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Sally Weller & Andrew van Hulten

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Gentrification and Displacement: The Effects of a Housing Crisis on Melbourne’s Low-Income Residents

SALLY WELLER & ANDREW VAN HULTEN
Centre for Strategic Economic Studies, Victoria University, Melbourne, Australia

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ABSTRACT This article examines gentrification processes in the context of a policy-induced housing crisis. It describes the effects of the crisis on Melbourne’s inner western suburbs and documents the consequences for low-income residents. The article presents quantitative and qualitative evidence to show that the housing reallocation process has brought more affluent residents to the inner western suburbs and displaced low-income residents, pushing them into more affordable suburbs further from the city centre. This evidence exposes some of the limitations of the existing quantitative approaches to the study of displacement. We argue that the displacement effects of gentrification depend on pace of neighbourhood housing reallocation processes and housing affordability in adjacent neighbourhoods. The article concludes that planning, housing and population policies need to be better coordinated to prevent further erosion of the housing standards of low-income households and dissolution of their local communities.

KEY WORDS: Gentrification, housing markets, displacement
1. Introduction
This article contributes to debates about the causes of gentrification and its consequences for low-income residents by explaining the causes and effects of a housing crisis in the inner western suburbs of Melbourne, Australia. The article makes three principal contributions that advance understanding of gentrification. First, it links localised gentrification processes to the spatial selectivity and intensity of wider housing allocation processes. In Australia in 2009, national policies promoting immigration and capital inflows produced a housing affordability crisis across Melbourne. In a city where flexible housing market regulations provide limited protection for low-income tenants, the suburban effects of the crisis were uneven as incoming students and immigrants took up accommodation in the inner city while incoming capital sought out undervalued inner-urban locations for investment and redevelopment. Redevelopment activity targeted undervalued inner suburbs that were ripe for intensified gentrification. Second, it shows that these processes reallocated housing to more affluent incomers, displaced low-income households from inner-city housing and excluded low-income households from inner-city neighbourhoods. Although the inner western suburbs of Melbourne had been gentrifying for some time, the pace of housing reallocation, and low-income displacement and exclusion intensified after 2007 as city-wide housing affordability declined. The crisis increased the costs of gentrification for low-income stayers in gentrifying neighbourhoods and increased the hardships associated with their eventual displacement. Third, it draws on these observations to argue that displacement studies that rely on aggregate inter-neighbourhood mobility rates are likely to misconstrue gentrification’s incidence and its effects.

The article comprises six remaining sections. Section 2 reviews the literature on gentrification and displacement. Section 3 introduces the case study area of inner western Melbourne and describes the various factors that have conspired to generate a Melbourne-wide housing affordability crisis. Section 4 describes the gradual gentrification of Melbourne’s inner west while Section 5 focuses on local displacement effects. Section 6 discusses the implications of this case for theorising gentrification. Section 7 concludes that policy settings at various levels of government need to avoid producing negative effects for low-income communities.

2. Displacement in Gentrification Processes
The extant literature has long debated whether gentrification causes the voluntary or involuntary displacement of low-income residents and, indeed, whether displacement is a necessary condition of gentrification. The key questions for the gentrification debate are whether the transformation of a neighbourhood entails the involuntary displacement of low-income residents (Atkinson, 2002) or the exclusion of low-income households (Marcuse, 1986); whether it reflects the natural turnover of housing stock as established residents ‘cash in’ on high housing prices; or whether higher income residents simply add to the local population without concomitant displacement effects (Freeman, 2005).

The debate is marked by disagreements about methods and measurement. For example, Freeman and Braconi (2004) use comparisons of out-migration rates from gentrifying and non-gentrifying suburbs to argue that gentrification does not imply the involuntary displacement of low-income residents (see also Vidgor et al., 2002). Newman and Wyly (2006) reject their conclusion, contending that Freeman and Braconi’s data sources could neither adequately measure displacement effects nor capture gentrification’s hidden costs.
The disputes over empirical evidence feed directly into broader debates about the right to housing, place and community. Slater (2006) warns that quantitative studies are too often used inappropriately by policymakers to defuse political opposition, to mollify awareness of the social justice implications of gentrification and to justify the allocation of housing on the basis of the ability to pay. The empirical erasure of gentrification’s displacement effects supports the politically charged discursive strategy of relabelling gentrification as social mixing or urban regeneration (Smith, 2002; Slater, 2006; Davidson, 2008; Lees, 2008). The debate has reached the point where aggregate empirical data are rejected in favour of qualitative analysis. This move, however, does not solve the problems of assembling defensible evidence of gentrification (or not). The upshot is that quantitative studies that illuminate gentrification’s effects are increasingly rare.

