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Disruption in regional housing: Policy responses for more resilient markets



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Acronyms and abbreviations used in this report

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
AHURI	Australian Housing and Urban Research Institute Limited
CHP	Community housing provider
COVID-19	Coronavirus Disease 2019
GWC	Greater Whitsunday Communities
HAFF	Housing Australia Future Fund
HGS	Home Guarantee Scheme
HIA	Housing Industry Association
LGA	Local Government Area
NFP	Not-for-profit
NHFIC	National Housing Finance and Investment Corporation
NSW	New South Wales
PRIME	Provisional Regional Internal Migration Estimates
QLD	Queensland
RAI	Regional Australia Institute
RDA GW	RDA Greater Whitsundays
REI	Real Estate Institute
REZ	Renewable Energy Zone
RFHBG	Regional First Home Buyer Guarantee
SA	South Australia
STRA	Short-term rental accommodation
WFH	Working from home

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website ahuri.edu.au/glossary.

Executive summary

Key points

- Australia's rural and regional housing markets have suffered significant disruption over the past five years and in large measure this represents a continuation of long standing trends.
- The COVID-19 pandemic and associated lockdowns reshaped some of the drivers affecting housing supply and demand. However, the available evidence suggests there has been a return to long-term trends.
- While it is difficult to generalise across the diversity of regional housing markets in Australia, it is clear that the greatest impediments to new housing supply outside the metropolitan regions are shortages of land for development and, most especially, workforce shortages.
- Many of the factors often considered to be a barrier to new housing supply – such as planning permission – are not considered significant impediments in most regional housing markets.
- Internal migration has a significant impact with respect to shaping the growth or decline of housing markets regionally.
- The growth in working from home has had some impact on regional housing markets, but it has been a limited impact to date.
- The absence of new investment in social housing provision is a widely acknowledged problem with respect to the growth of the overall housing stock across regional Australia.

- **Panel members made a strong case for further support for Community housing providers (CHPs) to invest, and be active in, regional housing markets.**
- **The Australian Government's Housing Australia Future Fund (HAFF) was seen as an important avenue for 'unfreezing' regional housing supply.**
- **Place-based policies were considered significant in dealing with the challenges of rural and regional housing markets in the future.**

This project examined housing trends and the processes of housing supply in rural and regional Australia during a period of some turmoil and change, largely due to the impacts of the COVID-19 pandemic and its flow-on effects.

The research took place within the context of a national housing system under strain, as reflected in escalating material costs, a shortage of labour, a falling pipeline of projects and increasing interest rates. It also occurred within the context of heightened public debate around housing in major metropolitan centres and elsewhere. There is a perception within this national discussion that rural and regional housing markets have had to contend with more adverse conditions than those in the metropolitan areas because of their smaller scale, their difficulties in sourcing a local labour force, the limited number of builders and the additional costs associated with distance from suppliers.

Key findings

Our research found that while housing supply in these places have been disrupted, over the past two years the short-term phenomena associated with COVID-19 have largely passed. That is, the shortages in building materials and supplies are no longer evident in regional housing markets, though increased prices for these goods has remained. At the same time, more fundamental structural disruption in regional housing markets has continued, impacting housing availability, cost and accessibility. The shortage of an appropriate workforce is an especially acute challenge. This shortage, in combination with other factors, has added to rising prices for home purchase and rental dwellings.

Case Studies

Our analysis showed that while it is not possible to capture the full range of housing market processes and supply chain challenges in a finite number of case studies, it is possible to shed light on the complexity and disparate drivers of change within regional housing markets across Australia.

The case studies also illuminated the many ways communities are seeking to implement solutions to their housing challenges, ranging from the creation of specific-purpose vehicles, through to direct action by local governments and increased lobbying of state governments. Local leaders have been important in providing solutions in a number of instances, but there are challenges in delivering large-scale responses given the limited resources available locally.

The case studies revealed significant housing challenges in many regional centres – including homelessness and unaffordable housing – and these are becoming more acute over time. At the same time, some regional housing markets have strong growth prospects for the future, and potentially robust supply chains with respect to both materials and personnel, including the labour force and a diverse portfolio of builders. For some of the case studies, the growth of the local housing market is tied to their close relationship with metropolitan centres within commuting range, with this proximity providing justification for future public sector investment in infrastructure. Unfortunately, this is not a pathway to new supply available in smaller urban settlements where central government investment is limited, and there may be few options for new dwelling supply beyond the efforts of local governments.

Investigative Panel Insights

The Investigative Panel was a key component of this project, with well-informed policy makers from across Australia providing their invaluable time to share their insights and provide advice on policy development. Key insights from their deliberations included:

- acknowledgement that Airbnb can play an important role in regional communities, especially as a source of short-term housing for workers entering a region
- the desirability of developing a national urban and regional settlement strategy, as an enabler of private investment and public sector infrastructure provision
- recognition of the ability of place-based policy to potentially support stronger housing supply chains across regional Australia. It would do so by bringing together specific measures such as demand aggregation, the mobilisation of local leaders and targeted housing-related infrastructure provision to ‘unlock’ frozen housing markets
- a strong argument for strengthening not-for-profit organisations, including CHPs, in the regions. Many less populated regions have few CHPs operating in their region, and even fewer localities had CHPs based in their vicinity
- recognition that the HAFF may be the best currently-available mechanism to ‘unlock’ regional housing markets. However, there was also recognition that the design of the program, and its pathway to implementation, may work to the disadvantage of non-metropolitan housing markets. One solution canvassed was setting targets for regional housing markets within the HAFF, that is the nomination of a percentage of HAFF funding to be directed to non-metropolitan housing markets.

Policy development options

Action to address the disruption of regional housing markets across Australia is most likely, and productively, to fall across three domains.

First, regional housing providers could take advantage of the HAFF to build additional dwellings, which would be added to existing demand to create a more secure pipeline of work for builders and their workforce. This would need to be a long-term strategy, otherwise short-term action may well exacerbate existing challenges and may cause additional price pressure. However, as HAFF is an already established program, there is a risk that its architecture (while allowing for regional actors such as local governments to become participants) does not prioritise the regions. This may serve as a significant impediment to the adoption of this measure beyond the capital cities.

Attracting HAFF investment into the regions would require considerable local leadership, with local governments, state and territory government agents or not-for-profit housing providers putting forward proposals to the Australian Government for funding. These proposals would then need to enter a competitive allocation process, with no guarantee of an outcome. Investigative Panel members canvassed the scope for setting targets for regional housing investment by the HAFF, but this is unlikely to be implemented in the short-term.

Second, the key learning from the review of international experience, including the Nordic regions, is that direct government action to address the problems of rural housing supply is both effective and possible. Actions taken by a number of Nordic nations have been effective in addressing ‘stagnant’ or ‘frozen’ rural housing markets. This has included a mix of regulatory measures – for example, the limitations on second home ownership in Denmark where households are required to occupy their dwellings for a minimum of 180 days per year – through to the direct investment in regional supply by the Norwegian Government. In addition, the Swedish government has found ways to ‘de-risk’ private investment in rural and regional housing. Such approaches are potentially transferrable to Australia, but their implementation in this nation presumes a willingness by governments to make substantial investments and interventions in regional housing markets. History suggests that such action is unlikely given our federal system of government and Australia’s policy history.

Third, a portfolio of place-based policies is key to addressing the challenge of regional housing supply. Place-based policies are a form of government intervention in the economy and society with broad-scale application. These applications include the protection of the environment, the promotion of economic growth in places affected by adverse conditions, the building of social capital, addressing the challenges of inter-generational policy and improving the amenity of urban areas. Housing provision has been foundational to many place-based policies. Importantly, place-based policies are commonly implemented when more conventional policy measures have failed to deliver the solutions sought by governments. It could be argued that such a failure has been evident in Australia’s rural and regional housing markets over the past four decades.

Globally, place-based policies commonly include housing-related measures (Beer 2023), with this form of policy intervention benefitting from the increased efficiency that arises from community-relevant, tightly targeted investment, integration with other policy actions, and the support of local leaders in implementation and advocacy. Many individual strategies are potentially available under this scenario, including action to aggregate demand, as well as the repositioning of housing supply within the context of local economic and social needs.

Finally, it is important to acknowledge that regional housing markets remain at risk in many parts of Australia and the failure of governments to support them in the coming years will have negative impacts on these places and the nation as a whole. Without intervention, housing in these communities will not keep pace with demand, placing further pressure on metropolitan housing markets.

The study

This project set out to address the challenge of providing housing at an affordable price in many parts of non-metropolitan Australia, responding to six research questions:

- How has long-term economic and demographic change affected regional housing markets? Has growth of the visitor economy – and platforms such as Airbnb – reshaped the nature, volume and timing of demand?
- Have regional housing market trajectories changed because of the pandemic? Is there evidence that these markets have reverted to long-standing trends, or can we identify a shift in scale and direction?
- What regionally focused policies, strategies and actions are available to government and other agencies? Which measures are effective and are there transferrable insights to be drawn from international experience?
- What are the likely impacts on regional housing of current and proposed national and state and territory policies?
- How can regional supply chains be strengthened to ensure housing production that is resilient in the face of shocks and able to meet a region’s long-term needs?
- What lessons can be learnt, and policy actions taken, from regions taking innovative action to meet housing needs?

Investigative Panels involve a research team investigating a topic and discussing the findings with a panel of experts from industry, government and the community, including not-for-profit organisations. For this project, Panel members from South Australia, Victoria and New South Wales were involved, and represented a range of sectors, including state and local governments, industry bodies, individual not-for-profit organisations, Regional Development Australia committees and the Australian Government. Four panel meetings were held. The inception meeting considered the goals of the project and how best they could be achieved. In the second and third meetings, the panel was presented with findings of the research and asked to comment on the findings and their implications for the further research conducted for this study. The final panel meeting focused on policy implications and implementation.

In addition to the panel meetings, the research comprised:

- a national survey of local governments, not-for-profit housing providers and other stakeholders active in the provision of housing in regional Australia
- a review of the relevant literature, including international experience
- analysis of ABS data
- case studies drawn from select locations across Australia
- six one-on-one conversations with key informants via Zoom.

1. Introduction

- This project examines housing trends and the processes of housing supply in rural and regional Australia during a period of increased strain.
- In developing an understanding of the context within which regional housing supply operates, it finds that supply chains were affected by a national housing system under strain, as reflected in escalating material costs, a shortage of labour, a falling pipeline of projects and increasing interest rates.
- Rural and regional housing markets have been confronted by more adverse conditions than those in the metropolitan areas because of their smaller scale, their difficulties in sourcing a local labour force, the limited number of builders and the additional costs associated with distance from suppliers.
- By verifying the nature, extent and impact of the challenges facing the provision of housing in rural and regional housing markets, the project finds that many of these markets have been adversely affected by factors outside the control of local industry participants.
- Through establishing a better understanding of how non-metropolitan housing markets in Australia are differentiated, and how they have performed in the recent past, this research concludes that regional housing markets continue to follow multiple trajectories, and over time these differences have become more evident.

Australia's rural and regional housing markets are highly differentiated and they have been confronted by substantial challenges for more than three decades (Beer, Bolam et al. 1994; Econsult 1989). This has included:

- poor housing affordability (Beer 1998; Beer and Tually 2011)
- under-developed supply chains, including the growing tendency for builders active in regional Australia to be based in major metropolitan centres
- the shortage of both a skilled and unskilled labour force as many regions experience structural ageing and younger persons move to the larger cities post-secondary education
- rapid growth in the demand for housing in some attractive localities, while other centres decline through economic and demographic change
- the growth of homes used for recreation only in non-metropolitan regions, with a consequent escalation in prices and reduction in rental affordability in attractive localities
- limited policy attention to the specific needs of rural and regional Australia as the volume of needs evident in the metropolitan centres has been prioritised
- short-term rental accommodation (STRA) crowding out long-term residents. For example, Hodgson (2022) found that Airbnb and similar platforms raised annual rents by \$30 per week, and house prices by \$31,000 in northern NSW
- limited land for urban development, including planning schedules that restrict supply
- a small social housing stock and a small number of public and private agencies able to provide assistance.

Recently other factors have drawn attention to the challenges affecting housing in these places, including the effects of major environmental events (such as prolonged drought, large-scale bushfires and floods), many of which have been made worse by the impacts of climate change. COVID-19 has affected regional housing markets, fuelling demand for housing by asset-rich households seeking a non-metropolitan home as they increasingly work from home. These short, medium and long-term challenges have affected regional housing and the households living in these places. The Regional Australia Institute (RAI 2022) estimated more than 84,600 job vacancies were unfilled across the regions, representing a 24.8 per cent increase over the previous year, with the cost and unavailability of housing a significant impediment to their take up. More immediately, many dispossessed by the 'Black Summer' fires of 2019–20 and the floods of 2021–22 remain homeless, forced to live in temporary accommodation or in other regions because the building industry cannot meet local demand.

