



# **Housing affordability: why supply matters**

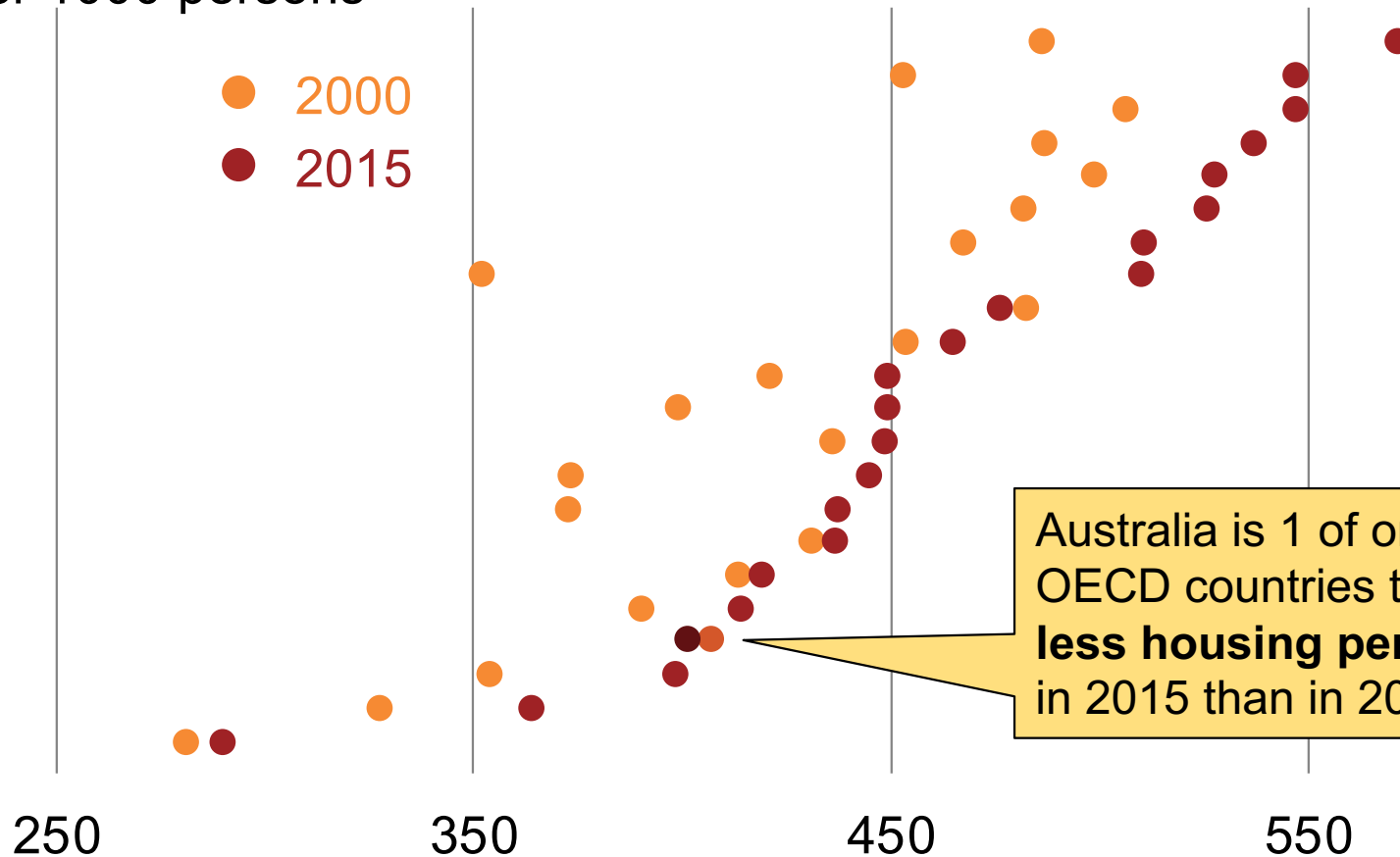
**Henry Halloran Trust, Sydney**  
**Brendan Coates, Fellow, Grattan Institute**  
**3 May 2018**

# For its population, Australia has relatively little housing stock, and it's falling

Dwellings per 1000 persons

- Portugal
- Bulgaria
- France
- Finland
- Switzerland
- Austria
- Germany
- Cyprus
- Sweden
- Denmark
- Netherlands
- Hungary
- Norway
- Lithuania
- Ireland
- UK
- USA
- Luxembourg
- Australia**
- New Zealand
- Poland
- Chile