Underlying these disagreements about methods are issues of definition. Most theoretical explanations for gentrification focus on the overall character of a neighbourhood, rather than the characteristics of its residents, so demographic changes including displacement effects are secondary. For example, Hackworth’s often-cited definition (2002, p. 815)—“the production of urban space for progressively more affluent users”—is so broad as to encompass just about any market-led reallocation of housing. It does not necessarily imply displacement.

Some theoretical approaches are more attuned to displacement than others. For convenience, and at the risk of oversimplification, the three main approaches can be considered to comprise the ‘rent gap’, ‘cultural preference’ and ‘global city’ theorisations. Rent gap theory focuses on the potential returns of investing capital in land and buildings in areas that have become undervalued as a result of economic and social change. For Smith (1979, p. 545), the rent gap occurs whenever “the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use” is large enough to entice new capital back into a devalourised area. Gentrification is then an expression of capitalism’s penetration into urban landscapes, exploiting the opportunities for profit created when individual assets are fixed in space but depreciate in a spatially clustered manner (Smith, 1979). Derelict areas will languish until large-scale investors (or numerous small investors) reverse the disinvestment cycle (Porter, 2010). The second explanation, based on cultural preferences, sees gentrification as the outcome of shifts in middle-class identities and consumption preferences that renders formerly undesirable places and properties newly desirable (Ley, 1996). Jager (1986), for example, sees increasing interest in the renovation of Victorian-era houses in Melbourne as a means through which the inner-urban middle class define its social boundaries and jockeys for within-group social position. In contrast to rent gap theory, here cultural revalorisation precedes economic revalorisation. The final set of explanations link gentrification to the economic restructuring associated with economic globalisation and the concomitant concentration of advanced service sector employment in networked ‘global cities’. These processes increase the demand for inner-city housing (Sassen, 1991; Hamnett, 1994). Here, although the co-evolution of industry, labour market and housing market change polarises urban space, the rich and poor may occupy adjacent physical spaces.

The first explanation implies a zero-sum game and the exclusion of low-income households as property is upgraded. The second might allow for the addition of gentrifiers to selected housing stock without necessarily changing a neighbourhood’s overall character or displacing low-income residents. The third also allows for the possibility of gentrification that increases the urban density without displacing less affluent residents.
Most gentrification research combines all three perspectives, albeit in varying proportions, and recognises a wide range of urban redevelopments as examples of gentrification. Shaw (2008, p. 1719) concludes that some degree of theoretical ambidexterity is required to identify contemporary forms of gentrification.

Regardless of which of these three approaches guides the enquiry, most gentrification research in practice concentrates on the colonisation of devalorised neighbourhoods by higher income migrants from nearby locations within the same city, an orientation Davidson (2011, p. 1991) sees as ‘fetishising’ the city. With a few notable exceptions (see Olds, 2001; Smith, 2002; Davidson, 2007), the role of extra-urban processes, including international movements of people and capital, is neglected. In contrast, this article’s interest in gentrification in the context of rapid migration directs attention to how extra-local forces shape local outcomes and to the importance of the pace of change in triggering displacement effects. The next section describes how a housing crisis in Melbourne’s inner western suburbs arose and why it exposed the area’s relative undervaluation.

3. Melbourne’s Housing Crisis

Melbourne’s housing affordability crisis was the unanticipated outcome of policy decisions, made by different levels and spheres of government that increased the local demand for housing without a commensurate increase in its supply. Australian house price inflation since 1996 has been among the highest in the world. The effects have been especially acute in Melbourne, where housing prices have increased more quickly than average incomes (Demographia, 2010).

Australia’s housing markets are characterised by unusually high rates of home ownership, a cultural expectation reinforced by regulations that insulate the ‘family home’ from federal and state taxation. In Melbourne, as in other Australian cities, middle-income households seldom rent their housing. Australian governments protect homeowners, and since 2000 have subsidised purchases by providing one-off grants of up to $21 000 for ‘first-home’ buyers. While these policies aimed to stimulate construction activity, they also fuelled housing price increases as buyers competed for limited stocks of housing.

Second, Australia’s national taxation system creates strong incentives for ‘mum and dad’ investors to purchase property. In 1989, again with the objective of revitalising housing markets, the Federal Government reintroduced a tax incentive known as ‘negative gearing’. It allows investors to deduct the costs associated with investment properties from their taxable income. Since 1999, investors have also been allowed a 50 per cent tax discount on capital gains earned on property assets held for more than one year. These concessions increase the incentive to invest and speculate in property assets and stimulate economic activity in housing and urban redevelopment. By 2010, according to the Australian Tax Office, 1 in every 10 Australian taxpayers was a ‘negatively geared’ landlord (Colebatch, 2010).  

