EXECUTIVE SUMMARY

FINAL REPORT NO. 365

Population growth and mobility in Australia: implications for housing and urban development policies

From the AHURI Inquiry: Inquiry into population growth, migration and agglomeration

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Key points

- This study drew on population projection data from the Australian Bureau of Statistics (ABS) to track how the population has grown over the period 2006–16, and examine if and how this actual growth differed from projected growth. It then examined key drivers of population mobility in Australia to inform future urban development policy responses to demands on infrastructure and housing.

- The study finds that macro-scale population projections over the long-term largely align with overall population changes. The bulk of Australia's population growth has been concentrated in major cities, where projections were exceeded on the outer edges and inner city areas. Regional Australia has shared overall population growth, with only a few areas recording absolute population decline.

- Variances between actual and projected population growth were as a result of land releases, market conditions, and planning as well as demographic change, regional investment, labour mobility and commodity drive economies. These trends impacted upon the effective delivery of state infrastructure, the capacity to remain economically competitive, commuting patterns and the capability of local governments to deliver socially and economically healthy communities.

- Residential mobility is driven by housing and location choice, tenure, labour market related decisions as well as household composition. Renters are three times as likely to move as owners, while a person who is unemployed has a 20 per cent higher chance of moving compared to an employed person. Australians are more likely to travel long-distance from urban to regional areas or regional to urban areas as a result of a need to be closer to one's place of employment or study, or for lifestyle reasons.

- **This research was designed and commissioned prior to the COVID-19 pandemic. The implications of the pandemic on the findings have, however, been noted where possible, although we have been cautious to not speculate.**

Key findings

This study drew on ABS population projection data to track how the Australian population has grown over the period 2006–16, and examined if and how this actual growth differed from projected growth. It considered the local level responses to population growth exceeding or lagging behind projections before exploring the key drivers of population mobility in Australia, The findings contribute to the debates around housing and urban planning and population growth. The research itself was designed and granted funding before the COVID-19 pandemic. However, implications for the findings as a result of this sustained event are discussed throughout.

Profiling population trends

The research used annual projected growth rates for Statistical Area Level 3 (SA3s) nationally and calculated the difference between the actual and projected 2016 population for each geographical area to understand the divergence from the projections. Overall, the macro-scale population projections over the long-term largely align with overall population changes. The majority of Australia's population growth has been concentrated in major cities. Regional Australia has shared in the overall population growth with only a few areas recording absolute population decline.

Population projections are central to urban decision-making policies including housing, employment, education and health infrastructure as well as those components of place which contribute to a community's lifestyle. While state governments used projections with broad assumptions typically in line with the assumptions underpinning the ABS population projections, local governments frequently utilised small area projections, which considered information on land releases, building approvals and occupancy rates.

Variances between actual and projected populations

Despite the alignment of overall growth with projections, individual localities did experience variance between population projections and actual populations. A qualitative approach explored the impact of these variances for housing and urban development policies at the local level. In areas where populations exceed projections (high growth areas), variances were as a result of land releases, market conditions, and planning and occurred in expanding residential suburbs on the outer edges of cities, and the development of high-density housing in inner city areas. Where populations lagged behind projections (low growth areas), stakeholders explained population variances as a function of demographic change, regional investment, labour mobility and commodity drive economies.

Key drivers of residential mobility in Australia

Housing and location considerations are major drivers of mobility and location choice decisions. Modelling from the Household, Income and Labour Dynamics in Australia (HILDA) Survey found that the duration of housing tenure had the single largest impact on the decision to move versus stay among all the socio-demographic, work, income, housing and area related predictors in the mobility decision model. The typical Australian adult has resided in his or her residential address for approximately 10 years. At 10 years' duration, we found that the odds of moving are reduced by more than one-third (37%). This represented a larger impact than other important variables, including unemployment which increased the odds of moving by nearly one-fifth (19%) and life course transitions. In the case of the latter, couples with children were around half as likely to move as lone persons. Renters were found to be three times as likely to move as owners, possibility reflecting the high transaction costs of home purchase that impeded mobility and a lack of tenure security in the private rental sector. These barriers may deter labour market moves and contribute to a lack of labour market mobility on the part of Australian workforce and hinder the efficient functioning of labour markets.