● 2000  
● 2015

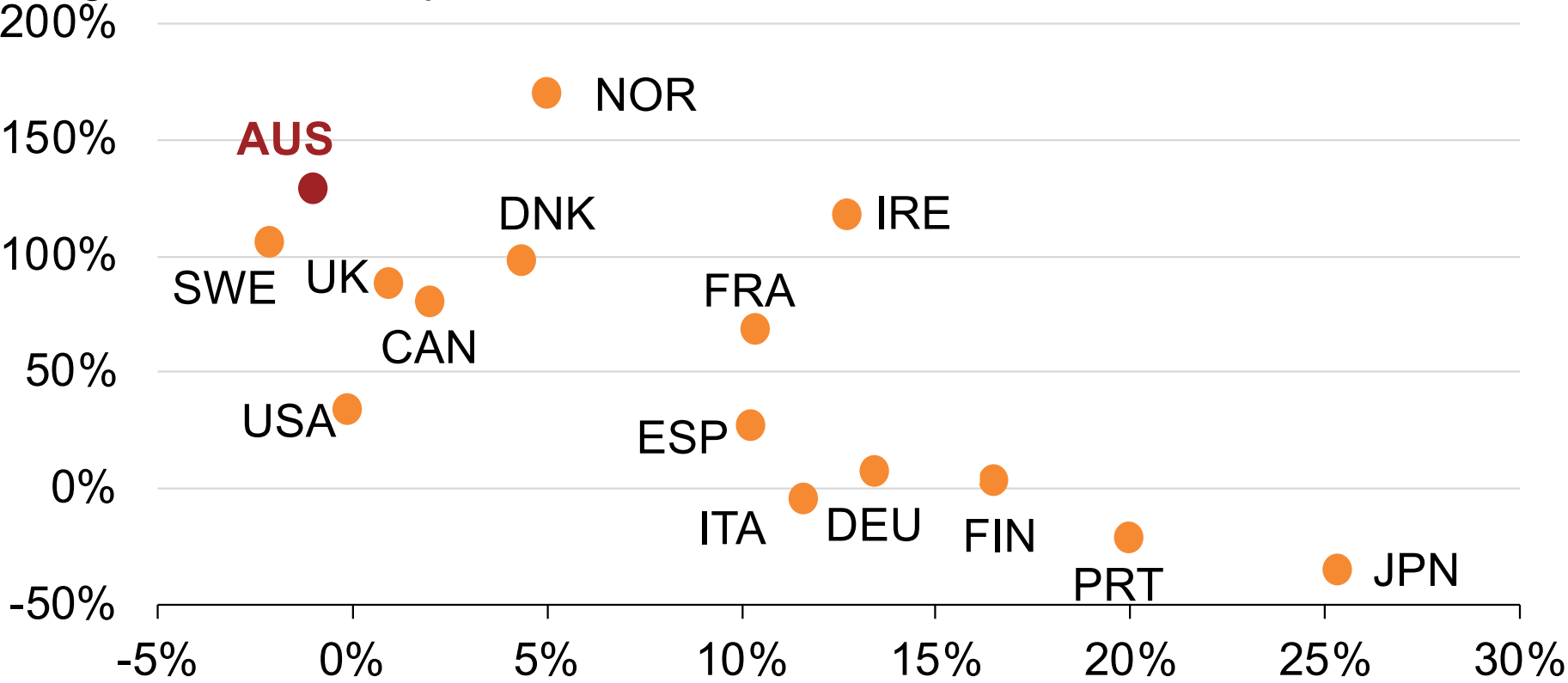


Australia is 1 of only 2 OECD countries to have less housing per person in 2015 than in 2000

Notes: Data for 2000 and 2015, or closest year  
Source: OECD 2017 housing database