Housing markets outside the largest cities remain highly differentiated. A number of regional housing markets continue to grow strongly while others are at risk of decline. In all these locations new housing supply has been challenged by increasing costs, particularly the national trend of price escalation in materials. There are also shortages of skilled and unskilled labour, which appear to be the single greatest impediment to new supply. In some parts of regional Australia the cost of a newly built home is greater than the value of the existing stock, which in turn means that would-be home builders may struggle to secure adequate finance. This further slows investment in new stock. Finally, it is important to acknowledge that in some parts of rural and regional Australia rental housing markets are much under-developed. This has resulted in a reliance on owner occupation and less formal accommodation options, including caravan parks, worker villages and so on. The research also found that while COVID-19 had a considerable impact on housing outcomes and processes, these impacts eased through 2023 as the economy recovered. However, lingering influences have remained in the form of higher material costs, a very tight labour market across Australia and, in many regional housing markets, altered patterns of demand.

Policy makers have struggled to find solutions to the housing challenges evident across regional Australia, and the onset of COVID-19 and its associated impacts has raised the profile of these issues.

Against this background, this research focuses on six essential questions:

- **RQ1:** How has long-term economic and demographic change affected regional housing markets? Has growth of the visitor economy (and platforms such as Airbnb) reshaped the nature, volume and timing of demand?
- **RQ2:** Have regional housing market trajectories changed because of the pandemic? Is there evidence that these markets have reverted to long-standing trends, or can we identify a shift in scale and direction?
- **RQ3:** What regionally-focused policies, strategies and actions are available to government and other agencies? Which measures are effective and are there transferrable insights to be drawn from international experience?
- **RQ4:** What are the likely impacts on regional housing of current and proposed national and state and territory policies?
- **RQ5:** How can regional supply chains be strengthened to ensure housing production that is resilient in the face of shocks and able to meet the long-term needs?
- **RQ6:** What lessons can be learnt, and policy actions taken, from regions taking innovative action to meet housing needs?

1.1 Policy context

Some 25 per cent of Australians live outside one of the nation's capitals, resulting in a substantial non-metropolitan population in absolute terms, but a much smaller population relative to the total number resident in the largest metropolitan centres. Policy for rural and regional housing across Australia is made complex by federation: the Australian Government has relatively few direct powers with respect to housing, but remains an important source of financial support in this, and other policy domains. State and territory governments hold significant housing responsibilities but have limited budgets and multiple competing priorities, including health, justice and social services. Local governments have limited resources and often a limited mandate with which to engage with housing issues.

This division of housing responsibilities within the Australian federation has generated significant challenges for the development of effective policies for rural and regional housing. The Australian Government seeks to manage the entire Australian economy. However, its major policy instruments (such as the setting of interest rates through the Reserve Bank, immigration policy, Commonwealth Rent Assistance payments, support for public and social housing and taxation incentives for private landlords) are not targeted to the needs of specific regions, especially rural and regional settlements.

There are, however, a number of smaller-scale programs specifically targeted to the needs of these places. Housing Australia administers the Regional First Home Buyer Guarantee (RFHBG) on behalf of the Australian Government, which is part of the wider national Home Guarantee Scheme (HGS). The RFHBG was established by the Australian Government to support eligible regional home buyers to buy a home sooner. The program has 10,000 places available for the period 1 July 2023 to 30 June 2024. Under the scheme, up to 15 per cent of an eligible regional home buyer's home loan that has been sourced from an approved finance provider is guaranteed by Housing Australia. This enables an eligible home buyer to purchase a home with as little as a 5 per cent deposit without paying Lenders Mortgage Insurance (Housing Australia 2024a).

The Housing Australia Future Fund (HAFF) and the National Housing Accord were announced in 2023 as measures to ensure the delivery of 20,000 social and 20,000 affordable homes across Australia over a five-year period (Housing Australia 2024b). The two programs were developed for delivery by Housing Australia and were launched on 15 January 2024 after an extended period of consultation. The HAFF operates as a \$10 billion investment fund that was established by the Australian Government. The income generated by this investment vehicle will act as an income stream to support the construction of new homes. Interested parties, including community housing providers, state and territory governments and local governments, will be able to make proposals for support, with co-investment by HAFF providing additional resourcing. The HAFF is potentially of value to those seeking to address housing issues in regional Australia as many local governments already support supply through diverse mechanisms.

At the level of individual states and territories, pressing housing needs commonly result in responses that are either jurisdiction-wide or targeted to the needs of the largest cities, where the challenges are seen to be greatest and there are economies of scale in the provision of solutions. Moreover, the concentration of relevant industry participants (such as builders, developers, community housing providers and so on) means that governments seeking action are able to respond more quickly in metropolitan settings than regionally. Over the last two decades state and territory governments have not developed substantial policies to address rural and regional housing needs, nor have they invested substantially in social housing provision in these places. However, Australia's federation makes allowance for policy experimentation and innovation amongst the states, leaving scope for the development of new approaches and actions in the field of regional housing.

There are instances of new policy measures from individual jurisdictions of which two will be considered here. In 2022, the New South Wales (NSW) Government announced a \$2.8 billion housing package involving a range of initiatives designed to address housing availability and affordability pressures. Many of these actions focused on increasing housing supply, primarily by streamlining planning processes and enabling new land release. A number of these measures specifically targeted regional areas, and this included the roll out of urban development programs in regional areas to boost supply, and funding for new key worker housing. It was estimated by the NSW Government that this would facilitate 127,000 new houses in the regions. However, other mechanisms are not regional-specific but may have a particular impact in regional areas given price caps on eligible house purchases. Of particular note here are programs designed to support first home buyers, including a shared equity scheme for low-income earners, and a short-lived first home buyer choice scheme (which allowed purchasers to reduce up-front costs by electing to pay land tax instead of stamp duty). While the latter has since been abolished after the change of government in May 2023, the new NSW Government has subsequently expanded the First Home Buyers Assistance, which provides discounts on stamp duty for purchases up to \$1,000,000.

In 2023 the South Australian Government established the Regional Key Worker Housing Scheme as a way of addressing pressing housing shortages across all of the state's regions. As part of this initiative an Office of Regional Housing was established within Renewal SA, the state government's agency with responsibility for the delivery of affordable housing. It was established to facilitate the development of new key worker housing, working with other state and local government agencies in the first instance and then the private sector, to drive investment in the supply of affordable rental housing. It was also tasked with supporting the planning and implementation of new developments through assistance and advice (Renewal SA 2024). In January 2024 the Office of Regional Housing announced that the first 13 dwellings would be built across the state, specifically the regional centres of Renmark, Mount Gambier and Port Augusta (Kelly 2024).

Local governments are often argued to be the tier of government closest to the community but while they seek to address a wide range of needs within the populations they serve, they are also mindful of not taking on unfunded mandates in any area of policy or service provision (Morris, Beer et al. 2020). Cost shifting remains a significant risk for local governments within the policy landscape of Australia (Pritchard 2002). Despite this risk a substantial number of local governments are active in the housing market in some way. Beer, Morris et al. (2018) administered a national survey to local governments throughout Australia and found those most likely to intervene in the housing market were inner city municipalities, and those in the most remote rural and regional locations. The actions taken varied: a small number were involved in the direct provision of affordable rental housing (Martin, Beer et al. 2021), while others worked with community housing providers and other not-for-profit groups to assist homeless persons and boost the supply of affordable housing, often through the commitment of surplus land and other resources. In many regional settings, local governments both provided rental housing and boosted the home purchase market through the sale of land at little or no cost. Others sought to influence housing outcomes through regulation, including imposing limits or additional costs on Airbnb or other short-term rental accommodation (STRA). These actions, however, are highly fragmented: some local governments intervene while others do not, and the potential for local governments to take action varies according to state or territory legislation.

An example of the type of innovation undertaken by local governments and their partners active in the region can be found in the Shire of Ashburton which sits within Western Australia's Pilbara Region, the centre of the iron ore industry – Australia's largest export earner. It is a remote region with a challenging climate that is dominated economically by the large mining firms, including Rio Tinto, BHP and Fortescue Metals Group. The mining firms provide accommodation for their workers, usually in temporary work camps with staff flying in on a 'two weeks on, two weeks off' roster. Despite being the major drivers of economic growth in the region, the mining companies do not make provision for the housing needs of those working in ancillary industries and there has been limited state government investment in social housing within the region. The Shire of Ashburton has therefore needed to take a very active role, including in the provision of accommodation for its own workforce. Without council-provided housing, it would be impossible to attract staff or deliver the services, support and governance these communities require. This direct involvement in the housing market has come at substantial cost, with the supply of four pre-fabricated dwellings for a coastal community priced at \$6 million.

Regulation and standard setting are key parts of any policy environment, including governmental oversight of regional housing markets. Since 2012 there has been substantial growth of STRA listed on platforms such as Airbnb and Stayz. While initially viewed by policy makers as a development primarily affecting housing in major metropolitan areas (Crommelin, Troy et al. 2018), the impact on regional housing markets has become an increasing concern. Regional housing markets have a number of distinctive features that mean the growth of STRA affects these markets differently from metropolitan markets. These include:

- the fact that holiday homes were already a significant segment of the housing stock in many popular tourist locations, and STRA listings may now include this same stock
- the relative inelasticity of regional housing markets limits their ability to respond quickly to rapid changes in housing market demand (such as through conversion of rental stock to STRA listings)
- the desire of many regional areas to encourage tourism growth, with the availability of STRA viewed as helping to support this goal.

As with metropolitan areas, the extent and impact of STRA growth in regional areas is highly variable. For example, Gurran, Zhang et al. (2020) showed that across 12 Australian coastal Local Government Areas (LGAs), STRA listings of frequently-advertised whole homes varied from between 0.3 per cent to 48.3 per cent of the total rental stock. Making a similar point, Burke, Ralston et al. (2023: 6) identified six different STRA submarkets, three of which are in regional areas:

1. all-season coastal locations such as Byron Bay, which see significant STRA demand year-round
2. seasonal coastal locations which experience high seasonal peaks of STRA demand but limited demand at other times
3. regional towns with limited tourism which have "few issues with STRA provision and probably require little policy intervention".

Regulatory responses to STRA at the state and territory level have only occasionally acknowledged this variability. For example, the NSW STRA planning framework (arguably Australia's most comprehensive) primarily distinguishes between metropolitan Sydney LGAs (where a 180-day cap is applied) and non-metropolitan areas (where no cap applied). However, a small number of regional local areas (such as Ballina and Byron Shire) were included in the areas covered by the 180-day cap, in recognition of their housing market pressures. Clearly, too little attention has been paid to the challenges confronting regional housing markets as a consequence of STRA, and this is symptomatic of a wider absence by policy makers in seeking to ensure the wellbeing of these housing markets and the people who live within them.

1.2 Existing research

There is a substantial body of research on rural and regional housing markets in Australia with much of this work focused on structural issues and concerns, rather than disruptions to supply (Beer, Tually et al. 2011; Costello 2009; Budge, Hugo et al. 1992; Zufferey and Chung 2015). Much of this work has been undertaken by the Australian Housing and Urban Research Institute (AHURI) and, more recently, the Regional Australia Institute (RAI). Many of these investigations have addressed topics such as housing market failure in resource focused communities (Haslam McKenzie and Rowley 2013); migration to – and from – metropolitan and non-metropolitan areas (Costello 2009); the relationship between housing affordability and social wellbeing (Hillier, Fisher et al. 2002); housing for Aboriginal people in rural and remote communities (Fien, Charlesworth et al. 2008; Flatau, Cooper et al. 2005; Grant, Zillante et al. 2017; Jardine-Orr, Spring et al. 2004; Lee and Morris 2005; Moran, Memmott et al. 2016); public sector housing provision (Medhurst, Lea et al. 2002); urban renewal in non-metropolitan centres (Beer and Maude 2002); intersections between regional labour markets and housing (Beer 2004; Costello 2009; Bramley and Watkins 2014); the incidence and impact of homelessness in regional Australia (Beer, Delfabbro et al. 2005; Argent and Rolley 2006; Delfabbro 2005; Zufferey and Chung 2015); and the locational preferences of rural public housing tenants in New South Wales (Dufty 2007).

In many rural and regional centres the pace of change within the housing market has been substantial over the past 30 years. Much of rural and regional Australia has been affected by the rapid house price inflation evident across Australia since the year 2000, and there has been a longer term impact as urban labour markets have spread widely, effectively incorporating many small rural centres. Some localities have been shaped by the 'resources boom' which has placed increased pressure on many housing markets and resulted in bifurcated housing markets: one segment of the market being focused on high income, often temporary, mine workers; while the established population working in ancillary industries or not working at all are forced to compete for less expensive properties in tight rental and home purchase markets.