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Location choice was highlighted as another major factor in mobility decisions in our statistical analysis. Safety and security were highlighted concerns in the Australian Housing Aspirations (AHA) Survey, with three-quarters of respondents nominating this as an important factor driving dwelling choice. Furthermore, neighbourhood characteristics such as local shopping and walkability were also important.

Delivering socially and economically sustainable communities

Regardless of whether the population exceeded or lagged behind the projections, the impact of a variance between projected and actual population impacted upon the effective delivery of state infrastructure, the capacity to remain economically competitive, commuting patterns and the capability of local governments to deliver socially and economically healthy communities.

Local government initiatives responding to these variances were similar regardless of whether the populations were exceeding or lagging behind projections. Responses included the development of communication strategies with state government, regional leadership, research and advocacy.

Policy development options

The importance of population growth in determining housing and infrastructure needs was raised in 2018 at meeting of the Council of Australian Governments (COAG), where a framework to address national population planning and management was specifically considered., A National Population and Planning Framework was developed to improve the coordination between all levels of government. A number of policy development options emerged from this research:

Remove barriers to residential mobility

First, the econometric modelling findings support previous AHURI research, which have found lower mobility rates within the home ownership sector than the private rental sector. The findings may reflect stamp duties' role in acting as a barrier to home purchase and labour market mobility. The evidence provides further support for stamp duty reform to promote general and labour market mobility, which would improve the efficient functioning of the economy.

Improve tenure security

Second, the relatively frequent moves experienced by private renters suggest that tenure insecurity in the private rental sector is a pressing policy issue. This is a policy problem highlighted in previous AHURI research. The greater mobility of private renters observed through the modelling findings reflect, at least in part, tenure insecurity in the private rental sector. Given the continued tight rationing of the public housing stock, the private rental sector—already a sizable one-quarter of the Australian housing stock—will house growing numbers of Australians in the coming decades. This is likely to include those renting in later stages of the life course, as home purchase continues to be hindered by high real house prices for many young people.

Promote housing supply responsiveness and diversity

Third, there is a need to promote housing supply responsiveness in both metropolitan and regional housing markets through land release and infrastructure strategies. Statistical analyses from the HILDA Survey suggest that there is an appetite for moves from regional to metropolitan areas due to the need to be closer to one's place of employment or study. Hence, policies enabling long-distance mobility from metropolitan to regional areas are important to improve the labour market prospects of individuals. From a labour market perspective, it is particularly important to ensure housing supply in local areas can respond quickly to the housing needs of workers or job seekers in job-rich areas.

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The AHA Survey also offers indications of an appetite to move from metropolitan to regional areas, as well as within regional areas. The HILDA Survey findings suggest this is prompted by lifestyle considerations. Hence, policies that enable mobility from metropolitan to regional areas benefit regional housing and labour markets in general. These include land release and infrastructure strategies that promote housing supply responsiveness to shifts in demand in regional areas.

Expanding the diversity of the housing stock is critical for supporting important life course transitions. Changes in family composition (e.g. marriage, moving in with a partner, or marital breakdown), feature consistently as relatively important reasons prompting all kinds of moves. This finding supports a case for improving the diversity of the housing stock to ensure the stock in the housing market continue to meet the needs of individuals and families as they transition through important stages of the life course that give rise to different housing needs.

Alignment of infrastructure with population development

Better alignment between infrastructure and population growth in urban and regional areas is required to mitigate the negative impacts resulting from its absence or lagging capacity. Stakeholders from both state and local governments both believe that more effective communication strategies could mitigate the impacts of the population variances. Local area population projections undertaken by local government provide an opportunity to develop population thresholds to signal potential changes to state level infrastructure delivery in a given area. A dedicated mechanism to feed imminent population changes back to state government is needed to aid the prioritisation of high-level investment.

