling, if not causing, the inflationary effects evident in this region. Similarly, it may be inferred that the contemporary housing market processes observed in Australian capital cities apply strongly here too, remaking the way that households engage with the economy and society. Saving for a deposit for house-purchase takes more time, even if ever achieved, while increasing percentages of income are required to service a mortgage or pay the prevailing housing rents.

The housing situation within the Sunshine Coast region (Table 4, below) exhibits similar features to the Gold Coast. There was similarly rapid deterioration in all the indicators of housing affordability between 2018 and 2021. Median dwelling prices for the five Sunshine Coast localities ranged between 9.1 and 14.2 times the median income for residents in the region in 2021. For a household on a median income and saving 15% of it annually, it took between 12.1 and 18.9 years to accumulate a 20% deposit to buy median-priced housing, a substantial increase from only three years earlier when it took between 9.8 and 13.1 years. This shows the escalating problem for households seeking owner-occupied housing.

In the rental housing sector, the proportion of income required to pay rent in 2021 ranged between 40.6% and 54.1% for the different localities within the region, whereas the proportion of income required to service a mortgage ranged from 44.1% and 68.7%. All these housing affordability measures for the Sunshine Coast deteriorated between 2018 and 2021.

Table 4: Housing affordability in the Sunshine Coast region

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Buderim	7.5	9.7	10.0	13.0	40.5	47.1	35.9	44.0
Caloundra	7.9	10.4	10.6	13.8	43.0	50.3	35.1	41.8
Maroochy	8.5	10.8	11.3	14.3	46.1	52.2	35.6	44.6
Nambour	7.4	9.1	9.8	12.1	39.9	44.1	34.3	40.6
Noosa	9.8	14.2	13.1	18.9	53.1	68.7	39.3	54.1

Source: CoreLogic-ANZ (2021; 2018).

In general, the housing affordability situation in the Gold Coast and Sunshine Coast regions looks consistent with the asset economy dynamics. Those who own real estate have seen the market values of their property appreciate at levels that far outstrip the average levels of income growth; whereas those who do not have experienced a diminishing capacity to enter the market because of the greater time required to save for a deposit. If the current trend of low median income growth relative to rapid property price appreciation continues, the amount required for a deposit – and therefore the time required to save for it – will increase further, causing exclusion of more households from the market and for longer periods.

Less stressed regional housing: Cairns and Toowoomba

Comparable data for housing in other regions, particularly those centred on Cairns and Toowoomba, reveals a quite different situation. Cairns, the largest urban centre in far north Queensland, over 1800 kilometres from Brisbane, is particularly interesting because, like the Sunshine Coast and Gold Coast, it enjoys strong 'coastal life-style' appeal. Yet, empirical analysis reveals that its housing market has not exhibited similar features of growing unaffordability.

According to CoreLogic data (Table 5), residents in Cairns in 2021 needed to save between 7 and 7.9 years for a deposit and use between 25.3% and 28.7% of their income to meet their mortgage costs, substantially less than the averages for the Sunshine Coast and Gold Coasts.

Table 5: Housing affordability in Cairns

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Cairns north	5.1	5.9	6.8	7.9	27.6	28.7	30.8	31.9
Cairns south	4.8	5.2	6.4	7	26.0	25.3	30.2	32.3

Source: CoreLogic ANZ (2021; 2018).

Importantly, the average proportion of income required to service a mortgage in 2021 was below the 30% threshold for mortgage stress. Between 2015 and 2020, wage growth in Cairns outstripped inflation in housing prices, both for detached houses and attached dwellings (Australian Bureau of Statistics, 2022a). Little difference existed between the northern and southern parts of the Cairns locality in these respects. For both, the income growth relative to property price inflation contrasts with the life-style urban property markets in the south of the State, apparently offering opportunity for income, rather than asset ownership, to act as a 'gateway to a middle-class lifestyle' (Adkins *et al* 2020: 64).

Toowoomba presents a comparable case. Measured by population, this is the largest inland urban centre in Queensland and it has had a housing experience notably different from other regions where 'asset economy' features are more evident. The CoreLogic data (Table 6) shows that, like Cairns, Toowoomba had increasingly affordable housing between 2015 and 2020 because median income growth outpaced the inflation in both house and attached dwelling prices (Australian Bureau of Statistics 2022h). Toowoomba residents required an average of 6.8 years to save for a deposit in 2021, indicating relatively affordable opportunity for people to enter the housing market. The percentages of income needed to service a mortgage or pay local market rents was similar, both below the 30% benchmark for the identification of housing stress.