The academic and policy-focused literature commonly highlights the significant gap between the home ownership sector and rental accommodation in many parts of regional Australia. Until the recent impacts of COVID-19, home ownership has remained relatively affordable in rural and regional Australia, while private renting has commonly been unaffordable. Households able to gain entry to home purchase in rural and regional Australia have fared much better with respect to affordability than those renting their homes in the same localities, and have been much less likely to carry the burden of unaffordable housing evident amongst home buyers in the metropolitan areas. When compared with the rest of Australia, there is a lower level of housing stress amongst regional homeowners and some centres remain affordable both in absolute terms and relative to the capitals. However, while affordability for home purchase has been more favourable in regional Australia when compared with the capitals, it is still the case that rental and mortgage stress remain evident outside the major metropolitan areas. It is especially acute in a number of regions and types of region, especially where the market has changed rapidly because of 'seachange' or 'treechange' migration, or as a consequence of shifts in commuting patterns. Regions with strong mining industries may be especially affected (Rowley and Haslam McKenzie 2011; Haslam McKenzie and Rowley 2013; Haslam McKenzie, Brereton et al. 2008). Overall, while affordability for home purchasers is generally more favourable in the regions, broad-scale trends across rural and remote Australia as a whole should not allow us to lose sight of conditions in places where affordability is poor.

More recently attention has been focused on the impact of COVID-19 on non-metropolitan communities and their housing markets. Some commentators have argued that the pandemic resulted in a substantial transformation in internal migration within Australia as urban dwellers relocated to smaller centres (Davies 2021; Beer, Crommelin et al. 2022). It was argued that COVID-19 triggered a widespread shift to remote working and that this change would remain an ongoing feature of the world of work, thereby allowing relocation from capital cities to more regional settings. Moreover, Verdouw, Yanotti et al. (2021) highlighted the varied experiences of regional communities across the pandemic, arguing that the processes of recovery will be highly differentiated by geography, as well as community and industry structure.

The Australian Government's Centre for Population considered the impact of COVID-19 on housing demand at the sub-national scale in some depth (Centre for Population 2021a; 2021b; Bernard, Charles-Edward et al. 2020) and acknowledged there had been a significant movement to non-metropolitan areas during critical phases of the pandemic. They observed that this was most acute in Victoria, which also recorded net migrant outflows to other states. Provisional Regional Internal Migration Estimates (PRIME) data from the ABS for September 2020 showed a net gain of 36,200 across regional Australia, attributed in large part to decisions to cancel or postpone a relocation from a regional to a metropolitan area. Analysis showed that Melbourne and the state of Victoria were most affected. This was a consequence of a sharp drop in arrivals into Melbourne and slight increase in exits from that city. However, the outflow from Melbourne to regional Victoria was not significantly different from the long-term trend.

The Centre for Population (2021a) nominated the key drivers of movement to the regions from the capitals as being:

- growth of working from home; pre-COVID-19, 21.5 per cent reported working from home, but by September 2020 some 40 per cent reported at least one day of home-based work
- the impacts of greater economic uncertainty and risk
- restrictions on the arrival of labour from other nations, with the greatest impact felt in the largest population centres
- the decision by many young Australians in regional Australia to remain in the parental home.

However, their analysis concluded with the observation that the majority of experts predict no major change in direction of labour flows, with Bernard, Charles-Edward et al. (2020: 11) observing that

Several media reports suggest that work-from-home arrangements may lead to a resurgence in people moving away from metropolitan areas, altering the pattern of internal migration within Australia. There is, however, no systematic evidence of this at present.

In combination these analyses suggested that COVID-19 did not trigger a fundamental change in Australia's urban settlement system or a significant shift in internal migration. This change has not emerged to date, but it may arise if employment prospects, service provision and housing supply were strengthened away from the capitals. Vij, Ardeshiri et al. (2022) undertook stated preference analysis using a sample drawn from across the Australian population focused on the willingness to live in a non-metropolitan centre. It found four key groups:

- The Urban Careerists who made up 16 per cent of respondents and had a distinct preference for living in large cities. They were highly focused on their careers and their ability to receive a higher wage and were also younger professional workers living without children.
- The Aspirational Changers at 21 per cent of the sample who actively preferred to live away from the metropolitan centres, but were sensitive to unemployment rates. This group included younger individuals living alone, and middle aged persons with offspring, and they were often university-educated. Their decisions were shaped by the availability of employment and education, as well as the quality of the environment.

- The Lifestyle Maximisers were the single largest group at 54 per cent of the sample and they prioritised the ability to earn a good income and cost of living. All things being equal, they were indifferent to living in either a metropolitan or non-metropolitan centre, meaning relocation outside a major urban centre was possible.
- The final group labelled the Small is Best cluster were just nine per cent of the sample and had a very strong preference for living in smaller cities, and this applied regardless of employment opportunities, housing cost differentials, and so on.

This analysis underscored the potential for non-metropolitan housing markets to grow in the future, with affordable housing identified as one of the key points of attraction for would-be immigrants.

Housing affordability has been an acknowledged problem across rural and remote communities in Australia since the late 1980s (Beer, Bolam et al. 1994; Econsult 1989). In their study of the housing conditions of families in the Riverland of South Australia and south-west Queensland, Burbidge and Winter (1995) argued that there were three aspects of housing disadvantage that were of substantial concern in non-metropolitan Australia:

- first, the number of occupants in many homes and the associated incidence of overcrowding
- second, dwelling quality – that is the physical condition of the housing stock
- third, housing costs or affordability for families and households.

Much of this work highlighted the fact that while dwelling prices tend to be lower in regional Australia than the capital cities, average incomes are proportionately reduced, resulting in an equivalent percentage of households living in unaffordable housing in both metropolitan and rural Australia.

There is clear evidence that housing affordability outside the boundaries of the major urban centres is challenging for many within these communities. These difficulties can be attributed to a range of economic and demographic processes, including counter urbanisation; the lower incomes of households; the limited employment opportunities; poor public transport and other services which may limit the capacity to select from a wider housing market; higher costs associated with dwelling construction; elevated operating and maintenance costs for the housing stock; the cost of rental properties; the sale of public housing; and spatially restrictive legislation (see Beer 2017; Beer, Tually et al. 2011; Beer, Bolam et al. 1994; Costello 2009; Browne and Minnery 2015; Rogers and Duffy-Jones 2015). The adverse impact of multiple factors on the ability of individuals to afford housing was acknowledged by Hartman and Darab (2017) in their analysis of the housing pathways of older women who are not owner occupants. They showed that many were made vulnerable to homelessness through relationship breakdowns, the gendered nature of unpaid care work in Australia and shifting attitudes towards housing and the provision of social support.

Importantly, there is unequivocal evidence that the greatest housing affordability challenges in rural and remote Australia are associated with the rental sector, and this national trend is evident in rural and regional communities. Some of the critical issues affecting the affordability of rental housing include:

- Limited supply of publicly owned dwellings. Much of the public housing stock had been sold off across rural and regional Australia and the little that remains is the older and poorer housing stock. The almost complete absence of public rental housing in many centres – which in some regions was important historically – has placed further pressure on the private market. Rosser and Lishomwa (2015) also noted the stigma attached to public housing tenancy in regional settings, and this may serve as an impediment to the supply of additional stock.
- A poorly developed social housing sector. There are few CHPs based in regional Australia and those headquartered in the major urban centres are unlikely to prioritise regional housing markets as new opportunities arise. Rowley, James et al. (2016) found the take up of the National Rental Affordability Scheme outside the capitals was poor as CHPs prioritised the delivery of housing into localities where demand was greatest.
- The presence of substantial numbers of persons with low and insecure incomes, and precarious employment, in many rural and regional centres. In some instances this is a product of industry structure and the distribution of vulnerable groups, including the aged and Aboriginal population.

- The small size of the rental market. In many regions the entire rental market may total 100 or fewer dwellings and there is therefore little capacity to meet additional demand in a timely and cost-efficient way if the number of households seeking accommodation surges. In many places tenants simply cannot live in their preferred locality because housing is not available.
- Many regional centres have experienced sudden 'demand shocks' that have adversely affected the rental market. Long-term renters – including the Aboriginal population – may be forced to rely upon insecure accommodation such as garages or caravans on private property (Rowley and Haslam McKenzie 2011).
- Uncertain supply processes for the rental market in rural centres have also contributed to the high degree of unaffordability in housing.

As noted above, a substantial volume of research has argued public and social housing provision is insufficient in many parts of regional Australia (Beer, Tully et al. 2011). This shortfall in social housing reflects the complex history of investment and dis-investment in public housing in Australia, as well as the emergence of social housing providers largely focused on the major population centres (Beer and Maude 2002; Dufty-Jones 2012; 2015).

Finally, it is important to acknowledge that little research has directly addressed the processes of housing supply in rural and regional housing markets in Australia, including the potential impacts of disruption to supply chains. This absence is a product of the greater focus on outcomes and housing policy, and means there is a limited evidence base to build upon in this research project.

1.3 Research methods

1.3.1 Overarching method, data gathering and analysis

This project was established to map out the actions governments can best take to ensure Australia's regional housing markets can respond to the short, medium and long-term disruptions that affect them now and into the foreseeable future. Its goal has been to produce a snapshot of housing supply in Australia's regional housing for the purpose of identifying the nature, causes and impact of disruptive events and trends. It set out to do this through case studies, key stakeholder interviews, a survey of regional local governments and social housing providers, an analysis of the most recent population and property data, and a review of national and international policy documents and research. These findings were presented to an Investigative Panel comprised of policy makers, those involved in housing provision outside the capitals and other stakeholders. The Panel then considered the material provided by the research team and used that evidence to identify policy options with the potential to enhance regional housing market performance, adaptability and responsiveness. As noted previously, all parts of the research method received Human Research Ethics approval through the University of South Australia (approval 205571), with subsequent confirmation by the Human Research Ethics Committees of the other participating universities.

This body of work was undertaken through six key phases:

Phase One: Production of a scoping paper

A Scoping Paper was produced to bring together recent academic and policy research on regional housing markets in Australia and elsewhere. Some of the work specifically targeted for inclusion was produced by the RAI and the Centre for Population in the Australian Government's Treasury, as well as recent work commissioned by AHURI. Internationally, the project team sought to draw out the insights produced by Nordregio, a multi-national rural and regional development institute focused on northern Europe (Eliassen, Ormstrup et al. 2020), and associated academics. It addressed policy innovations as well as supply chain issues, including impacts on communities affected by adverse events, such as bushfire or flood.

Phase Two: Identification of trends in regional housing markets post-COVID

Recent research (Porter, Beer et al. 2021) has shown regional housing across Australia is fragmenting, with six distinct clusters emerging, each with its own trajectory. This component set out to determine whether this process of market differentiation has continued its established trajectory, accelerated or declined. It did so through an analysis of multiple datasets, including 2016 and 2021 Census, CoreLogic housing price data, and Real Estate Institute (REI) rent data.

Activities included in this part of the project included:

- undertaking cluster analysis of house price and rental data at the LGA level to identify groups of housing markets performing similarly
- examining population change at the 2021 Census compared to 2016, including population ageing, migration, temporary movement and workforce patterns to provide insights into the structural determinants of housing market change
- assessing the recent and long-term housing preferences of people moving to, and living within, regional Australia using the 2016, 2020 and 2022 National Housing Condition datasets.

Phase Three: Survey of non-metropolitan local governments and social housing providers

An online and hard copy survey of local governments and social housing providers was used to collect information on impediments to rural and regional housing supply, supply chain frictions and the state of regional housing. This instrument built upon a previous survey, and recognised the role of local governments in influencing housing supply, constructing a better-functioning housing market, and assisting community wellbeing (Martin, Beer et al. 2021; Beer, Morris et al. 2018). Social housing providers active in regional Australia were asked for their insights into the needs of the most vulnerable. Their inclusion in this data collection also reflected their significant footprint with respect to both the established stock and house building activity outside the capitals. Data was collected on:

- supply chains, their long-term performance and COVID-19 interruption
- changes in house prices, housing demand and residential land supply and planning
- available sources of information on how to achieve better, more adaptable housing supply
- changes in demand, including demographic change
- the likely impact of current and proposed national and state policies and programs
- their views on what types of government policy intervention are required
- impact of major events such as floods, bushfires, heatwaves and drought
- affordability, labour force adequacy and emerging trends.

Some 411 emails requesting participation in the survey were sent to local governments, 38 were sent to Regional Development Australia committees and 34 were delivered to housing providers. In total 98 responses to the survey were received, representing a response rate of 20.3 per cent. This relatively high rate of return reflected the considerable interest in regional housing issues amongst local governments especially, and this was reflected in a considerable number of requests for follow-up discussions with the research team.

Phase Four: Case study analysis

Case studies of specific regions were undertaken in order to provide insight into the ways in which disruptions to housing supply affect regional housing markets. The case studies included in this project were:

- Karoonda and Murray Bridge, South Australia
- Dubbo, New South Wales
- Bendigo, Victoria.

Each has introduced measures to address housing needs, with varying levels of success. The analysis of achievements and roadblocks informed deliberations on the effectiveness of potential policy measures, and the ways in which solutions were best delivered. The case studies involved a review of relevant policy documents, academic publications, census data and field interviews using a semi-structured approach and purposive sampling. The case studies drew upon interviews with professionals working for housing providers or local government in each of the target case studies, with each interview being approximately 30 minutes duration. Respondents were asked a common set of questions focused on long-term economic and demographic changes affecting regional housing, short-term disruptions and the nature of housing demand in their region. In addition to observations about local trends, they were asked about changes as a result of the pandemic. Many interviews were conducted face-to-face, usually in the workplaces of the interviewees or in a public space. Some interviews were conducted via Zoom.

