Modelling Housing Need in Australia to 2025

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What is housing need?

- Housing Needs Assessment – calculate the number of households that are unable to obtain appropriate or adequate housing
  - Normative judgements about what is appropriate
Modelling housing need?

- Newly arising need through new household formation
- We adopt a narrow definition of need:
  - People predicted to form and head a new household
  - ...who are unable to afford to purchase/rent market housing given total household income i.e. would end up paying more than 30% of their income on housing costs.
The Model

- Model will calculate:

  - Sum of households who would be likely to form independent households but cannot access market housing to do so (without being in housing stress).

  - Depending on predicted income, these households would require varying levels of housing assistance in order to form e.g. social housing, subsidised rental housing etc.
The Model

Flowchart:
- **Macroeconomic model (National)**
- **Labour Market Status (HILDA) and earnings (State)**
- **Population projections (ABS, State and LGA)**

Household Formation (coefficients from HILDA)

Tenure choice (coefficients from HILDA)

Household formation by Income Band

Need met by market housing options

Residual need (housing assistance required to support formation)
State level results: household formation is endogenous to prices / wages

- This chart shows how many fewer households form under ‘adverse’ economic conditions
- This is defined as slower economic growth + lower interest rates + low wage rates.
The effects of ‘favourable’ economic conditions

- The results suggest the system is asymmetrical: harsh economic conditions suppress household formation a little, but ‘favourable’ economic conditions facilitate much more household formation.
Housing need by state – 10 year totals

NSW, 85,641
VIC, 29,465
QLD, 41,719
SA, 3,995
WA, 37,847
TAS, 1,673
NT, 2,053
ACT, 1,577

% of total household formation
NSW 20%
WA 12%
QLD 10%
VIC 7%
SA 5%
ACT 5%
NT 14%
TAS 9%
Model use

- Impact of changing economic conditions on need
- Identify affordable housing supply targets to meet need
- Allow planning for housing assistance budgets
- Evidence to support inclusionary zoning targets
Model development

- Big leap forward for robust housing need assessment in Australia
- Further development required for LGA level assessment
- New census data will improve model