Table 6: Housing affordability in Toowoomba

	Dwelling: income ratio		**Years to save a deposit**		**% of income to service a mortgage**		**% of income to pay rent**	
	2018	**2021**	**2018**	**2021**	**2018**	**2021**	**2018**	**2021**
Toowoomba	4.7	5.1	6.3	6.8	25.7	24.8	25.2	26.0

Source: CoreLogic ANZ (2021; 2018).

Overall, it is evident that the housing affordability situation in Cairns and Toowoomba contrasts strongly with the situation in the towns in the Gold Coast and Sunshine Coast regions. Neither Cairns nor Toowoomba has exhibited general property price appreciation relative to household income growth. This partly reflects the higher median incomes of people in these regions than for both the Gold and Sunshine coasts (Table 1, first column). Moreover, the percentage of the median household income needed to service a mortgage fell in both Cairns and Toowoomba during the 2018-21 period.

This shows the geographically varied experiences of housing affordability, despite all regions being subject to the same national macroeconomic policy settings. The empirical findings provide a springboard for further study of local factors that may explain the observed patterns and trends. They may also offer significant lessons for regional policy analysts and practitioners. Seeking to stimulate such discussions, we conclude this article with comments on some implications for the political economy of housing, public policy and future research.

Implications for the political economy of housing

Housing issues may be observed through different analytical lenses, as noted above. To be applicable to the current housing situation in Australia, however, all analyses need to include recognition of housing's role in wealth accumulation and the severe problems of housing unaffordability. These twin features are two sides of the same coin. The vigorous pursuit of wealth accumulation by already asset-rich people intensifies the problems faced by others who, being asset-poor, lack the 'entry ticket' to comparable economic gain. A right to 'decent and affordable housing for all' (*c/f* Paris 1993) then becomes increasingly unattainable. Thus, housing markets represent an uneven dynamic of struggle between those who own property and those who are renting and/or hoping to own property in the future (Madden and Marcuse, 2016).

By highlighting the need to include a spatial dimension in this understanding of the political economy of housing, this article seeks to adds nuance to these broad generalisations. It reveals the more variegated pattern arising from the interaction of the general forces driving housing unaffordability nationwide and the factors causing variability between different localities. The extent to which capital appreciation through real estate assets occurs relative to income growth evidently varies between regions and between localities within regions. The asset economy phenomenon is clearly evident in areas like the Gold Coast and Sunshine Coast, but other areas, such as those centred on Toowoomba and Cairns, exhibit different dynamics. The latter have higher median income levels, lower property prices and greater median income growth relative to property price appreciation, resulting in significantly less problems of housing affordability. Paradoxically, living in such regions may even offer a potentially clearer pathway into participation in the asset economy.

A political economy of housing therefore needs to blend consideration of the overall dynamics of capital accumulation with recognition of the diversity in how the processes play out 'on the ground'. All social, economic and political activities have temporal and spatial dimensions. Temporally, a major element relevant to this study is the changing pattern of behaviours relating to real estate acquisition, driven in part by policy settings and tending to create processes of circular and cumulative causation (a 'vicious circle') characterised by increased socio-economic inequalities. The prominence of asset economy processes is a significant aspect of these temporal changes, reflecting and shaping a changing real estate 'culture'. Yet, spatially, these processes have different intensity across diverse cities and regions that require more detailed consideration.

Implications for public policy

All public policies have differential spatial effects, whether explicitly stated as policy objectives, or operating implicitly through how they interact with the specific characteristics of different localities. Where public housing policies, for example, are locally targeted, the spatial dimension is necessarily *explicit* in the decisions about where the houses are to be built. But the spatial dimension remins *implicit* – and therefore more hidden - in the broader array of public policies by which State and national governments shape the regulatory and fiscal arrangements within which housing markets operate.

From the 1980s onwards, Australian governments enacted policies that increased the ability of investors to achieve greater net returns on their investments. The Hawke Labor government decision in 1985 to introduce negative gearing and the Howard Liberal-National Coalition government's subsequent provision of a capital gains tax 'discount', coupled with low returns on bank deposits, were policies that incentivised greater investment in real estate. The latter created a situation where investors could 'convert income from labour into income from capital at will – thereby halving their marginal tax rates' (Adkins *et al* 2020: 38). These policies laid the foundation for the decades-long period of sustained property price inflation, accompanying the shift from centralised wage-fixation to enterprise bargaining during the same period. Arguably, they also paved the way for a new 'liquidity politics' whereby public agencies became constrained by the need 'to ensure that mortgage holders can continue to service payments on their mortgage debts' (Konings *et al* 2022: 30). The policy settings have thereby served the interests of existing property owners and investors, at the expense of people trying to use their wage incomes to purchase a first property of their own or needing permanent rental accommodation. This has fractured the prospect of across-the-board public support for the adoption of remedial public policies or alternative forms of housing provision and allocation that would undermine the asset economy dynamics. This has become entrenched a problematic aspect of the *political* economy of housing.