Phase Five: Consideration of policy impacts and opportunities

This phase involved the synthesis of the findings and the preparation of policy options. This work occurred throughout the project, with the three panel meetings serving as a focus for the consideration of policies and other forms of government action. This paper drew on the analysis and consider the range of policy options evident in the literature, being trialled across Australia and being implemented in other nations. The Options Paper stimulated discussion, leaving the Panel members to evaluate the alternatives. The Panel addressed all research questions. Membership of the panel was drawn from a representative of the Australian Local Government Association, a staff member of the RAI, a local government Chief Executive Officer (CEO) based in NSW, an Regional Development Australia (RDA) CEO based in South Australia, the CEO of a not-for-profit organisation based in the central west of Victoria and an Industry Professor with links to the National Housing Finance and Investment Corporation (NHFIC) and experience running a community housing provider (CHP). The three meetings each ran for approximately two hours, and were informed by background material prepared by the research team including formal papers and PowerPoint presentations.

2. Quantitative analysis: regional housing clusters and the identification of disruptive processes

- **Rural and regional housing markets are highly differentiated in their dynamics (population change, labour force growth) and composition (tenure and dwelling type).**
- **Much of the disruption identified in this chapter is structural: it is a disruption caused by the long-term arrangements for housing supply in rural and regional Australia.**
- **COVID-19 and associated lockdowns had a significant impact on housing supply in non-metropolitan housing markets, but much of that impact has now waned.**
- **The most significant disruption to housing provision outside capital cities is the shortage of both skills and unskilled workers.**

This chapter presents the outcomes of the quantitative research undertaken as part of this project. It focuses on identifying patterns in regional housing in order to better understand the processes shaping these markets, while also providing an evidence base that allows for the better targeting of policy responses. The chapter begins with a review of previous research in this field, especially the development of previous regional housing market typologies and the outcomes of surveys relevant to the performance of, and government engagement with, regional housing.

2.1 The quantitative classification

The RAI has examined the performance of regional housing markets in a number of its publications (RAI 2022) and has linked housing to its broader set of policy concerns around population growth outside capital cities and the need to develop a workforce to meet the pressing needs of non-metropolitan industries with the capacity to grow. It noted that in March 2022 more than 84,000 jobs were advertised in regional Australia but the absence of appropriate and affordable housing has impeded the ability of enterprises to fill these positions. The RAI (2022) argued that place-based action needs to be undertaken by policy makers, industry and regional leaders to establish place-based initiatives rather than take a 'one-size-fits-all' approach to address the current pressures being felt in many regions (RAI 2022: 4).

Using key statistical data, the analysis RAI commissioned covering all of Australia found six clusters of housing markets, five of which were predominantly rural and regional markets. The six clusters identified by the RAI (2022) were typified as:

1. stalled (small, inland and low-cost)
2. volatile (small, low-cost and volatile)
3. stable (mid-sized, agricultural, stable, Murray Darling)
4. coastal (larger, average-cost, coastal Queensland and Western Australia)
5. growth zone (peri-urban, urban, major regional cities)
6. most expensive (Sydney and Melbourne).

The RAI (2022) noted that location was a key feature of each of these clusters, with proximity to the largest urban centres in Australia and distance from the coast critical determinants of cluster membership. The RAI (2022) argued it was critical that policies developed for rural and regional housing needs were tailored to each place, or cluster of places, and that they are designed to solve challenges rather than exacerbate them. Policies intended to breathe new life into 'frozen' (Eliassen, Ormstrup et al. 2020) or stagnant housing markets (cluster one) may adversely affect more vibrant markets where land supply issue may already serve as an impediment to further growth. Some types of regional housing market may benefit from policy responses, but for different reasons. For example, cluster one housing markets would gain from new social housing investment through the simple addition of stock, which is unlikely to come from any other source. At the same time, cluster five markets would be improved by the same action, but the benefit would come from adding greater diversity to an already housing stock that has a shortage of affordable options for those on the lowest incomes.

The second body of work relevant to this discussion relates to the analysis of local government engagement with housing issues. Beer, Morris et al. (2018) surveyed all local governments across Australia with respect to their role in addressing issues around homelessness, affordability, managing short-term rental accommodation, perspectives on current policy settings and community expectations. This research found that virtually all local governments felt the senior tiers of government should be doing more to address housing affordability, and that current policy settings were not adequate and did not empower them adequately to contribute to finding solutions. They also identified a geographic gradation with respect to local government: local governments with a strong commitment to addressing housing needs were most likely to be found in the inner regions of metropolitan areas (in response to pressing affordability concerns) and in the more distant rural and remote regions (where other supply solutions were available).

2.2 Classifying regional housing markets

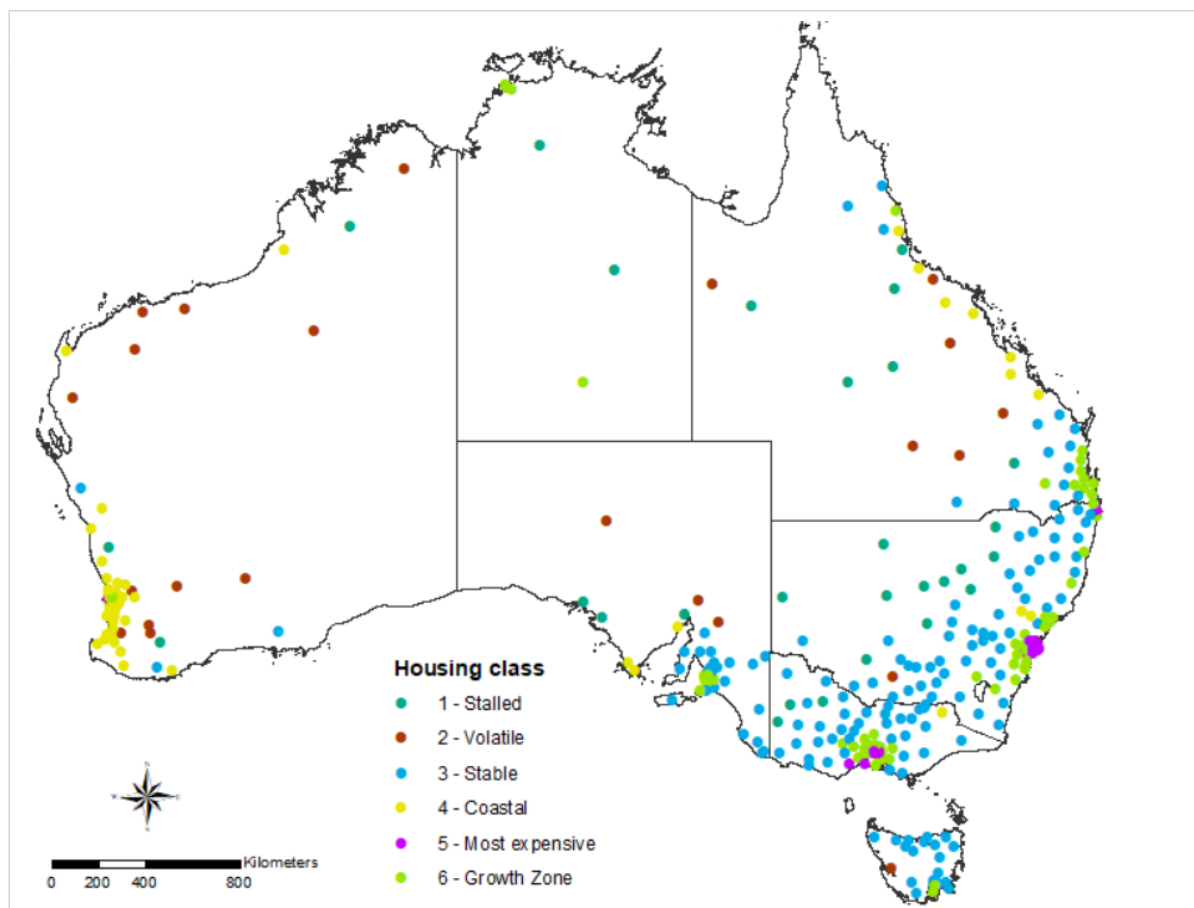
This section provides a statistical analysis of population, migration, employment, and dwelling changes in regional housing market clusters between 2016 and 2021. It makes use of the six regional housing market clusters identified by RAI (2022) as the starting point for this analysis. These clusters were identified based on LGA-level differences across 15 variables that included historic data about population size and growth, median incomes, home sales prices and rents, price-to-income ratios, vacancy rates and new building approvals. The summary characteristics of each cluster are provided in Table 1 and their spatial distribution is presented in Figure 1.

Table 1: Narrative summary of regional housing market clusters

	Cluster 1 Stalled	Cluster 2 Volatile	Cluster 3 Stable	Cluster 4 Coastal	Cluster 5 Most expensive	Cluster 6 Growth zones
Geography	31 inland regional LGAs across the nation	23 inland regional LGAs across the nation	157 LGAs located in the Murray Darling Basin and Tasmania	58 LGAs located WA around Perth, or Central and North Queensland	40 metropolitan LGAs around Sydney and Melbourne	87 LGAs in and around large metropolitan areas
Population	Small average population of 7,803 residents	Small average population of 9,007 residents	Median average population of 23,240 residents	Median average population of 46,903 residents	High average population of 94,635 residents	High average population of 134,447 residents
Income	Low incomes but high income growth	High incomes but low income growth	Low incomes but high income growth	Median incomes and low income growth	High incomes and high income growth	Median incomes and high income growth
Property values	Stagnant or declining values in recent times	Volatile, rising sharply before the GFC, declining sharply after, and rising again after	Relatively cheaper, stable and steadily growing in value	Stagnant or declining values in recent times	Highly attractive and expensive housing markets with steady growth in value	Relatively affordable housing markets that have grown steadily in value
Other	Low proportion of renters, high vacancy rates, low development activity	Low proportion of renters, high vacancy rates, low development activity	Low proportion of renters, low vacancy rates, moderate development activity	Low proportion of renters, low vacancy rates, moderate development activity	High proportion of renters, low vacancy rates, high development activity	Moderate proportion of renters, low vacancy rates, moderate development activity

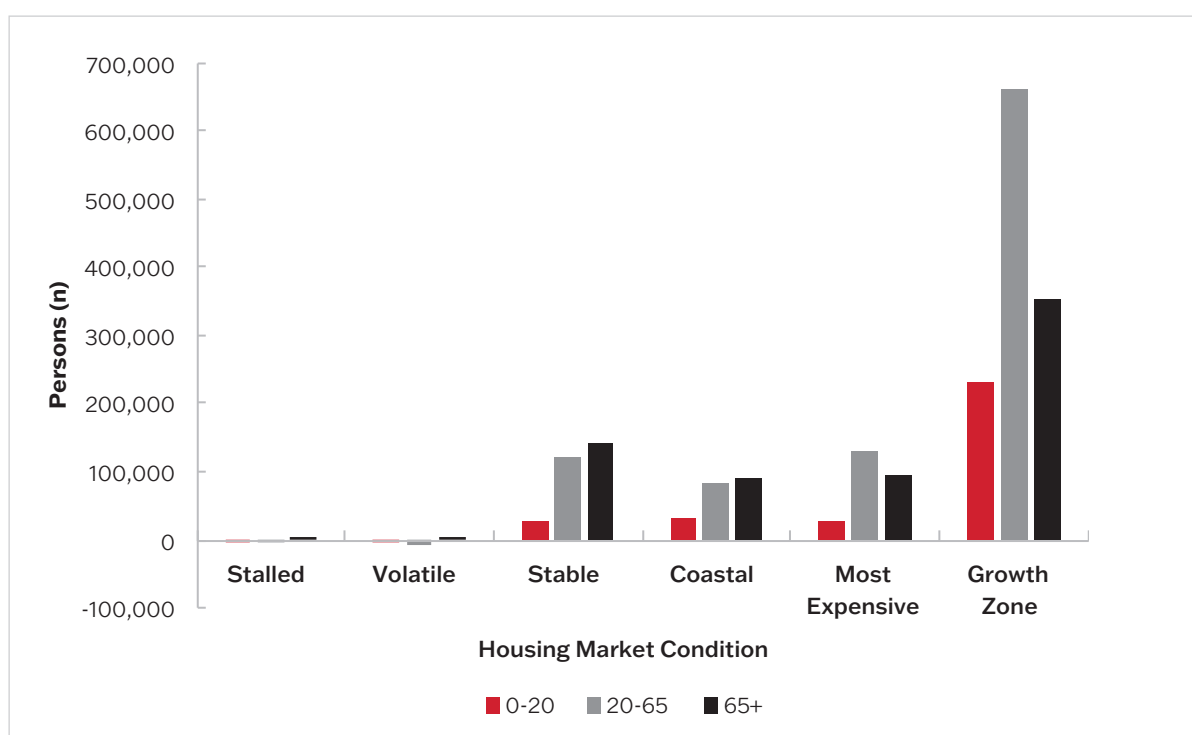
Source: ABS 2016, 2021

Figure 1: Spatial distribution of LGA clusters based on local housing markets



Critically, the housing clusters identified through the analysis performed in very different ways over the period 2016 to 2021. Expanding populations were largely confined to the 'growth' cluster, with more modest growth evident in the 'stable', 'most expensive'. The 'volatile' and 'low growth' clusters either did not grow or declined over the inter-censal period. Growth was also differentiated by age cohort: with expansion of the growth cluster dominated by working age population between 20 and 65 years, while the stable and most expensive clusters largely gained those over 65 years, while the modest growth in the coastal cluster was spread evenly across the population older than 20 (Figure 2).