# Countries that built more housing saw slower growth in house prices

Change in real house prices, 1990-2015,

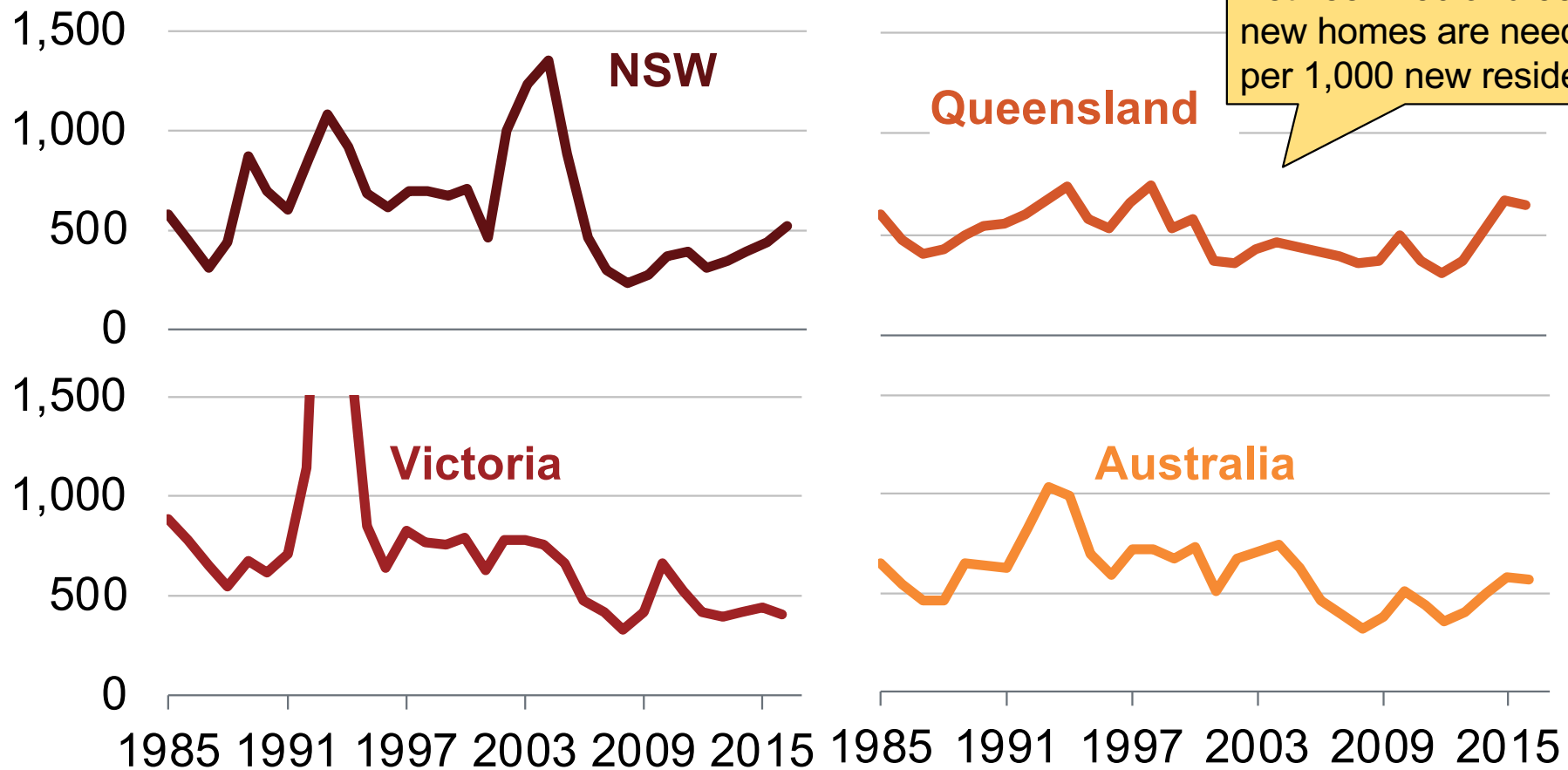


**Change in housing stock per inhabitants aged 20+ (per cent)**

Source: OECD Social and Affordable Housing Database; Resolution Foundation.

# Housing construction has picked up recently but is still only just matching population growth

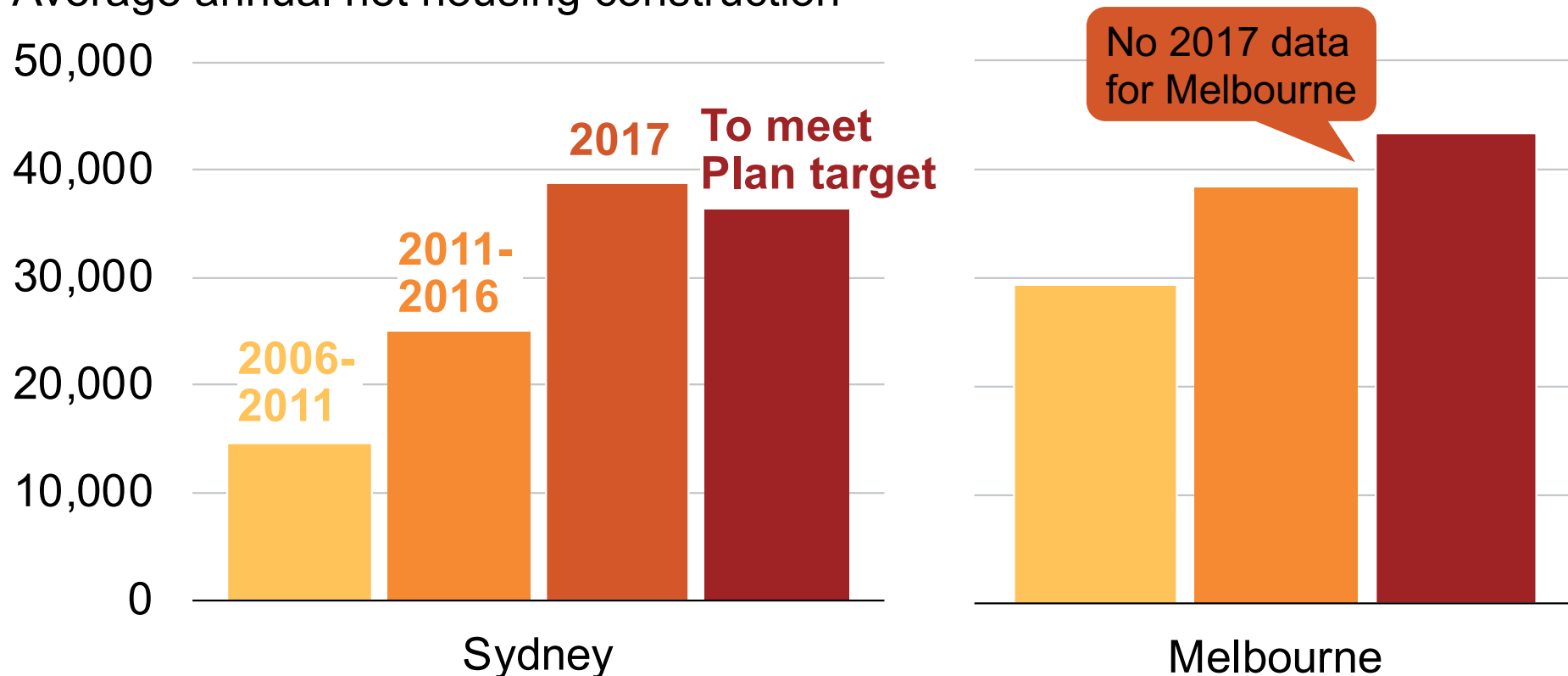
Dwelling completions per additional thousand people