More positively, recognition of the implicit spatial impacts of all public policies can lead to amelioration of some of the more damaging influences on housing affordability. The most obvious example here is the use of interest rate policy by the Reserve Bank of Australia to deal with inflationary pressures affecting the national economy. Using adjustments to the official cash rate for this purpose constitutes over-reliance on a policy instrument that is insensitive to the 'incidental' impacts on borrowers and lenders, on businesses and aspiring house-buyers, on firms in different industries, and on people living in different regions. More selectivity – socially, sectorally and spatially – is needed in the suite of public policies if the goal is a more efficient economy and a more equitable society.

Decentralisation policy is the most obvious illustration of explicit spatial selectivity. Historically, the case for it has been frequently posited, mainly by parties based in 'rural and regional Australia', but its implementation has been intermittent, incomplete and inconsistent. Urban economist Max Neutze famously described it as 'everybody's policy but nobody's program' (Neutze 1966: v). To the extent that housing affordability problems are more intense and socially divisive in metropolitan areas than in non-metropolitan areas, however, decentralisation policy may now have a renewed rationale. In the national context of worsening housing affordability, places like Cairns and Toowoomba show that mid-sized urban centres can enable more households to access affordable housing.

The flow-on effects of the COVID pandemic may also have some bearing on the possibility of more effective decentralisation policies, to the extent that the experience of lock-downs has led to rather more flexibility in work-home patterns and locational choices, including somewhat looser ties to the major cities.

The case for a more selective, targeted approach to resolving housing affordability problems sits comfortably in this context. The development of new settlements can be initiated in areas where land values and housing affordability conditions are less subject to 'asset economy' pressures. Effective decentralisation cannot sensibly occur, however, without concurrent attention to the creation and provision of regional employment, infrastructure and services. To be equitable and sustainable, explicitly targeted regional policies also need to be accompanied by nationwide fiscal reforms. From a Georgist perspective, a broadly-based land tax would need to be the central feature of thoise reforms, discouraging land speculation and channeling the revenue from raised land values into the public sector rather than the private sector asset economy (Ryan-Collins *et al* 2017; Obeng-Odoom 2022). By similar reasoning, land betterment taxation could ensure that decentralisation policies do not create huge windfall gains for landowners and kick-start asset economy processes in the very areas to which growth is redirected.

Implications for further research

Further exploration of such policy possibilities needs to be grounded in comprehensive evidence-based research. For example, it would be useful to extend the regional analytsis in this article by examining the proportion of mortgage credit flowing to borrowers in different regions, thereby introducing explicit consideration of the impacts of financial institutions and financialisation. Further research could also explore the incidence and effects of people migrating between regions in pursuit of more affordable housing and/or capital gains from future inflation in real estate values. Attention could also be usefully paid to what demographic and workforce characteristics are associated with the observed regional differences in how housing markets operate.

Yet more directly, this exploratory study could be extended by looking at a wider array of other regions and probing more deeply into the causal factors shaping their revealed variations in average incomes, property prices and housing affordability. Indeed, some aspects of the patterns revealed here are probably unique to Queensland because of the features that makes this State such an ideal initial case study. Nationwide, the diversity is surely greater. Hence the need for an a wide-ranging analysis that compares trends in both metropolitan and non-metropolitan areas in all the States and Territories. That could also provide a consistent data base for testing the likely effects of alternative public policies that bear on house price inflation.

Turning from descriptive empirical analysis to prescriptive analysis, further research could also focus on the likely impacts of fiscal reforms or decentralisation policies aimed at ameliorating current housing stresses and socio-spatial inequalities. It becomes more pertinent when the prospect for fundamental political economic change is more than will-o'-the-wisp. With Labor governments currently in office in nearly all jurisdictions nationwide, the Greens pressing for more effective policy action and the conservative Coalition in disarray, this could be one such moment. Yet there remains the deep challenge of 'how to reform a society that has become structurally organised around a particular logic of asset values' (Konings *et al* 2023: 31). Political economic analysis that focusses on housing affordability, inequality and the asset economy can make a potentially substantial contribution to a paradigm shift in how these issues are understood and addressed.

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