Figure 2: Total population change by age groups, 2016–21

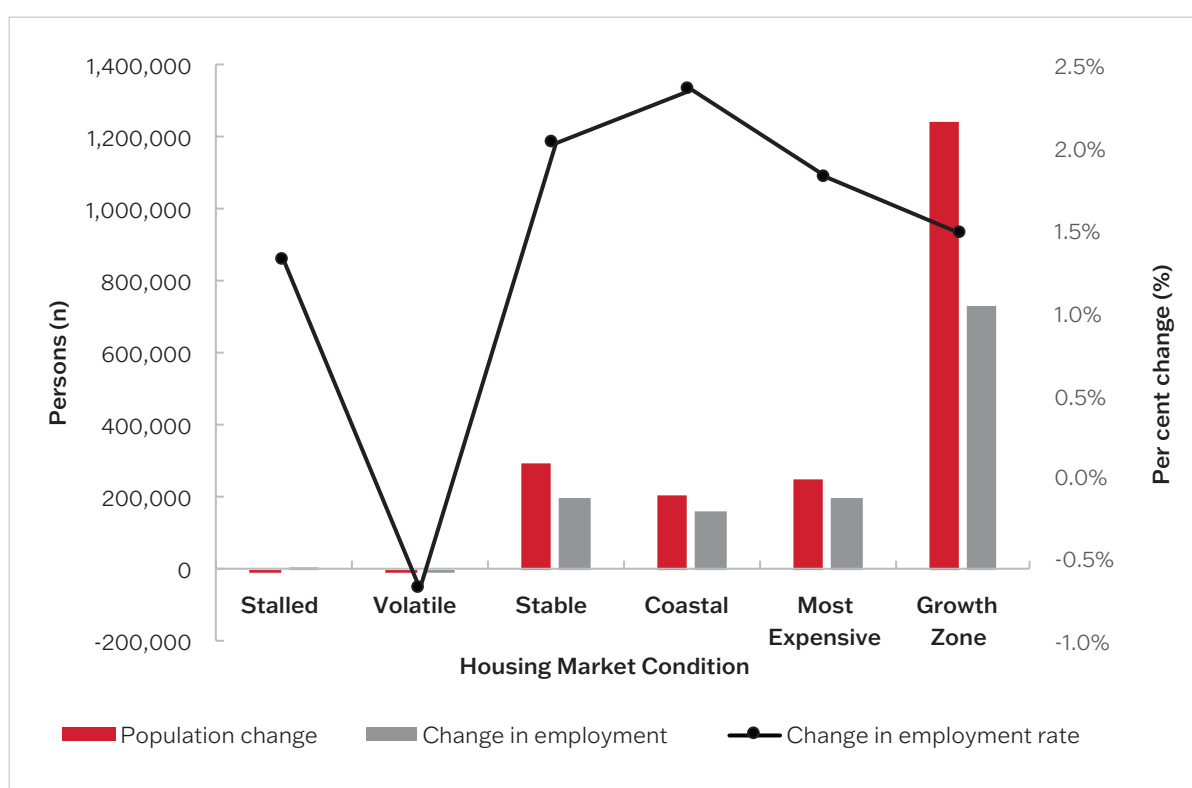


Source: ABS Census 2016 and 2021

Figure 3 presents data on total population and employment change in the regional housing clusters between 2016 and 2021. It shows that population growth is most significant in the Growth Zone housing cluster, with an increase of 1,242,785 people. This is partly driven by the greater number of LGAs and population in the Growth Zone housing cluster. The Most Expensive, Coastal, and Stable housing clusters experienced moderate population increase (200,000~290,000 people). Population in the Stalled housing cluster and Volatile housing cluster declined, but the total number of losses was negligible. Figure 3 shows that change in employment corresponds to population change, but the change gap varies between regional housing clusters.

Figure 3 also compares changes in employment rate (measured by change in percentage of employed population) between the housing clusters. A notable outcome is that although the Growth Zone housing cluster experienced the highest population growth by count, its employment growth was not very strong, compared with employment change in some other housing clusters. This could be a product the large share of the population moving into this housing cluster since the COVID-19 outbreak who were largely motivated by health and safety reasons, rather than work opportunities. Many moved to this cluster but still kept their employment in the metropolitan city (such as by working remotely). The long-term housing market benefit of the new residents in this cluster may be limited if not sustained by employment growth. This figure also shows that the employment growth rate in the Coastal housing cluster is slightly higher than other clusters, dominated by employment in population service sectors.

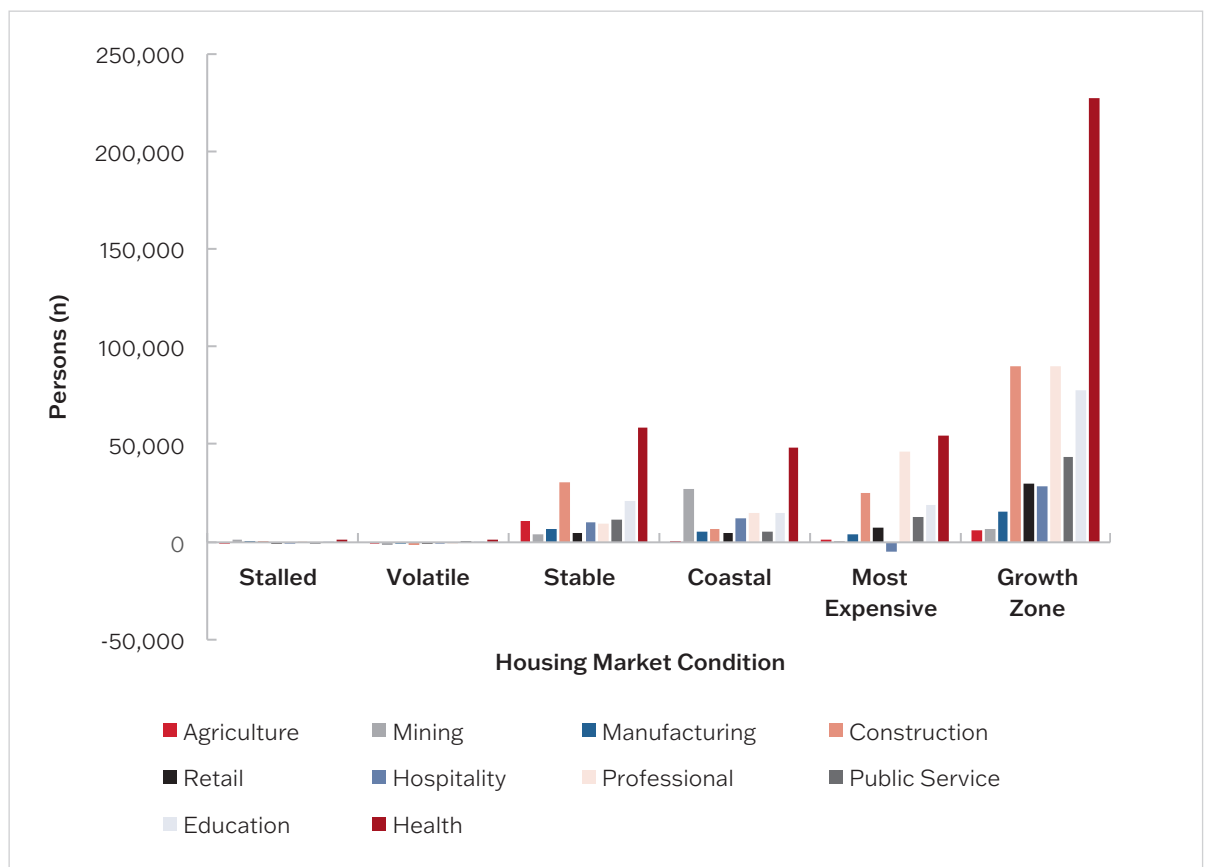
Figure 3: Change in total population and employment, 2016–21



Source: ABS Census 2016 and 2021

The nature of the workforce has changed over the past decade; Figure 4 presents data on these changes (industry of employment) across regional housing clusters between 2016 and 2021. It shows that amongst all regional housing clusters, employment in the healthcare sector experienced the highest growth by count, followed by employment in professional sectors and then construction employment. The growth in education, retail and hospitality services was also substantial (except for the Stalled cluster and the Volatile cluster). This pattern of employment growth indicates a trend of jobs following the population in regional areas, rather than the conventional understanding of employment growth resulting in housing demand. The results demonstrate that while population services still dominate the employment growth in regional housing clusters, growth in more specialised sectors (employing professionals) is emerging, especially in metro-proximate regional centres.

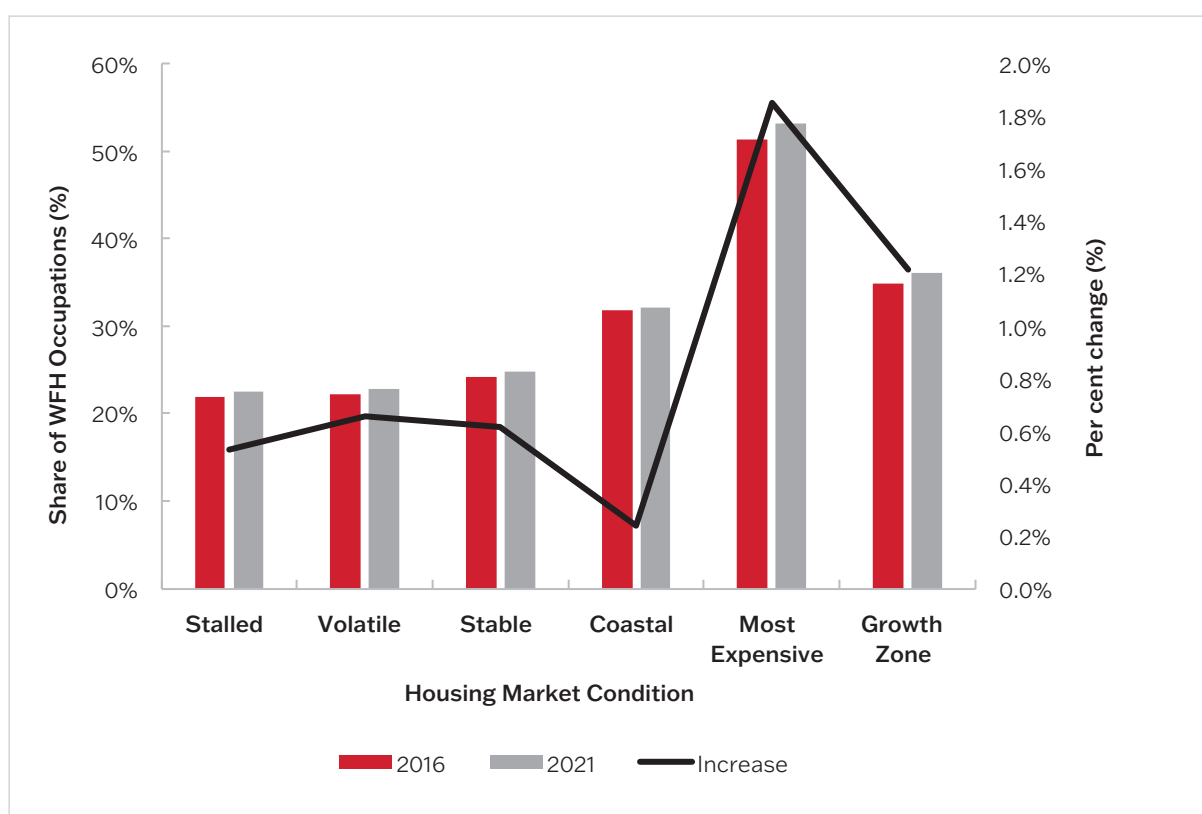
Figure 4: Change in workforce patterns, 2016–21



Source: ABS Census 2016 and 2021

Figure 5 presents changes in employment suitable for working from home (WFH). The occupations in Australia suitable for WFH were identified by a recent study (Li, Denham et al. 2022) and Figure 5 shows a substantial increase in workers in the WFH occupations in the Most Expensive cluster and the Growth Zone cluster. By contrast, the increase in workers in the WFH occupations is low in the Coastal cluster, given the high proportion of population service employment in those zones. The increase in WFH employment in regional housing clusters may result in higher demand for housing consumption.

