



Housing Australia's Future

NEW HOME
BUILDING
REQUIREMENTS

POPULATION
GROWTH
SCENARIOS

NATIONAL,
STATE AND
TERRITORY
ANALYSIS

UNDERLYING
DEMOGRAPHIC
DEMAND

Demographic Analysis of Australia's Housing Requirements

2018

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Housing Australia's Future: A Demographic Analysis of Australia's Housing Requirements 2018

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Executive Summary

The past 15 years for Australia's housing market have been dominated by a persistent imbalance between the rapid growth in the population and the slow rate at which new housing stock has come online. This imbalance in the supply of and demand for housing has been the underlying cause of rapid acceleration in prices and ultimately Australia's housing affordability crisis.

In more recent years, state governments have responded to the crisis by facilitating growth in new housing supply through making some progress in increasing the availability of land for housing and by facilitating the construction of higher density dwellings in metropolitan areas.

These measures, combined with auspicious interest rate settings, culminated in a record build of 233,544 new dwelling commencements in 2016. This level of building exceeds the previous record set in 1994 by 25 per cent and is also 37 per cent higher than the average annual build of this century.

Critically, for the first time since 2003, the number of homes built in Australia has come close to fulfilling the needs of Australia's growing population.

Against these significant shifts in Australia's housing environment – which are illuminated by 2016 Census data – HIA has updated its flagship analysis of Australia's housing demand and supply, *Housing Australia's Future*. Specifically, the report considers future economic and demographic scenarios and the corresponding level of housing demand the industry will need to satisfy.

From this analysis we conclude that if the population continues to grow at the current rate and economic growth remains modest at around current rates, **Australia will need to increase the number of homes it builds each year from 2018 to 2050 by 20 per cent to avoid compounding the existing affordability challenges that the community already faces.**

Achieving this goal is a challenge in its own right. The challenge would be exacerbated if Australia's household income growth returned to a rate above its long-term average as this outcome would generate further housing demand. If this does occur, **then Australia will need to build in excess of 250,000 homes each year on average simply to ensure that the current affordability challenge is not amplified.**

By way of comparison, Australia built just 175,000 dwellings per year on average over the 17 years since 2000.

A summary of the new home construction levels required out to 2050 is provided below. Details regarding the research and analysis underpinning these projections are provided in the body of the report.

Estimate of Future Housing Demand from 2018 to 2050

Population Growth		Low	Medium	High
Household Income Growth	Low	131,371	167,041	215,123
	Medium	148,737	184,407	232,489
	High	166,103	201,773	249,855

Source: HIA Economics

This quantum shift upwards in the number of new homes required has not, and cannot, be met solely with the construction of the traditional detached house.

Census 2016 results demonstrate that apartments and semi-detached dwellings are housing a larger proportion of Australian households. This trend has partly been driven by households acting on a preference to enjoy inner-city living, which is most accessible through apartment dwellings and the affordability of apartment living. A third of Australian households are now living in an apartment, compared with 5 per cent 25 years ago.

Addressing the affordability crisis is not a task that can be completed in a few years, or by amending single

policies such as negative gearing and capital gains tax, placing punitive charges on foreign investors or focusing on short term development strategies.

A meaningful response to the affordability crisis must see the needs of the housing industry be a key focus of government policy – at each of the three levels of government. Improvements in the delivery of residential land and in approvals processes for new homes need to be accelerated.

Housing needs to be a key focus of an economic reform agenda in Australia, to ensure that the excessive and inefficient cost of new housing supply is reduced. This can only be achieved with the oversight and leadership of the Federal government working collaboratively with state and local governments and in collaboration with the housing industry.