Third, property investment has been stimulated by aggressive bank lending to both owner-occupiers and investors. By lending to the threshold of borrowers’ capacities to service debt, banks have maximised their earnings in interest payments and financiers have maximised their sales commission. Greater capacity to borrow money (and at historically low interest rates) has made it possible for buyers to bid up house prices. Younger buyers with no memory of the crippling high interest rates of the 1980s have borrowed to their bank-assessed limit with an “irrational exuberance” (Keen, 2010, n.p.). Consequently, aggregate household debt has increased rapidly, from 54.2 per cent of disposable
household income in 1995 to 138.2 per cent in 2009 (RBA, 2010). In turn, Australian banks have sourced credit from short-term global financial markets, potentially exposing the domestic financial system to the vagaries of international capital flows.2

Fourth, Australia’s housing tenants (who are usually less affluent households living in negatively geared investment properties) are not well protected by law or tradition. In Victoria, the state with jurisdiction for regulating Melbourne’s housing market, protection for housing tenants has been weak since its deregulation in the early 1980s. Under Victoria’s current laws, set out in the Residential Tenancies Act (1997), tenancy leases are usually of short duration and lack an automatic right to renewal. The federal government—which in Australia is responsible for welfare programmes—provides relatively meagre rent subsidies for low-income households.

Fifth, federal government immigration policy shifted in 2006 to support a ‘big’ Australia. Large-scale in-migration of ‘skilled’ migrants was introduced as a means to counter population ageing and address skill shortages, but after 2007, it also functioned as a macro-economic lever to stimulate consumption demand with a view to insulating the Australian economy from the global financial crisis. This federal strategy was supported by both the Victorian Government and the City of Melbourne through their advocacy of urban development based on attracting a ‘creative class’ of skilled professionals (Florida, 2002).3 Consequently, net migration into Victoria from overseas peaked at 1.5 per cent of the total population per annum in 2008, about three times the 1990s rate of 0.4–0.5 per cent per annum (ABS, 2011). The vast majority of new migrants settled in the Melbourne metropolitan area.

In addition to new permanent residents, large numbers of international students have arrived in Melbourne since 2004. This was an outcome of federal policy changes requiring universities to secure a higher proportion of their funding from non-government sources. The policy encouraged high numbers of incoming settlers because, under the rules of Australia’s skilled migration programme, many overseas students would qualify for permanent residence on the completion of their studies. The quality of Melbourne’s amenities and educational institutions, especially in the inner city, made it an attractive destination (Atkinson & Easthope, 2008). Consequently, overseas students became an important source of demand for apartments in inner Melbourne. At its peak in the first quarter of 2009, 25 872 additional residents were added to Melbourne’s population: that is, around 2000 new residents each week (ABS, 2011).4

Meanwhile, in 2003 the Victorian State Government, which is responsible for land use regulation, instituted an urban growth boundary to contain urban growth and to improve environmental efficiencies (Victoria, 2003). It also oversaw a ‘slow and cumbersome’ building approval process that had the effect of discouraging new housing developments on the urban fringe and delaying redevelopments in the inner city (Demographia, 2010). Although state policy encouraged urban consolidation and the redevelopment of inner-urban locations, in practice conflict arose over access to land and permission for high-rise development. Local government, which has some power over land use, frequently supported resident opposition to developments that contravened heritage laws, flouted local planning guidelines or encroached on residents’ amenity. This further slowed the supply of new dwellings. The planning policies of the City of Melbourne supported high-rise development in the city centre only, thus preserving the heritage value of the suburbs closest to the city. This forced developers to focus on the next ring of suburbs, such as inner western Melbourne.
The demand for housing in Melbourne’s inner city and surrounding suburbs escalated, but the housing supply was “inherently incapable of responding” (Productivity Commission, 2004, p. 18). The even sharper effects on Melbourne’s inner western suburbs were the product of the increasing housing demand in the context of constrained supply combined with a regulatory system that provided limited protection for rental-housing tenants. The consequence, in 2008 and 2009, was a rate of housing demand that could not be satisfied by the available supply, escalating housing prices, declining vacancy rates for rental housing, prohibitively expensive rental costs and a crippled transport infrastructure. Unsurprisingly, the Victorian State Government was voted out of office in November 2010, despite the crisis having been created by federal policy settings.