Notes: Does not take into account demolitions. The Victorian series spikes at 3,500 in 1993 (cut off to improve readability)  
 Source: ABS 8752.0 Building Activity, Australia; ABS 3101.0 Australian Demographic Statistics; Grattan analysis

# Recent record construction is barely enough to meet city housing targets

Average annual net housing construction

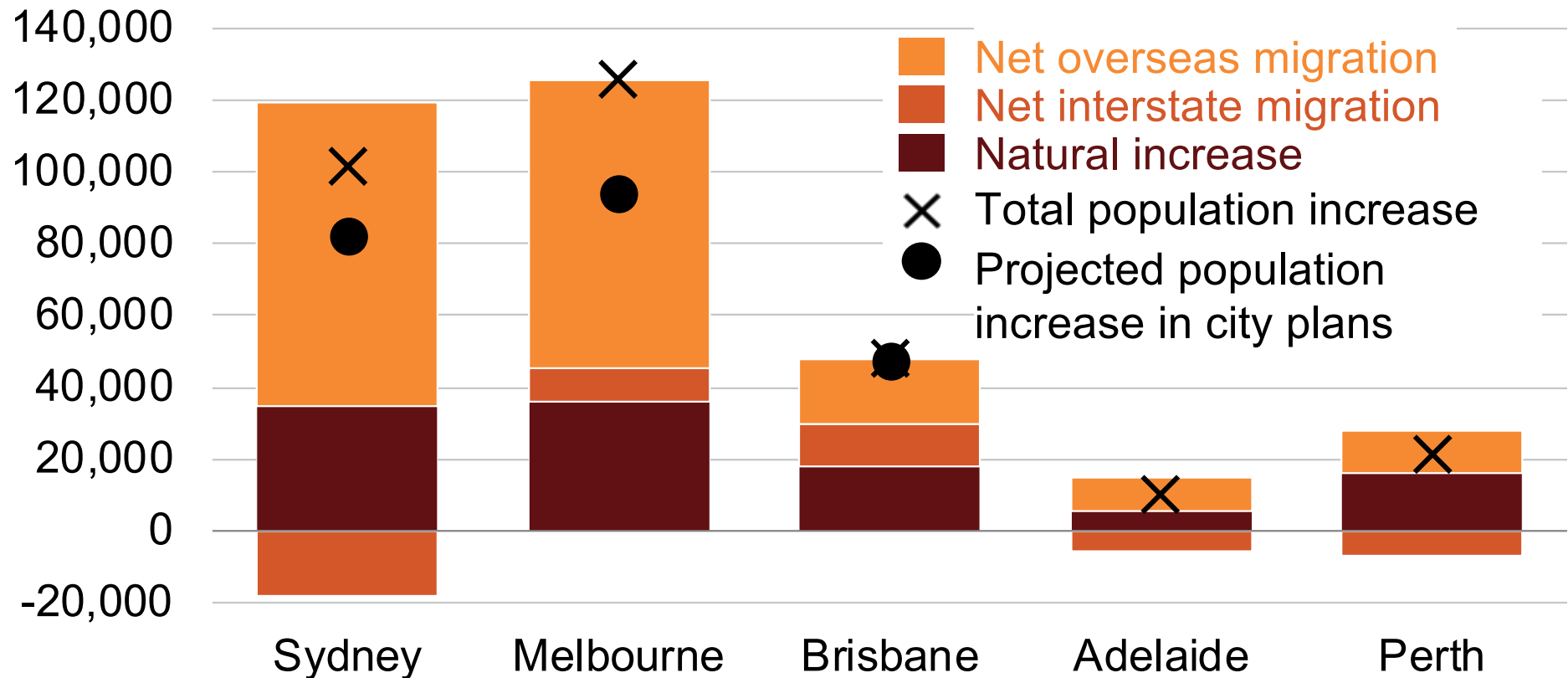


Notes: Draft Greater Sydney Region Plan: 725,000 additional dwellings over 2016-2036 (excludes the Central Coast). Plan Melbourne 2017: 1,550,000 additional dwellings over 2015-2051 (based on Victoria in Future projections). For 2006 to 2016 data, growth in dwelling stock is calculated using 2016 Greater Capital City Statistical Areas. Data for 2017 dwelling completions in Sydney from NSW Department of Planning and Environment (2018). No 2017 completions data available for Melbourne

Sources: Greater Sydney Commission (2016); Victorian Government (2017); NSW DPE; Queensland Government (2017).