Figure 5: Change in employment suitable to work from home (WFH), 2016 and 2021



Source: ABS Census 2016 and 2021

Migration between housing clusters is a potentially important driver of change. Figure 6 considers net population changes between 2016 and 2021 in regional housing clusters through internal migration. This allows us to conclude that the Stable cluster and the Growth Zone clusters gained population (64,728 and 71,032, respectively) from other housing clusters, while the Most Expensive cluster lost 109,040 population who moved to other regional housing clusters, for various reasons (such as COVID-19, flexible work arrangements, housing affordability and so on). The Stalled, Volatile and Coastal housing clusters lost a moderate population (fewer than 10,000) through internal migration. This set of outcomes aligns with the broad trend of remote to regional centre migration.

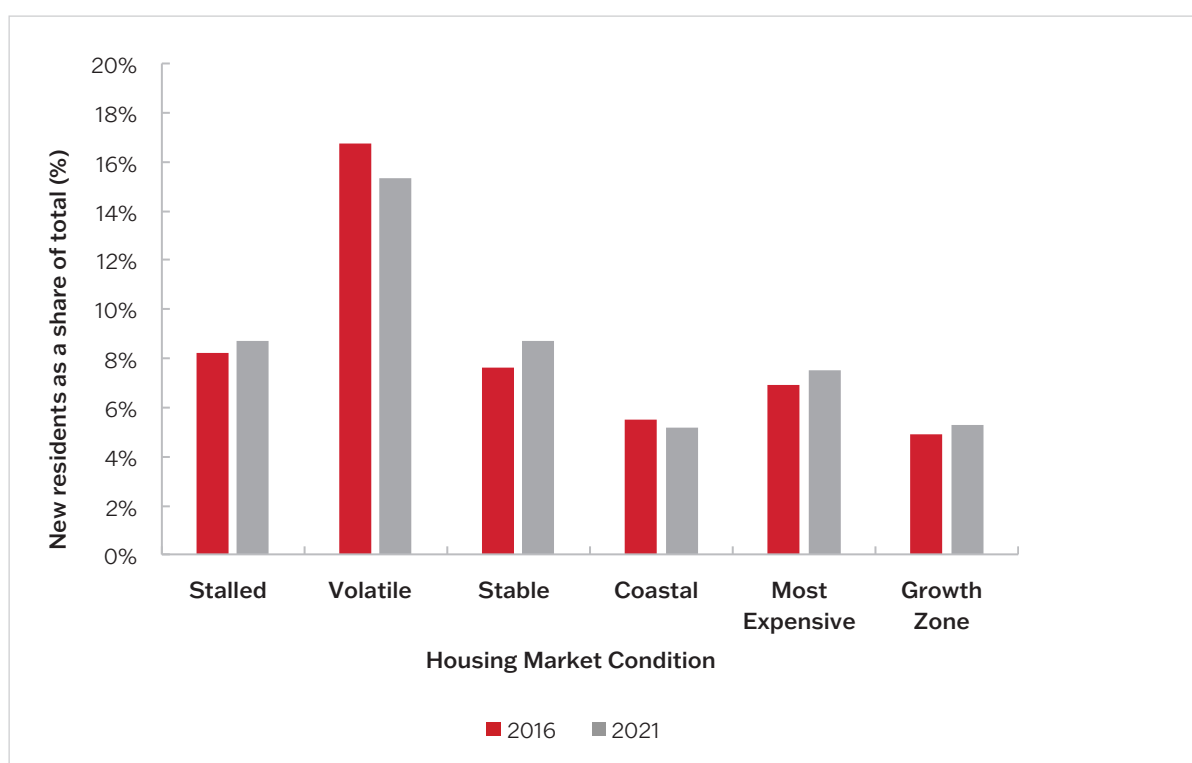
Figure 6: Net five-year internal migration, 2016–21



Source: ABS Census 2016 and 2021

Any further perspective on the processes of internal mobility can be gained by examining the percentage of residents in each cluster who previously resided in another cluster (Figure 7). While the patterns evident for 2016 and 2021 are broadly similar, it is also possible to identify an increase in the residents in the Stable, Most Expensive, and Growth Zone clusters in 2021 who moved from other regional housing clusters. This suggests a higher housing turnover and population change in those areas. The share of new residents in the Volatile cluster and Coastal cluster declined in 2021. As a result, their population change and housing demand stabilised.

Figure 7: Share of new residents who moved from other housing clusters, 2016 and 2021



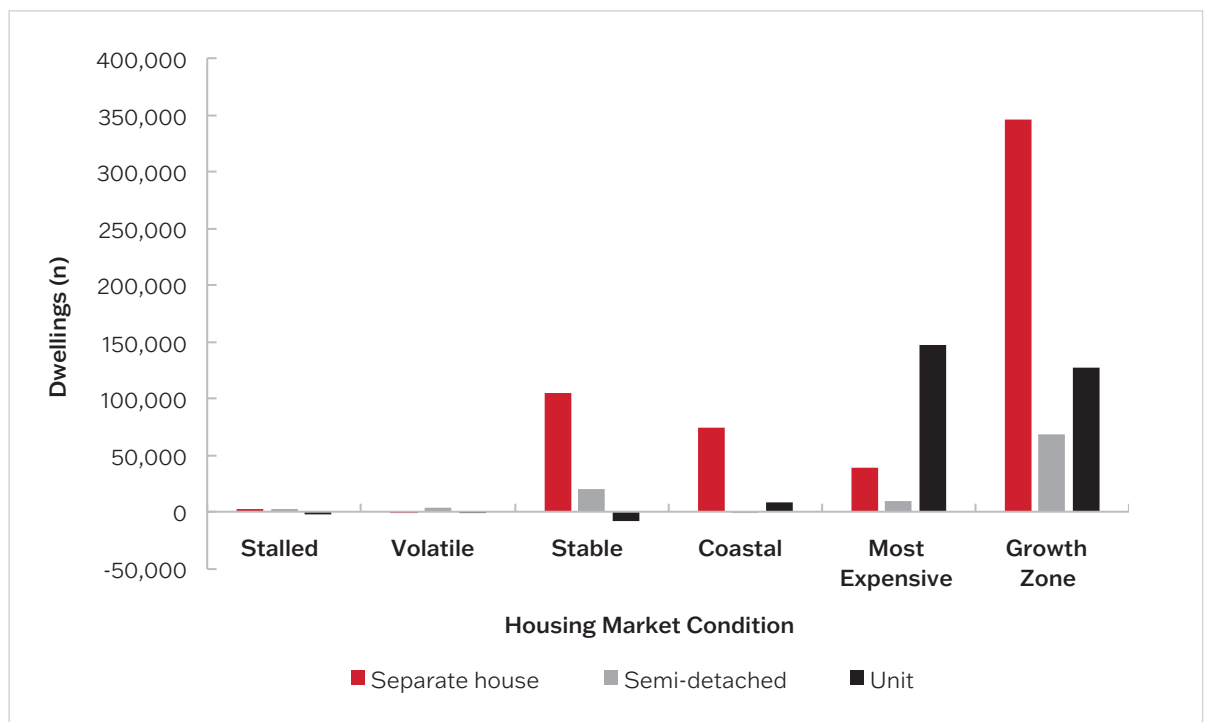
Source: ABS Census 2016 and 2021

The regional housing clusters are differentiated by their population and labour market characteristics, but also by the nature of their dwellings and tenure arrangements (Figures 8 and 9). In considering change over the period 2016 to 2021, Figure 8 shows that the dwelling stock in the Stable, Coastal, Most Expensive, and Growth Zone clusters grew over the five years to 2021, while the total dwelling stock by all types in the Stalled and Volatile housing clusters declined. Data on the absolute number of dwellings produced by type does not necessarily reflect emerging trends, which are better captured by shifts in percentages (Figure 9). Using this data it is evident that the fastest-growth dwelling type in the Most Expensive housing clusters was unit/apartment housing, an outcome reinforced by the infill development policy in the established urban areas.

There was also a notable increase in high-density dwellings (such as units) in the Growth Zone cluster despite the fact that detached housing still dominates the new dwelling stock in these localities. This outcome indicates increasingly diverse housing development and housing demand in those areas. By contrast, the high-density dwelling development in the Coastal cluster and the Stable housing cluster declined.

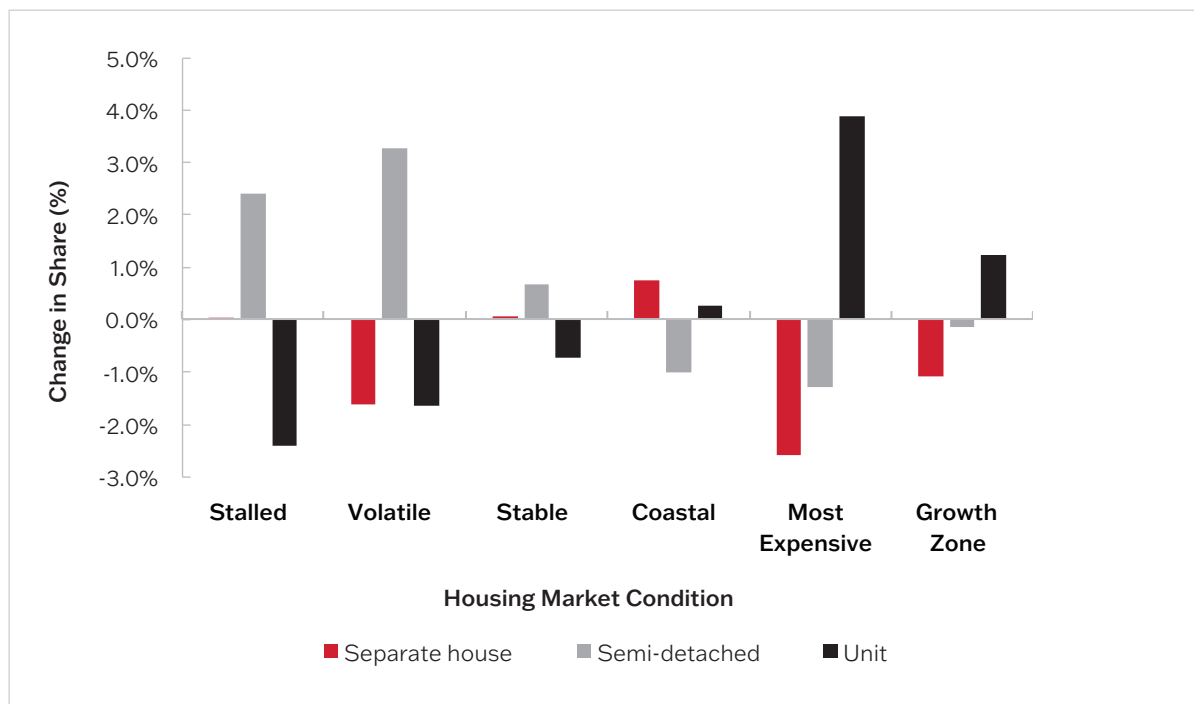
Tenure patterns also changed between 2016 and 2021 across the housing clusters (Figures 10 and 11). As Figure 9 shows, the arrival of additional residents into the Most Expensive cluster and the Growth Zone clusters resulted in a fall in outright ownership. Consequently, the percentage of renting properties in those housing clusters increased between 2016 and 2021.