4. Trends in Melbourne’s Inner Western Suburbs

The housing crisis played out differently in different parts of Melbourne. Its effects were in general costly for low-income households located close to the city. This article focuses on the effects in the inner western suburbs of Melbourne, specifically the City of Maribyrnong and its city-side suburbs of Footscray, Yarraville and Seddon (Figure 1). Maribyrnong is separated both physically and psychologically from inner Melbourne by the Maribyrnong River. It comprises a range of housing types including remnant areas of Victorian-era housing. For much of the 20th century, the local economy was dominated by heavy industry, manufacturing and activities related to the nearby Port of Melbourne. The area once provided cheap housing for manufacturing workers, many of whom had migrated from Europe after the Second World War. These localities, and their residents, were among the losers of Australia’s 1980s shift away from manufacturing industries, and their disadvantages were compounded by the recession of the early 1990s. Whilst employment in western Melbourne stabilised from the mid-1990s, the inner west has continued to shed manufacturing jobs (ABS, 2001, 2006). In the 1990s, by Melbourne’s metropolitan

![Figure 1. Melbourne’s inner western suburbs](image-url)
standards, ‘the west’ was not a fashionable place to live. Although the gentrification of Victorian housing had surged in other parts of Melbourne (Jager, 1986), the housing stock in the inner western suburbs remained run down. The area was eschewed by all but the most intrepid gentrifiers. Still, by 2000, its land was ‘cheap’ by metropolitan standards (Dodson & Berry, 2004).

Three local-scale developments since 2000 primed the inner west for gentrification. First, the city’s docklands development reclaimed underutilised land on the western side of the central business district (CBD) with the effect of bringing the city ‘closer’ to the inner west (Figure 1). Second, a number of rail and road infrastructure projects improved the inner western suburbs’ connections to the rest of the city. Finally, the scarcity of unrenovated heritage properties in other parts of the city increased the west’s attraction for homebuyers with a penchant for Victorian-era architecture. There is clear evidence that gentrification was already occurring before the post-2007 housing crisis took hold, but also that the area was developing a sizeable ‘rent gap’. Importantly, this context made the inner western suburbs a spatial flashpoint of the housing demand surge in 2008–2009.

In the years between the 2001 and the 2006 Censuses, the resident profile of the inner western suburbs was transformed. The proportion of 15 to 64 year olds in Maribyrnong who held a bachelor degree increased from 16.8 to 25.0 per cent of the population, compared with a slower increase, from 17.8 to 21.7 per cent, for Melbourne as a whole. Likewise, the percentage of employed residents who worked in managerial and professional occupations increased by 4.3 per cent in Maribyrnong (from 30.3 to 34.6 per cent), but only by 1.7 per cent for all of Melbourne (from 33.3 to 35.0 per cent) (ABS, 2006). The median weekly household income increased by $275 (to $1117) in Maribyrnong, but by only $198 (to $1242) in Melbourne as a whole.

Census data can also be used to map the net inter-suburban population inflows and outflows and the gross population inflows from overseas. To incorporate the dynamics of socio-economic status, the data in Figure 2 (which summarises the more detailed information in the Appendix) shows mobility between the inner city, the inner west’s City

![Graduate population changes. Notes: The data exclude persons of less than 20 years of age, persons not in the labour force (i.e. including retirees) and enrolled students. Overseas flows include those who stated they were overseas in 2001 and therefore include immigrants and returnees. Emigration flows are not captured. The detail omitted from this figure for the sake of clarity is included in the Appendix. ‘Western Melbourne’ comprises the local government areas (LGAs) of Brimbank, Wyndham and Melton and the statistical local area (SLA) of Hobsons Bay–Altona. ‘Inner Melbourne’ comprises the already gentrified LGAs of Banyule, Bayside, Borroondara, Darebin, Glen Eira, Melbourne, Moreland, Port Phillip, Stonnington, Yarra and Moonee Valley. The ‘Rest of Melbourne’ includes all the other Melbourne metropolitan LGAs. Source: ABS (2006).]
of Maribyrnong and the suburbs further to the west of the city centre. The proportions of in-movers who held a bachelor degree or higher are shown; they are taken as a proxy for gentrifiers.\textsuperscript{6}

Figure 2 shows that between 2001 and 2006, a higher proportion of incomers to Maribyrnong held university degrees than the resident population (of whom only 34.0 per cent held a degree). Of the 2149 incomers from overseas, 57.9 per cent were university graduates, while 45.9 per cent of the 1642 adults who moved from inner Melbourne to the inner west were also degree holders. This influx of more educated residents was countered by a net outflow of 1842 residents to more affordable suburbs further west of the CBD.\textsuperscript{7} Of these out-movers, only 16 per cent were university graduates and 84 per cent were not graduates. To reinforce this pattern, and consistent with a ‘global city’ explanation for urban change, 55.5 per cent of Maribyrnong’s in-movers worked in inner Melbourne, compared with 43.7 per cent of established residents (ABS, 2006). Figure 2 shows clearly that more educated incomers gravitate to the inner city. The proportion of degree-holding settlers from overseas was 73.9 per cent for the inner city, 57.9 per cent for the inner west and 29.3 per cent for the outer west. In total, the inner-city suburbs attracted (net) 39 039 new residents, of whom 88 per cent held a university degree (Appendix). At the same time, they lost large numbers (5085) of non-graduate residents who exited to other parts of the city. Figure 2 describes a cascading process of displacement in which inflows of highly educated individuals moved into inner Melbourne and pushed other groups outwards.