# Population growth in Sydney and Melbourne is well ahead of official projections

## Components of population change, 2016 to 2017

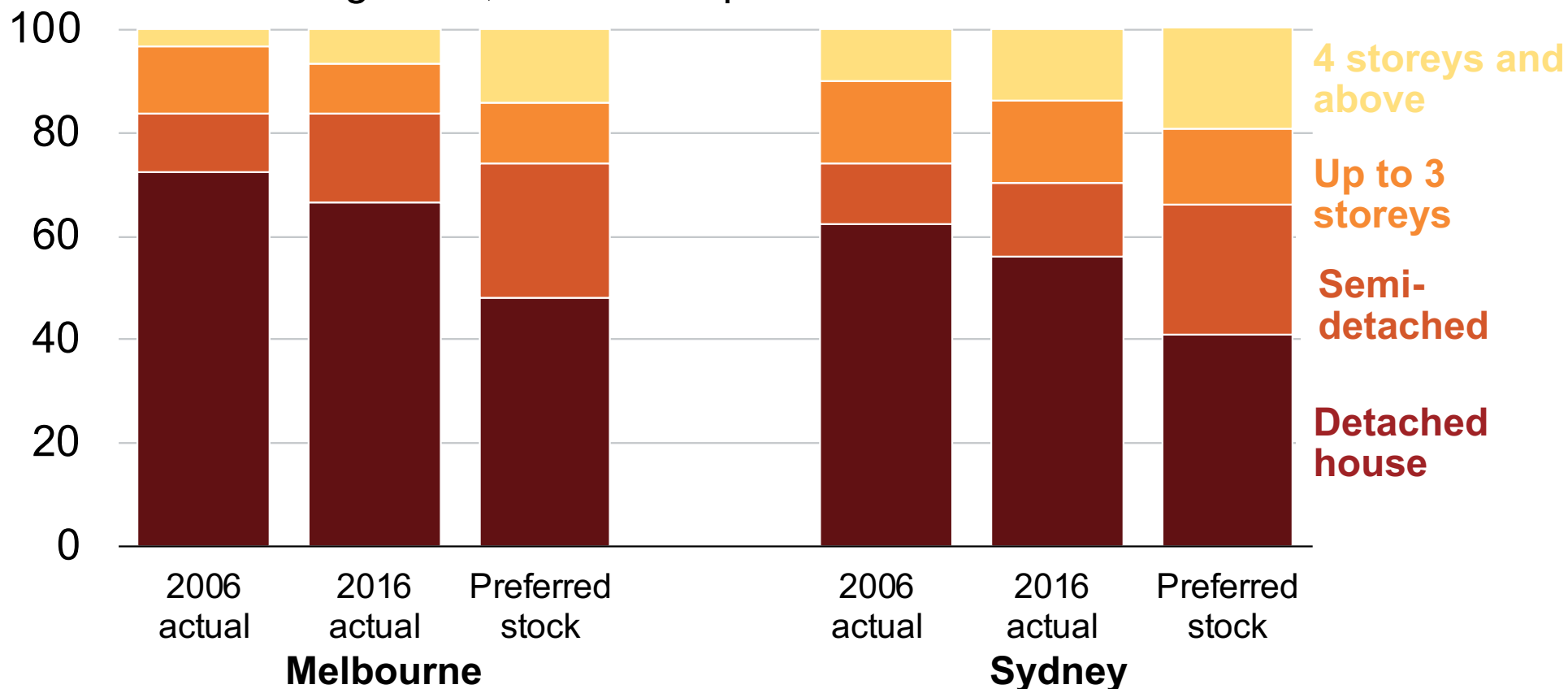


Notes: Projected population increase from state government population projections, annual average of medium and long-term projections. Sydney: 2011 to 2021, Melbourne 2011 to 2021, Brisbane 2011 to 2036. Projections for Sydney, Melbourne and Brisbane are shown.

Source: ABS 3218.0 Regional Population Growth, Australia, 2016-17; State government departments