Developer contributions to support local infrastructure delivery

The research found recognition among stakeholders that developer contributions are not working as effectively as they could in helping state and local governments respond to infrastructure needs. This was in terms of both the timely delivery of infrastructure that matches the rate of local population growth and the ability to respond effectively when the actual population growth exceeds the projections upon which the funding was based. The structure of developer contributions is one aspect impeding the capacity for local government to deliver infrastructure to support socially and economically sustainable communities. This is particularly in terms of the pace of infrastructure delivery and providing for actual populations, which are larger than those projected, and from an industry perspective, trust that services are being delivered with contributions levied. Currently, reviews are being undertaken to improve this effectiveness and the resulting structure should remedy the issues outlined. Ensuring that these elements are responded to in the reformed developer contribution guidelines is critical.

The study

Part of a wider AHURI Inquiry into population growth, migration and agglomeration, this project addressed Inquiry Research Question 1:

> What are the key drivers of population growth and mobility in Australia, and what do the identified effects imply for housing and urban development policies seeking to facilitate and respond to population change?

by addressing the following key research questions:

- **RQ1:** How does actual population growth compare with projected population growth in Australia over the period 2006–16 across different geographical areas? What factors have underpinned actual population change which has exceeded or lagged behind demographic projections?

- **RQ2:** What are the key drivers of different mobility and location choice decisions by Australians? How important are housing and area related drivers compared to personal reasons at different stages of the life course?

- **RQ3:** What do the identified trends and effects imply for housing and urban development policies seeking to respond to the needs of the changing population in Australia?

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This project informs housing and urban development policies seeking to facilitate and respond to population change in Australia. It considers the extent to which housing and area related reasons influence mobility decisions and generates an evidence-base to inform the implementation of effective policy responses to foster effective investments in housing and related infrastructure (such as transport, recreation services and employment) in cities and regions.

Australia's population trends between 2006 and 2016 were profiled using a bespoke data set generated using ABS Census data. Annual projected growth rates were determined by extracting ABS projections for 2006 and 2016 from Population Projections 1999 to 2101 Cat. 3222.0 (ABS 2000) to estimate the projected growth rate from 2006 to 2016 at state level. The projected growth rate was applied to actual 2006 population numbers to estimate the projected population for 2016 for each SA3 region. Differences between the actual population for 2016 and the projected 2016 population for each SA3 region was then calculated to understand the divergence from the projections. Finally, the difference between the actual 2006 population and the actual 2016 population for each SA3 region were also calculated and the differences in population size were converted to an annual percentage change.

Key drivers of different mobility and location choice decisions by Australians were examined using a random effects logit model to estimate the odds of an individual making a residential move between two adjacent years as a function of their personal, housing and area predictors. The modelling drew on all 17 waves of data from the HILDA Survey to observe mobility patterns of individuals across the 2001–17 timeframe. Particularly suitable for analysis of mobility decisions because of its longitudinal nature, the HILDA Survey allowed observation of year-on-year changes in the residential location of each respondent. Simultaneously, it provided a comprehensive range of personal, housing and area characteristics that are potentially important predictors for mobility decisions.

To understand the impact of these population trends on housing and urban development policies, case studies were drawn from local government areas (LGAs) in Victoria, New South Wales (NSW) and Western Australia (WA). Case studies included SA3s with a population change which exceeded ('high growth') or lagged ('low growth') behind the forecasted aggregated population. Semi-structured interviews with 25 key stakeholders in 15 state and local governments and regional councils were conducted using video conferencing software. Interviewees included those responsible for strategic plans that address population issues and innovative housing and urban development approaches, for example demographers, strategic planners and economic and community development officers. The interview data was analysed thematically in reference to the earlier findings from this research.

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