The data in Table 1 show that just over half (50.5 per cent) of the (non-student) adults arriving in Melbourne from overseas between 2001 and 2006 settled in inner Melbourne suburbs (see also Wulff & Lobo, 2009), although these areas account for only 34.0 per cent of the population of greater Melbourne. Maribyrnong also attracted a disproportionate inflow of recent overseas arrivals (2.7 per cent of newcomers, relative to its share of the population of 1.7 per cent). Had domestic and international students been included in this analysis, this shift in the population profile would have been even more pronounced.

These processes suggest the displacement and exclusion of low-income residents (or both) from the inner western suburbs. To reinforce this conclusion, Table 2 shows the proportion of working-age residents who were entitled to hold a Commonwealth Healthcare Card. The card is available to all low-income and welfare-dependent residents and provides access to a range of price concessions. Because access to the card is

\begin{table}[h]
\centering
\begin{tabular}{lrrrr}
\hline
\hline
Inner Melbourne & 498 838 & 39 634 & 25 398 \\
Maribyrnong LGA & 24 637 & 2149 & 1244 \\
Western Melbourne & 161 956 & 39 634 & 2570 \\
Rest of Melbourne & 779 670 & 30 246 & 13 582 \\
Melbourne (Total) & 1 465 101 & 78 407 & 42 794 \\
\hline
\end{tabular}
\caption{Share of migration inflows, Melbourne, by educational attainment, 2001–2006}
\end{table}

Notes: As in Figure 2.
rigorously scrutinised by the federal government, it provides an accurate gauge of low-income status—possibly more accurate than Census data (because it does not rely on self-reported status).

The years 2001–2006 were, in general, prosperous and the overall numbers of Healthcare Card holders declined. Table 2 shows that between 2001 and 2006, the suburbs within Maribyrnong experienced a disproportionate fall in the number of Healthcare Card holders relative to other areas of the city, providing strong evidence that the area was losing low-income residents. The weakest decline in Healthcare Card holders was in the disadvantaged middle western areas of the city (Brimbank and Hobsons Bay–Altona). This supports the conclusion that less affluent residents were moving to more affordable locations further from the city.

### 5. The Effects of the Population Surge on Low-Income Residents

Housing prices in the inner western suburbs increased by 336 per cent between 1996 and 2008, a more rapid rate of increase than occurred in other parts of the city (DSE, 1996–2008). The rate of change accelerated after 2006, with rental affordability declining rapidly. Housing affordability in the inner west fell below the Melbourne average by June 2009, and fell more rapidly than in other parts of the city. This trend, which is shown in Figure 3, is assumed to be produced by the inner west’s higher rate of turnover of property.

Quantitative analyses provide useful insights, but they say nothing about the process of change, the degree to which movements were voluntary or involuntary, or the extent to which the outcomes were the product of displacement or exclusion. To extend the quantitative analyses and flesh out the processes that generated aggregate changes in housing markets since 2006, 18 interviews were conducted with welfare service workers involved in the provision of social housing and other material support in Melbourne’s inner western suburbs. At the instigation of housing workers, a focus group with residents living with a disability was also held in order to gain a better understanding of how the residents were responding to the crisis.

The service providers reported that in the 1990s and early 2000s, gentrification processes in the west were restricted to owner-occupied, semi-detached houses at the

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**Table 2. Healthcare Card holders by area, 2001 and 2006**

<table>
<thead>
<tr>
<th>Area</th>
<th>% of population (15–64 years) with Healthcare Cards</th>
<th>Change in proportion 2001–2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maribyrnong LGA</td>
<td>21.5</td>
<td>−3.7</td>
</tr>
<tr>
<td>Middle western Melbourne</td>
<td>17.2</td>
<td>−1.8</td>
</tr>
<tr>
<td>Outer western Melbourne</td>
<td>16.5</td>
<td>−2.8</td>
</tr>
<tr>
<td>Inner Melbourne</td>
<td>11.9</td>
<td>−2.3</td>
</tr>
<tr>
<td>Rest of Melbourne</td>
<td>13.9</td>
<td>−1.3</td>
</tr>
<tr>
<td>Melbourne</td>
<td>14.8</td>
<td>−2.0</td>
</tr>
</tbody>
</table>

*Notes:* Calculated from postcode-level data. Only data for postcodes with greater than 50 per cent of their aggregate area within our synthetic boundaries are included in the calculation. The areas follow Figure 2, except that here western Melbourne is divided into middle and outer areas. Middle western Melbourne comprises Brimbank LGA and the SLA of Hobsons Bay–Altona. Outer western Melbourne comprises Wyndham and Melton LGAs.