# There's a shortage of medium density housing compared to what people want

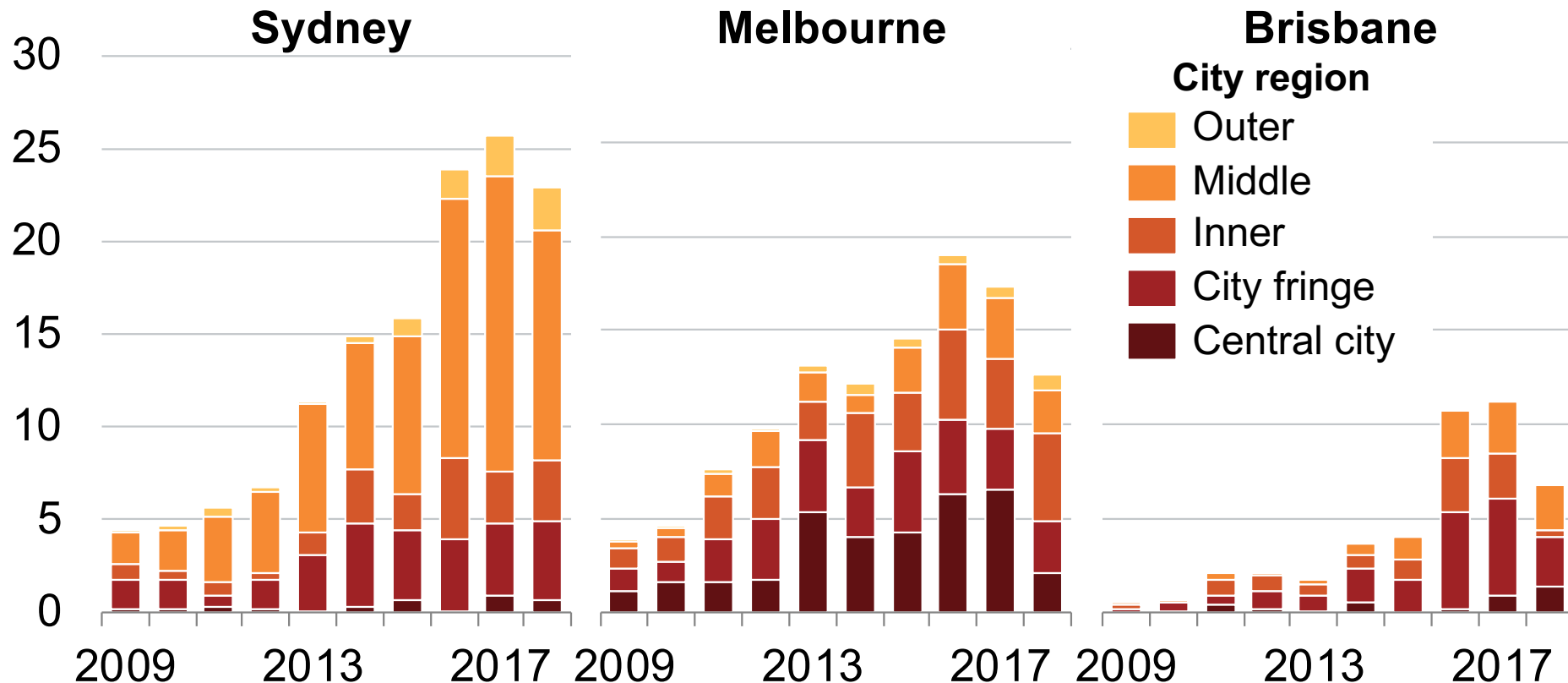
Per cent of housing stock, actual and preferred



Notes: 'Preferred stock' is from the survey of 700 residents about housing preferences from Grattan's 2011 report, *The housing we'd choose*. Data may not sum to 100 due to rounding. Excludes dwellings listed as 'Not stated' and 'Other dwellings', such as caravans.  
Source: Census; *Housing we'd choose*; Grattan analysis