Figure 8: Change in dwelling structure, 2016–21



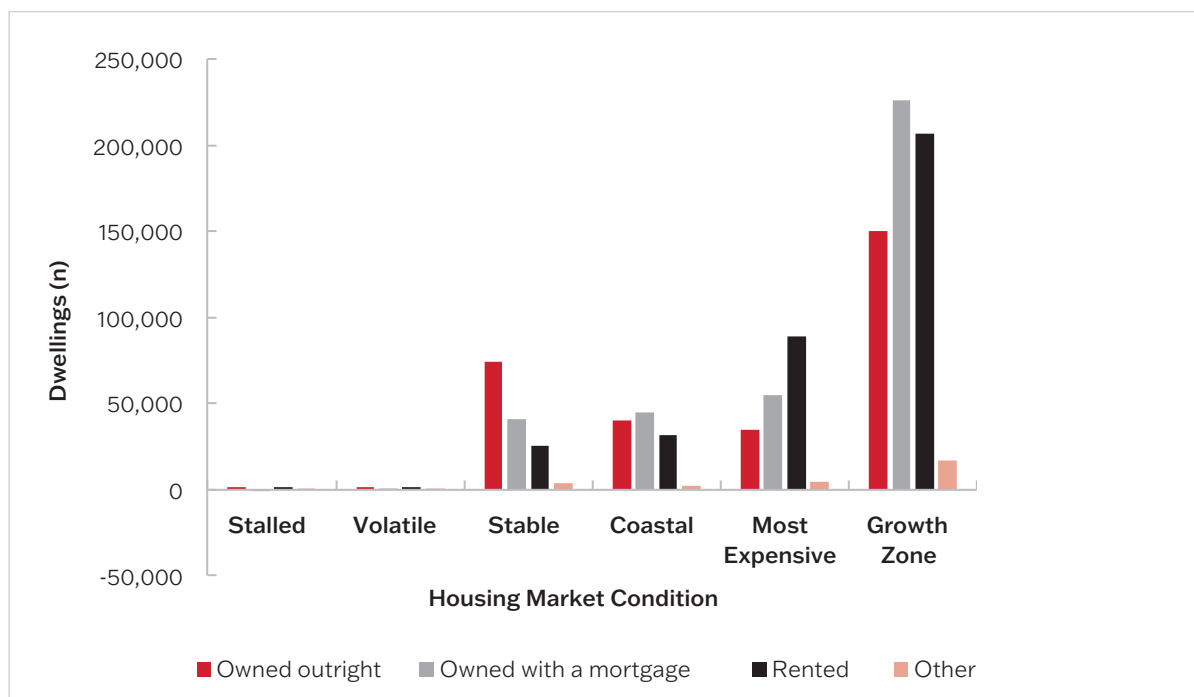
Source: ABS Census 2016 and 2021

Figure 9: Change in the share of dwelling structure, 2016–21



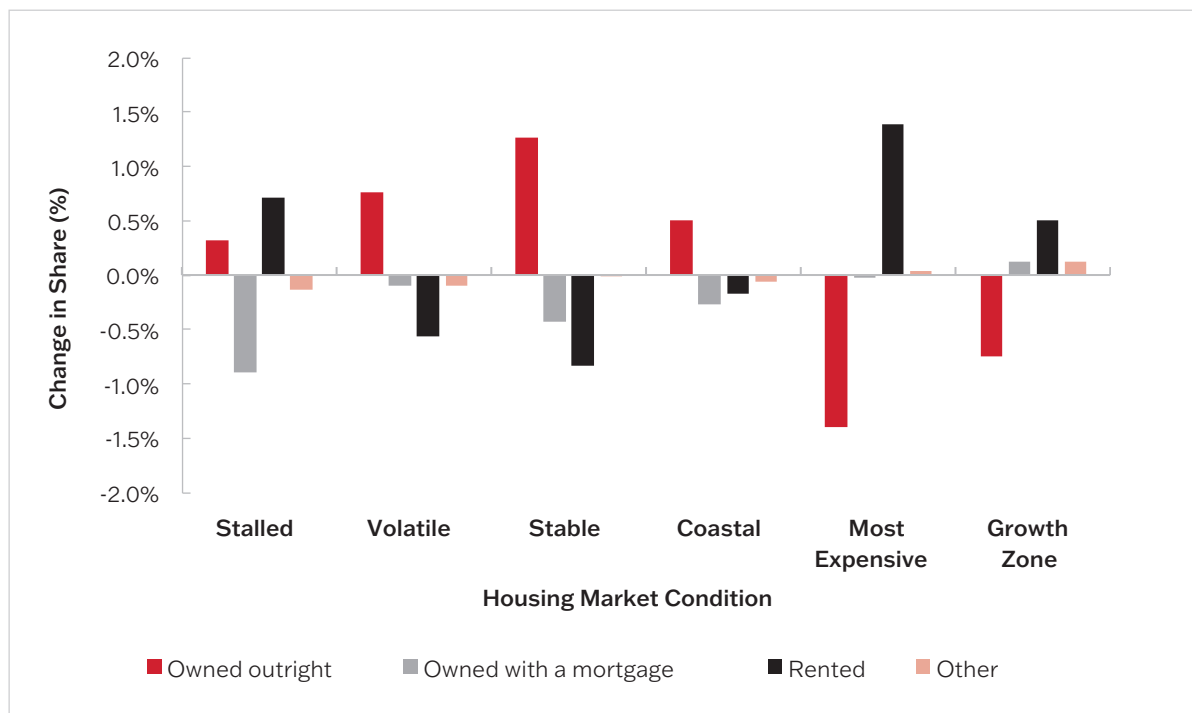
Source: ABS Census 2016 and 2021

Figure 10: Change in dwelling tenure, 2016–21



Source: ABS Census 2016 and 2021

Figure 11: Change in the share of dwelling tenure, 2016–21



Source: ABS Census 2016 and 2021

Overall, this analysis highlights the very varied sets of processes shaping these housing markets. It is clear that measures intended to address disruption in housing supply in rural and regional Australia will need to be shaped to meet the specific requirements of each.

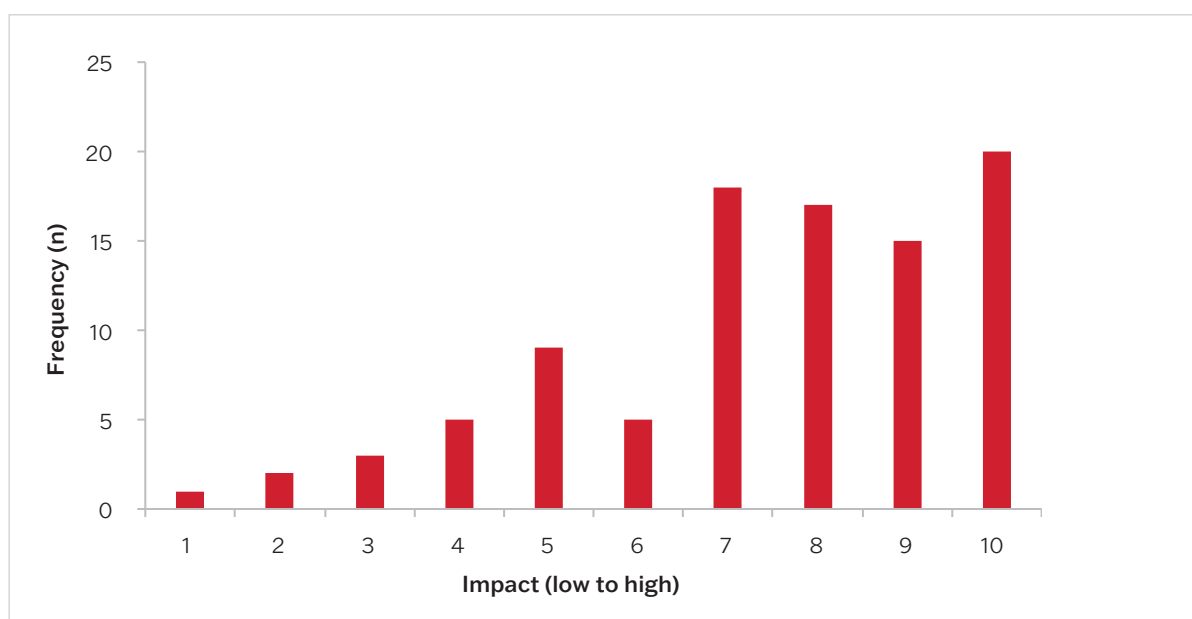
2.3 Disruption and short and long-term trends in regional housing supply

This section considers the outcomes of the survey administered in 2023 to regional local governments and community housing providers, with 98 valid responses received. The survey sought to provide up-to-date insights into both the long-term trends affecting housing supply in these localities, and the impact of disruptions evident at that point in time and in the recent past. The survey acknowledged that both short-term phenomena (such as COVID-19 or peaks in the rate of inflation) can act as a disruptor, as well as long-term processes, such as chronic undersupply of land, planning system failures or inadequate capital markets.

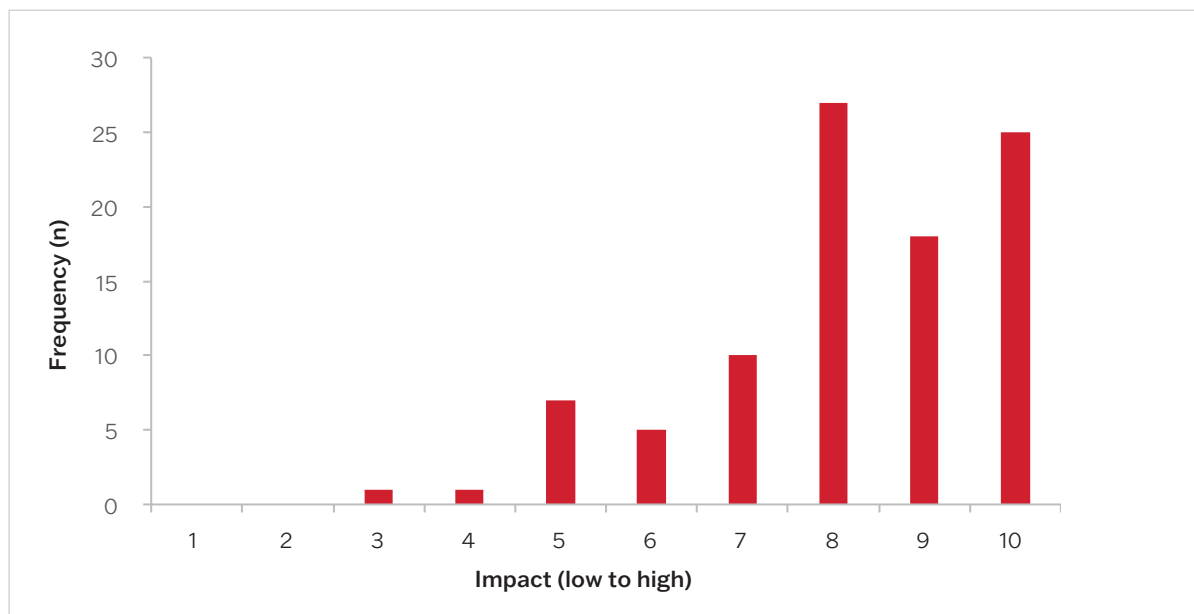
The survey found clear evidence of change in regional housing supply over the past decades: when asked whether they had noticed change in supply over the past two decades, 60 per cent indicated that they had to a large degree and a further 25 per cent responded that they had observed change to some degree. Respondents were further asked to identify the sources of this change within their region on a scale of one to ten, where ten was the greatest impact and one was negligible impact. Using that scale the survey respondents observed that:

- Population loss had a small impact on changes in housing supply with 35 per cent rating it as a negligible impact and 70 per cent providing a score of five or lower.
- The ageing of the population was seen to be a substantial driver of change in housing supply, with 30 per cent of respondents providing a score of seven, and 60 per cent furnishing a rating of seven or higher.
- STRA was perceived to have exerted a mixed impact on housing supply regionally. The modal response was two, but this only accounted for 14 per cent of responses, while the least frequent score was four at 6.5 per cent. 10 per cent of respondents provided a score of 10.
- Increased activity by private rental investors was seen to have a modest impact on supply processes, with the single most frequent score being five with 22 per cent of responses. Relatively few informants (under 10%) gave a rating of one or ten.
- The movement of large-scale building firms into the regions was unequivocally not seen to be a driver of change in regional housing supply with fewer than five per cent of respondents providing a score above five.
- As illustrated in Figure 12 below, difficulties in securing a building workforce were seen to be a major driver of change in regional housing markets.
- The escalating cost of building materials was also seen to be a major cause of disruption in new dwelling construction in regional Australia (Figure 13).
- Across regional Australia a shortage of residential land had some impact on housing supply, but that impact was both uneven and relatively modest (Figure 14).

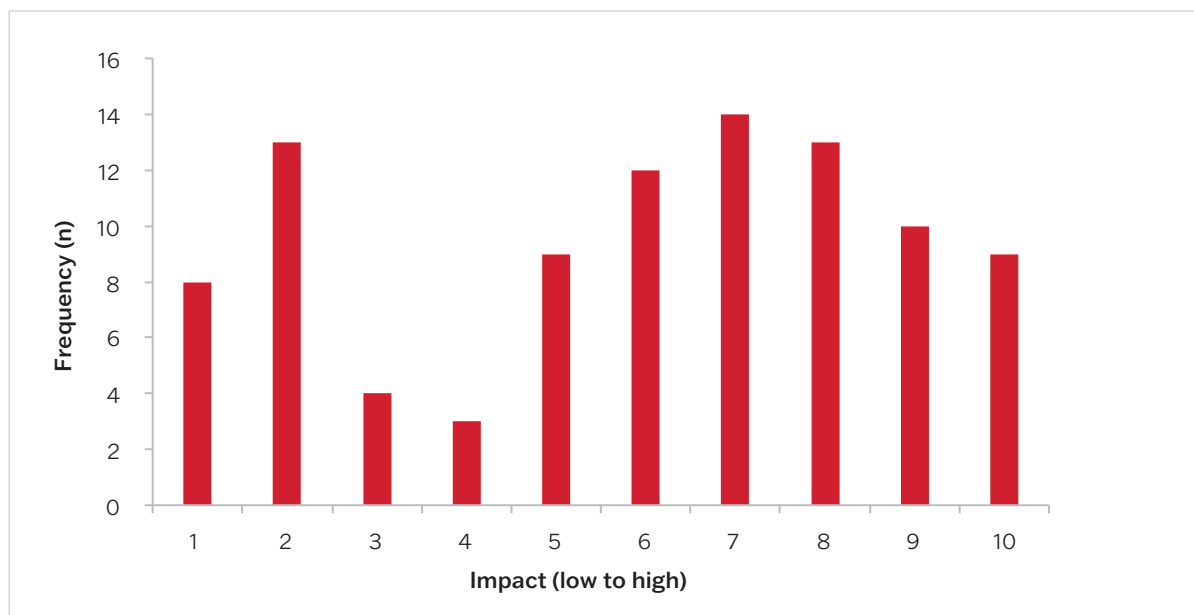
Figure 12: Impact of difficulties in securing a building workforce on housing supply



Source: Authors

Figure 13: The impact of increased building material costs on regional housing supply

Source: Authors

Figure 14: Impact of land supply shortages on regional housing supply

Source: Authors

Recent public debate across Australia has focused on the escalating cost of building materials and other dwelling construction inputs. Figure 13 clearly indicates that escalating prices have affected respondents to the survey. However, it is not clear whether prices have risen in non-metropolitan regions at the same rate as that evident in the major metropolitan centres. Research by Rider Levett Bucknall (2024) in South Australia provides clear evidence that housing construction costs have risen more rapidly outside the metropolitan centres. In January 2024 construction costs in the regions were 23 per cent higher when compared with Adelaide, and this gap widened considerably between 2021–22 and 2022–23.