upper end of the local market. Then, the main effect for low-income households was the
restriction of the supply of housing as rental properties were renovated and converted to
owner-occupation. This process was most evident in the suburbs of Yarraville and Seddon,
where coveted Victorian cottages are commonplace. The conversion of rental stock
expanded to other, less desirable types of housing after 2006. Apartments and walk-up
flats originally targeted at low-income groups were increasingly being renovated and
leased to higher income households or demolished for new housing. University students,
especially overseas students, were identified as the source of increased local rental
demand. Students are generally more affluent than local tenants, and when they share
houses, can easily outbid a low-income family.8

In 2007, rents began to escalate. This was primarily a market response to the unmet
demand for housing—as a result of the surge in migration—but also reflected changing
investment conditions. The global financial crisis stalled large-scale development projects
as the inflow of capital failed to match the inflow of population. At the same time, rising
bank interest rates were increasing costs for highly leveraged ‘negatively geared’
landlords. Investors who had purchased using borrowed money had limited capacity to
bear cost increases, and so responded by increasing rents—as is their right in Melbourne’s
deregulated rental market.9 These changes induced many low-income households to seek
more affordable accommodation.

In addition to rising rents, the interviewees identified an increasing incidence of
discrimination in the rental application process. The definition of an ‘acceptable tenant’
shifted to favour young professional households over low-income households, regardless
of their capacity to meet rental payments. Social housing services found it increasingly
difficult to ‘head-lease’ properties on behalf of welfare-dependent clients.10

Figure 3. Housing affordability in western Melbourne, December 2000–June 2009. Note: The
figure shows the percentage of new rental agreements for two-bedroom dwellings deemed
‘affordable’, where affordability is calculated as housing costs of at least 30 per cent of the income
that a single parent with one child receives if living solely on government welfare payments. Source:
The material and social costs of the crisis were borne by low-income residents, the elderly, low-income migrants and refugees, and people living with a disability. These groups depend on the social services and community networks that cluster in the inner west, which has historically acted as the points of entry for new migrants. Because they also depend on proximity to the inner city’s public transport network for access to jobs, services and communities, vulnerable households employed various strategies to remain in the inner west. First, people were spending an increasing proportion of their household income on rent while sacrificing other expenditures. According to one housing worker:

In my experience ... all low income people will try to resist [exiting] for as long as they can. I was perpetually surprised to find people in their 70s and 80s who had lived all their lives in the area ... and now the rents were, like, 50% of their incomes. They didn’t care. They were hanging on because that was the only place they knew. All their friends lived there, their doctors, all their other social services. It was the only place they knew their way around. What made them most fearful was “I don’t want to move somewhere new now, to find my way around in a whole new suburb.” I was continually surprised when I came across people who were like that ... people were who hanging on at all costs.

Second, overcrowding became commonplace as residents who had been evicted or who had reached the end of a non-renewed lease ‘couch hopped’ among families and friends. For immigrant and refugee households, where financial resources are limited but family ties are strong, moving in with extended family groups became routine. Housing workers discouraged this practice because it breached tenancy agreements, putting entire extended families at risk of eviction and exclusion from rental housing. A ‘clean’ rental history was mandatory in this housing market.

Third, expenditure patterns changed. Low-income families increasingly paid their rent first, on receipt of their wages or welfare payment, then relied on local charities for assistance with food and household expenses when they ran out of money later in the week.

Fourth, residents were ‘trading down’ to cheaper accommodation in their immediate neighbourhood. This increased the demand for exploitative housing options, especially rooming houses, which are a precarious option but often the last resort for welfare-dependent households. In this form of rental, landlords profiteer by subletting rooms on a weekly basis at a rate just affordable for welfare recipients. This leaves tenants with little money for other expenses. As one social service provider explained:

It is causing a very transitory type of existence for a lot of people, especially within the inner suburbs. They are going to emergency housing, transitory housing, homelessness ... in and out, in and out ... they move around the inner city. That is because the costs of rooming houses these days around here are becoming exorbitant, and it’s becoming more so.

Fifth, low-income tenants unable to find housing sought shelter in local caravan (trailer) parks. This option was difficult to access because the parks were fully booked. Safety concerns discouraged housing agency workers from sending families to such places.
Sixth, low-income tenants were becoming more compliant. Long-standing tenants whose rental payments were below the current market rate were becoming reluctant to request repairs, for fear that their rental payments would be increased as a result (this practice is permissible under Victoria’s tenancy laws). As one social service worker explained:

At one stage there was some unwritten law that they couldn’t raise the rent without improving the property ... but that doesn’t apply any more. If his [the landlord’s] rates have tripled, someone [the tenant] is going to pay for that, not him.