# Apartment completions increased from about 2011, and accelerated again from 2016

Apartment completions and expected completions, thousands



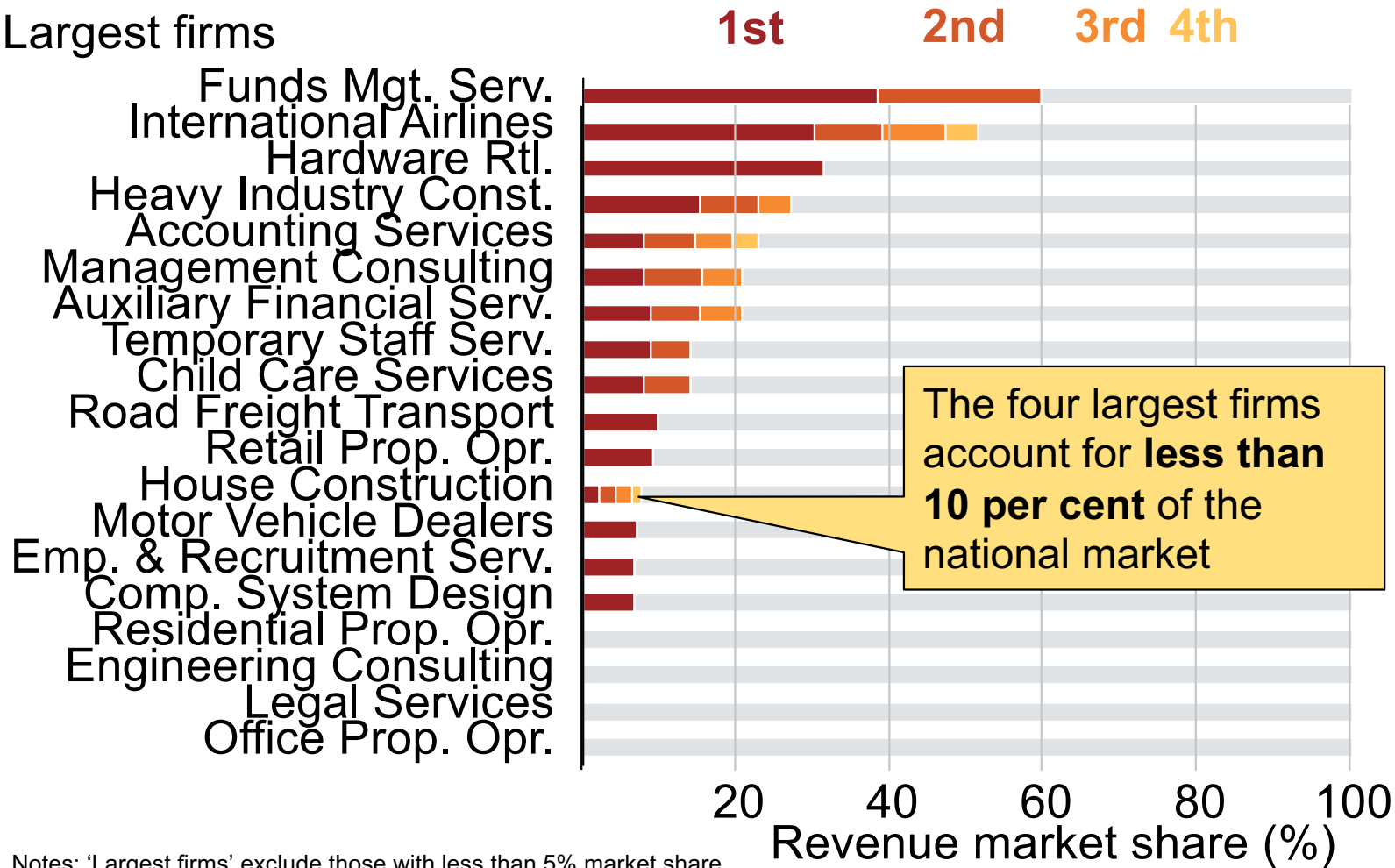
Notes: The Central city region = CBD and approximately 0-2 km from the CBD. City fringe region = approximately 2-5km from the CBD. Inner region = approximately 5-10km from each CBD. Middle region = approximately 10-35km from each CBD. Outer region = approximately 35km+ from the CBD. Middle Brisbane is work in progress, Outer Brisbane is not tracked.