Seventh, low-income households faced several barriers to making a smooth transition to more affordable accommodation (which in Melbourne usually means accommodation further from the city). The rent paid by longer-term residents often lags behind the market rate by 10–20 per cent, a benefit that is lost with a change of residence (Porter, 2010). Further, the cost of relocation creates a strong disincentive to move, especially for households that live from week to week. Few tenants have sufficient cash reserves to cover rent in advance, the security bond (typically one month’s rent) and moving costs (e.g. transportation, disconnecting and reconnecting utilities). The physical challenges and search costs of relocation are especially high for the elderly and for people with a disability.

Finally, all these factors lead low-income tenants to ‘hang on’ as long as possible. As a result, when displacement occurs, it is often under the worst of circumstances. One long-term resident living with a disability told us:

Recently the rent went up $10. If it stays where it is, I can just survive. My whole pension goes out to rent and we live on my wife’s pension. We just get by, month-to-month. If anything happens and I’ve got to shift, I don’t have any reserve there now. I’ve used up all my reserve in paying the extra rent. ... And if I do move, where am I going to go?

When tenants leave the inner western suburbs, most move to low-income areas of middle and outer western Melbourne, to pockets of ageing and poor-quality housing stock (see Randolph & Holloway, 2005). A common destination is the adjacent municipality of Brimbank, which is among the most disadvantaged areas in urban Australia. Service providers are concerned that as their clients move to these areas, with their lower density of social services and fewer public transport options, they will become isolated from communities and job opportunities. One woman living with a mental illness described how her social group had been fragmented:

I have four friends; all of them have mental illnesses of different sorts. ... In the last four months, they have all had to leave the area because their housing closed down, their share house broke down or they couldn’t afford it. And they couldn’t afford to move and stay in this area. One has ended up in Maidstone [an adjacent suburb further from the CBD], but that is precarious. It’s a shared boarding house situation, and they are very dodgy and difficult to deal with. Another one is just camping in somebody’s lounge. It’s quite dire. It just means they are losing their community. Particularly if you don’t work and you have a disability, your community is the
people you live around ... and the services you use locally. If you have to leave the area, you get isolated so quickly.

It seems that a combination of policy changes and their effects have conspired to force low-income residents out of the inner ring of suburbs in Melbourne’s west and into the least-desirable neighbourhoods of middle and outer western Melbourne. This outcome contradicts federal and state government policies that laud the benefits of ‘social mix’ and discourage the spatial clustering of social disadvantage.

The major beneficiaries of these processes are established property owners, especially those with a high proportion of equity in their property, leveraged investors, and the financial institutions that lend money to homeowners and property investors. Various levels of government also benefit because they draw revenue from property-linked taxes; the federal government earns capital gains tax on housing sales, the state government earns stamp duty on land sales and the local government levies rates based on property values. Perhaps the surge in population did help to insulate the Melbourne economy from the worst effects of the global financial crisis, by underpinning asset prices and construction activity. However, if that is true, it is also true that the costs were paid by the most vulnerable of the city’s residents.

6. Implications for Gentrification Research

Gentrification research has bifurcated into two sets of analyses. Those that rely on quantitative evidence tend to find that gentrification’s impacts are moderate in the context of high inter-neighbourhood mobility, or that gentrification might even benefit low-income residents by diversifying the socio-economic mix and regenerating urban neighbourhoods. Qualitative approaches, on the other hand, tend to find that gentrification displaces low-income residents and isolates them from their communities. This analysis has combined qualitative with quantitative approaches. The quantitative analysis demonstrates that displacement and exclusion effects are revealed by analysing who is moving where, not just relying on the fact of movement. The qualitative analysis uncovers the processes that generate these overall patterns and shows that the rate of change across the local housing market—not only in the gentrifying area—is the crucial determinant of displacement effects. The qualitative data also show that when low-income residents change their accommodation, for whatever reason, they have great difficulty re-establishing themselves locally. Rather than leaving their neighbourhoods, many people employ costly strategies to ‘stay put’ (see also Newman & Wyly, 2006). Those with the lowest disposable incomes (principally the least competitive among renters, such as disability pensioners and refugees) face the highest relative costs when forced to relocate. This evidence is consistent with both involuntary displacement and exclusionary displacement.

These findings are pertinent to the recent debates about the validity of quantitative displacement studies. If gentrification increases the relative benefits of incumbency and creates disincentives and barriers to mobility, studies that compare the overall rates of movement between ‘gentrifying’ and ‘non-gentrifying’ neighbourhoods are problematic. Rather, research should focus on why low-income residents move, where they move to and what happens when they are confronted by the realities of gentrified or under-supplied local housing markets. Whether or not gentrification is accompanied by displacement
remains an empirical question, but one for which the outcome is strongly influenced by the local rate of change in housing markets.