Source: Charter Keck Cramer



# Housing construction is not a highly concentrated industry

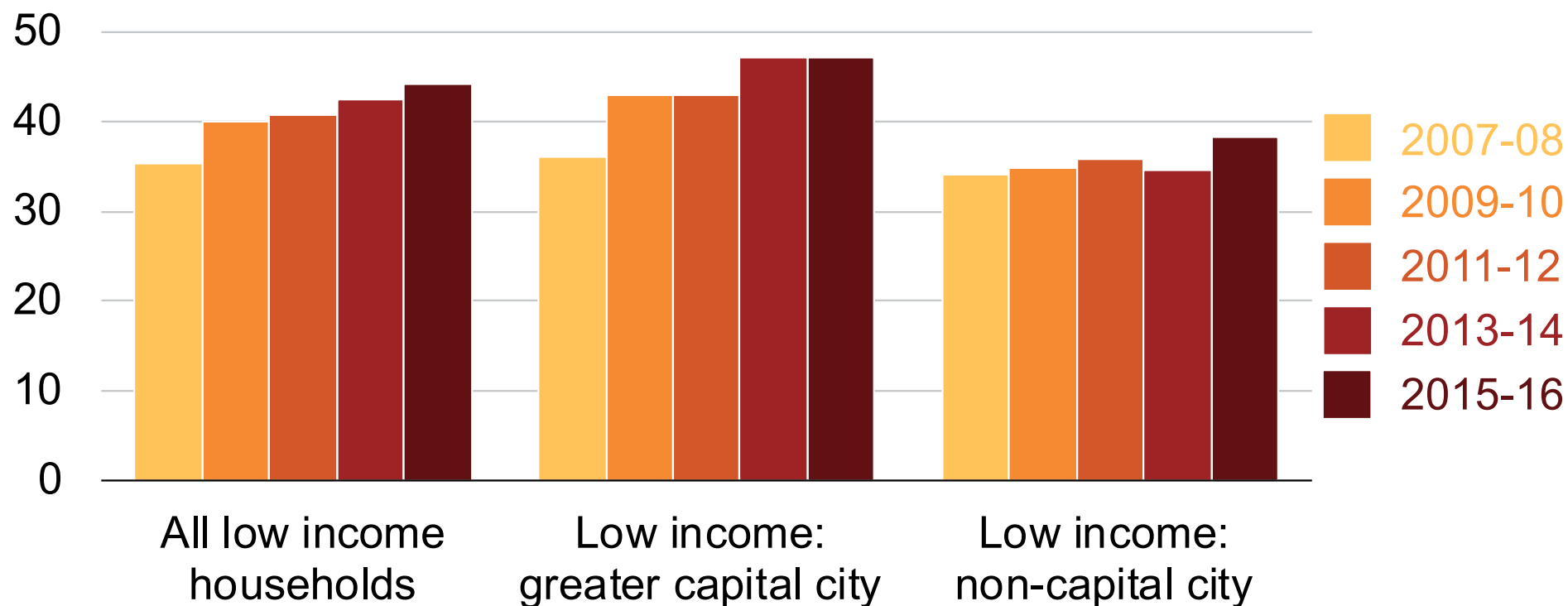
Largest firms



Notes: 'Largest firms' exclude those with less than 5% market share.  
Source: Grattan analysis of IBISWorld Industry Reports (2017)

# Rental stress among low-income households is increasing in capital cities

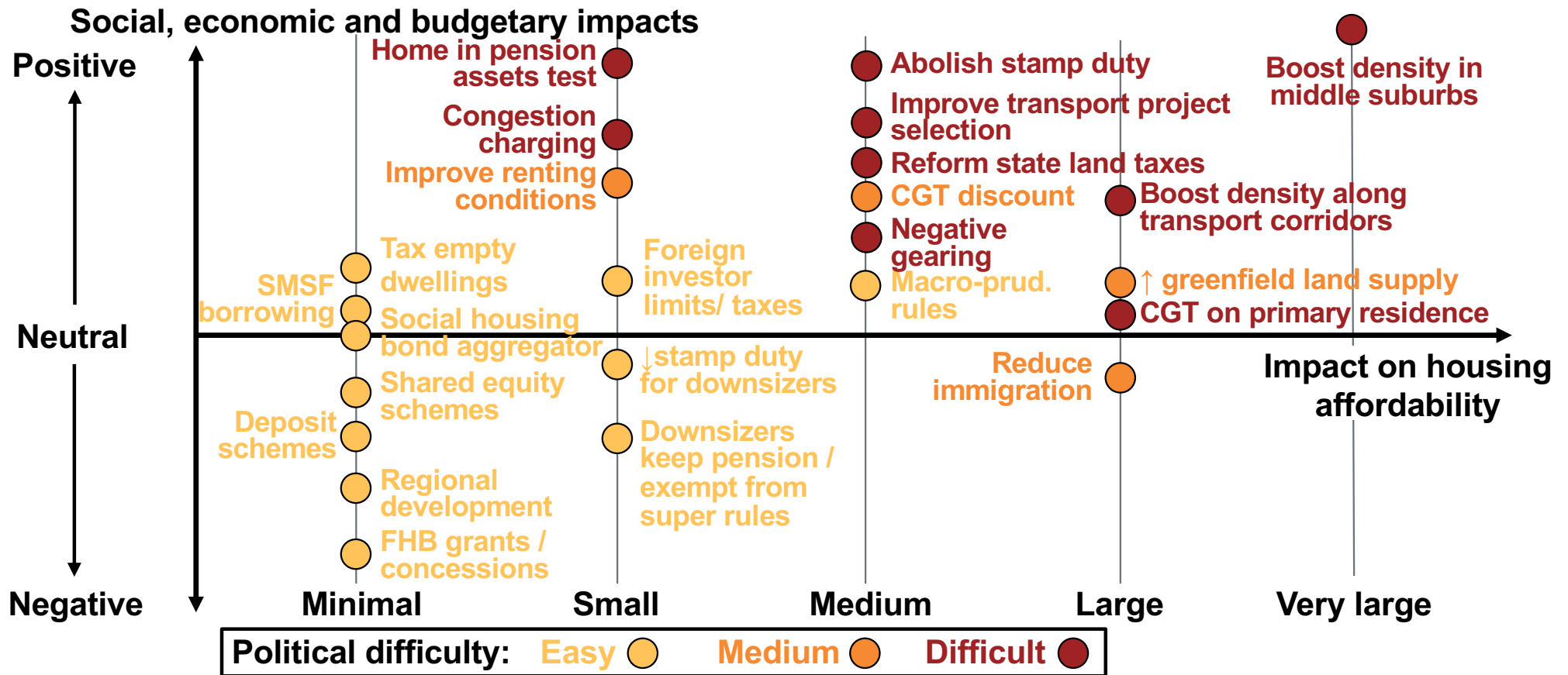
Per cent of low-income renters with housing costs more than 30 per cent of gross household income



Notes: Low income households are defined as the 40 per cent of households with equivalised disposable household income (excluding Commonwealth Rent Assistance) at or below the 40th percentile.

Source: ABS 4130.0 - Housing Occupancy and Costs

# All the important reforms are difficult; all the easy reforms are cosmetic



Source: Grattan analysis.

Notes: Prospective policies are evaluated on whether they would improve access to more affordable housing for the community overall, assuming no other policy changes. Assessment of measures that boost households' purchasing power includes impact on overall house prices. Estimates of the economic, budgetary or social impacts should not be treated with spurious precision.