This analysis exposes other limitations of existing theorisations of gentrification. It shows that the gentrification of a neighbourhood’s housing stock and the gentrification of its residents are not one and the same. It suggests that the categories ‘gentrifiers’ and ‘displaced’ are too general and need to be specified more accurately. In particular, studies of displacement do not make a strong enough distinction between the effects for owners, the effects for tenants and the interactions between the two. In this analysis, the reallocation process for outgoing and incoming rental tenants differed from the reallocation process for outgoing and incoming homeowners. The incomers tended to be ‘gentrifiers’ in the sense that they were more highly educated and more affluent than the out-movers. However, they were not true gentrifiers according to Smith’s rent gap definition if they did not own the property into which they moved. In this example, the gains from the rent gap were captured by property owners who would never actually live in these neighbourhoods. The incomers are gentrifiers by Jager’s cultural definition (1986) if they move into Victorian or other heritage housing, or even when they move into renovated warehouses and ‘new building’ apartments, but not if—as was frequently the case—the inner west is a second or third best option for affluent incomers who have been priced out of more desirable suburbs and who move into housing that lacks any particular cultural cache or aesthetic appeal (although overseas incomers may have different ideas on this score from locals). Nonetheless, the processes identified in this article are broadly consistent with gentrification as a ‘global city’ process, in which shifts in housing allocation are a consequence of shifts in economic activity and labour market structures. In this case, gentrification was accompanied by displacement effects because the migration-induced housing affordability crisis increased housing costs beyond low-income households’ capacity to pay.

7. Conclusion

The recent round of reallocation of housing in Melbourne’s inner western suburbs has been driven by national, state and city growth strategies that depend heavily on continued global inflows of capital and people. The federal government’s migration policy after 2007 was designed to avert macro-economic crisis, address skills shortages and create a ‘bigger’ Australia, but it did not recognise that the majority of in-migrants would concentrate spatially in the inner areas of the largest cities. Nor did it anticipate the effects this would have on supply-constrained local housing markets. The result is that, since 2007, a series of policies intended to secure Australia’s longer-term future have conspired to create a housing affordability crisis that has displaced large numbers of low-income residents from inner-city neighbourhoods. Other globalising cities have experienced similar difficulties. In contrast to these cities, however, Melbourne’s deregulated residential tenancy laws offer little protection to tenants, and although rent subsidies are available to welfare-dependent households they have proven woefully inadequate given the intensity of competition for housing. The outcome is the progressive exclusion of the poor from the inner city.

As Smith (2002, p. 446) suggests, gentrification plays a key role in the process of neoliberal urbanism by “serving up the central- and inner-city real estate markets as burgeoning sectors of productive capital investment”. As Melbourne’s inner west is being
offered up as a site of consumption for a new global middle class (as in Davidson, 2007), it is being integrated into global circuits of capital through property development and property markets. The displacements experienced by low-income households are the direct outcome of this strategy. Finally, this article has shown that the national policy settings created conditions that changed a gradual process of gentrification into a rapid and market-based reallocation of housing involving significant displacement effects. In the future, urban planning, housing and population policies will need to be more tightly coordinated across scales of government to prevent the erosion of housing standards for low-income households and the dissolution of vulnerable communities.

Acknowledgements

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Notes

1. Although overseas buyers are reported to have been major investors in Melbourne property markets in recent years, no data are collected to quantify the extent of their interest.
2. In 2007, the Australian Government moved to protect banks from these global effects.
3. In fact, the Victorian Government promoted Florida’s ideas explicitly.
4. By 2009, education was Victoria’s largest export sector, having grown nearly sixfold between 2000–2001 and 2008–2009 (ABS, 2010). In the face of community opposition, the federal government changed the rules in 2010 to limit the numbers of overseas students eligible for permanent residence. Rapid appreciation of the Australian dollar also contributed to the contraction of the overseas student industry.
5. Outflows abroad cannot be included, as these out-movers are no longer included in the Census.
6. Data comparing income groups give similar results. See van Hulten (2011).
7. Persons below 20 years of age, those not in the labour force, retirees and students were excluded from this analysis, so these figures omit movements of students into Maribyrnong. See van Hulten (2011).
8. At this time, we are told, some landlords were ‘auctioning’ rental properties to the bidder offering the highest weekly rental payment.
9. Australia’s banks were insulated from the crisis by a government guarantee, so there was no necessity to cut interest rates to stimulate the economy.
10. Head-leasing occurs when a social housing agency leases a property for use by its clients.

References


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**Notes:** As in Figure 2.

**Source:** ABS (2006).