The survey also asked questions on the degree to which the COVID-19 pandemic has been a driver of shifts in housing supply across Australia's regions. 45 per cent indicated that it had been a large-scale cause of change, while a further 30 per cent indicated that it had a degree of impact. In large measure the responses suggest that challenges already present in regional housing supply (such as adequacy of the labour force, the cost of inputs into the construction process and so on) were made worse by the pandemic:

- 72 per cent of respondents gave a score of seven or higher when asked if the pandemic had exacerbated the shortage of workers in the building industry.
- 85 per cent of respondents gave a score of seven or higher when asked if building material prices rose because of the pandemic.
- 77 per cent of survey participants indicated their region experienced problems in securing building materials as a consequence of COVID-19.

The survey instrument included questions on the types of action respondents would consider to be effective in order to address the challenges on new dwelling construction across Australia's regions. Once again, respondents were asked to provide a rating, with one the least impactful and five the most. The results indicated that:

- A clear majority of respondents felt government subsidies for new home construction would have a clear and positive impact on housing supply in their region.
- There was strong support for the provision of low-cost finance to developers, builders and new home buyers across regional and remote Australia, with 33 per cent of participants providing the maximum rating of five.
- There was very strong support for additional funding from state and territory governments or the Australian Government for the provision of additional social housing. Just under 50 per cent of respondents gave this policy option a rating of five, and this outcome needs to be placed in the context of community housing providers comprising just 15 per cent of respondents.

More broadly, most participants in the survey (49%) felt current national and state and territory policies would not have any impact on new housing supply on their region, with 13 per cent indicating there would be a negative impact, and 28 per cent a slightly positive impact. Just 3 per cent of respondents believed current policy settings would have a very beneficial impact. This absence of a pathway to addressing regional housing supply challenges was also reflected in that 75 per cent of respondents could not think of examples of good policy or practice in addressing regional housing needs. One consequence of this absence being a shortage of affordable housing as reflected in the 20 per cent of survey participants who considered less than 5 per cent of their local housing stock was affordable, while a further 17 per cent felt only 5 to 10 per cent was affordable. This perception of unaffordable housing may have contributed to the 30 per cent of respondents who indicated that the local government in their region supported affordable housing providers or homelessness services.

Finally, respondents were asked to identify those factors they considered to be a barrier to affordable housing supply in their region. In rank order, the most significant hurdles were seen to be:

- resource impediments (60%)
- limited support from state governments (57%)
- inadequate assistance from the Australian government (49%)
- the lack of political support or commitment (38%)
- the inability to make changes to statutory limitations (such as land conservation zones) on new housing supply (24%)
- the inability of local government councillors to appreciate the challenge of affordable housing supply (9%).

Based on the outcomes of this survey it would appear that the challenge of affordable housing supply across regional Australia is largely a question of resource limitations rather than an outcome of undue regulatory constraints.

2.4 Policy development implications of the quantitative analysis

The material presented in this chapter provides new perspectives on disruption in regional housing markets. Key findings include:

- The highly differentiated nature of housing markets across regional Australia, with associated variation in their performance with respect to rate of growth, affordability and tenure composition.
- Regional housing markets are becoming more different over time as the various housing market clusters trend in widely variable directions with respect to growth rates, tenure composition, dwelling types and household composition.
- The significant impact of internal migration in shaping the growth and/or decline of housing markets regionally.
- Growth in working from home has had some impact on regional housing markets, but it has been a limited impact to date.
- The clear impact of disruption within regional housing markets, and this includes long-term, structural disruption as well as short-term phenomena such as COVID-19 and escalating rates of inflation at the national level.
- The absence of new investment in social housing provision is a widely acknowledged problem across regional Australia.
- The fact that the provision of further affordable housing across regional Australia is a question of resource impediments rather than regulatory hurdles.

3. Case study analysis

- Case studies provide useful insight into the complexity of housing supply in regional Australia and the many and varied pathways used by organisations to deliver regional housing solutions.
- The case studies presented in this chapter shed light on the varied experience of regional housing markets across Australia, while also making it possible to identify unifying themes.
- Across the case studies, housing supply was disrupted by COVID-19 and associated lockdowns, with workforce shortages continuing to adversely affect home completions.
- Insights drawn from smaller communities speak to the greater challenges in places with fewer residents and those localities distant from major metropolitan areas.
- A wide variety of measures has been deployed by those active locally to boost the supply of housing in the various case studies, and this is indicative of a broader trend throughout rural and regional Australia. Some of these strategies and actions have limited capacity to be delivered at scale, while others would require additional resources in order to achieve a substantial impact.

3.1 Case study analysis of Australia's regional housing markets

Case studies are an important part of the research landscape in the social sciences and related fields, such as management and commerce (Bennet 2004). They have made an important contribution to the field of case study research internationally (Clapham 2018; Ruonavaara 2018; Stephens 2017) and within Australia (Davison, Han et al. 2017). Case studies provide the opportunity to both focus on a single issue or question – such as the causes of disruption in regional housing market – while also drawing out the impact of varying contexts, approaches to implementation, resource endowments and commitment to enact change (Rihoux 2006; Berg-Schlosser and De Meur 2009).

Two examples of the ability of case studies to shed light on both the nuance of regional housing initiatives and broader trends are set out in Box A and Box B below. In combination they provide insights into the diverse experiences of regions and their housing markets, while also shedding light on the range of innovations sought by local actors.

Box A: Housing initiatives in the Greater Whitsunday region

In October 2022 Greater Whitsunday Communities (GWC) and RDA Greater Whitsundays (RDA GW) partnered to deliver a housing project. The project aimed to identify potential solutions to the housing needs in the Greater Whitsunday region and position the region to attract state government and Australian Government funding, alongside private investment to meet the region's specific place-based housing needs. As a first step, a steering committee was formed with broad-based representation across the housing supply chain and the three tiers of government. It included the social and affordable housing sectors and the commercial housing sector. Areas of activity included: the delivery of a regional Housing Roundtable in December 2022, the goal of which was to identify key themes for a later summit; a research project bringing together baseline data for the summit, with this work published as the Greater Whitsunday Playbook; the hosting of a housing summit with 170 attendees; and the creation of a solutions-focused action plan. The summit addressed a number of themes including workforce accommodation, social and affordable housing, retirement living and aged care, reducing private sector risk to deliver more homes and greater diversity, innovation to reduce cost and speed delivery, and the development of a homeless precinct.

The outcomes of the summit included acknowledgement of the Housing Playbook's conclusion: that without intervention the housing crisis would continue into the future. It also served as a catalyst for the establishment of a Housing Alliance, with this new entity used to co-ordinate and drive activity until such time as the regional stakeholders understand how to navigate new partners, networks and funding programs.

The draft of this material was kindly prepared by Ms Tonia Wilson, Project Manager at Greater Whitsunday Communities.

Box B: Local government leading housing provision for the community

The Shire of Ashburton sits in Western Australia's Pilbara region and includes important iron ore mines, and four major settlements: Tom Price, Onslow, Pannawonica, and Paraburdoo. The Shire occupies the traditional land of at least four Aboriginal nations.

Mining is a major industry in the Shire of Ashburton with Rio Tinto, the single largest employer, providing accommodation for its own workforce. The Western Australia Government also provides accommodation for its staff. Rio Tinto, it was argued, owns some 60 per cent of all housing in the Shire. Other major resource industry employers include Chevron, Onslow Salt and Mineral Resources. No provision, however, is made for the broader community, including those who work in industries or workplaces that support mining. This has resulted in a significant shortage of accommodation throughout the Shire.

The mining industry dominates virtually every part of the accommodation sector in the region, as one interviewee commented:

Those big companies looking after their workforce and their housing needs of their workforce, it's then when you start to see those companies down the line, it's a little bit more challenging. And that's when we see the use of accommodation – particularly short-stay tourism by contractors to service the boom cycles. Each bed within the Onslow township is currently taken by construction resource workers. You can't book a room as a tourist at the moment in Onslow. In Tom Price we also experience these same sorts of challenges during peak times.

The Shire of Ashburton provides 88 properties as a way of ensuring the workforce it needs to provide services to its communities. The Shire, however, is mindful of the limitations of its approach, with one informant noting that 'we can't outbuild demand'. Cost also remains a substantial impediment for the council. Recently it sought quotes for four transportable homes to be located in Onslow. The price of \$6 million was seen to be prohibitively expensive, which forced the Shire to choose not to proceed. It was noted that firms active in the construction sector in the Pilbara region are largely focused on the mining industry, resulting in an expectation of higher returns for each dwelling or other structure erected. In addition, private investors are not active in the housing market because of high costs.

More broadly the Shire of Ashburton has been very heavily engaged with planning to improve the liveability of its communities and add to supply. But without external investment there is little it can do to overcome the impact of the higher housing costs resulting from the presence of a strong mining sector.

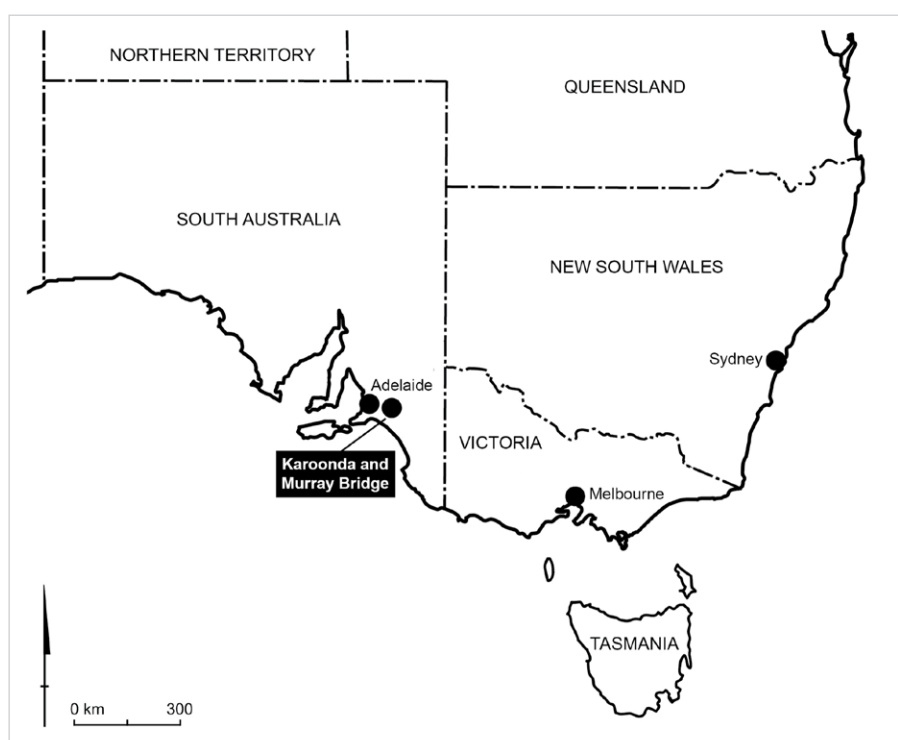
The two examples provided in the boxes provide insight into the complex challenges evident in these regional housing markets, as well as the substantial local efforts needed to develop solutions. Too often, poorly-funded and inexperienced agencies are called upon to devote a substantial percentage of their limited resources in order to meet regional housing needs. For many agencies, the shortage of housing is the most significant impediment to meeting their organisational goals – the delivery of services by the Shire of Ashburton; growing tourism in the Whitsundays. These agencies are not equipped with the financial resources or networks to deal effectively with questions of housing supply. The snapshots provided in Box A and Box B are replicated many times over across rural and regional Australia, and these issues will be explored in greater depth in the following section which focuses on three case studies, Karoonda and Murray Bridge in South Australia, Bendigo in Victoria, and Dubbo in New South Wales.

3.2 Case studies

3.2.1 Karoonda

Karoonda is a small town located 60 kilometres north-east of Murray Bridge. It was established in the second decade of the 20th century with a focus on the production of wheat, and later wool from merino sheep. It is a relatively arid region marked by cold winters and hot summers. The local government of Karoonda East Murray is based in the township, and while the area of that local government is extensive, its population is low, and does not include the developments along the Murray River to its west (Figure 15).

Figure 15: Location of Karoonda and Murray Bridge, South Australia



Source: Authors

Karoonda had a population of 517 persons at the 2021 Census, with no change from the 2016 Census. There were 296 dwellings counted at the 2021 Census with an average household occupancy of 2.1 persons, which was exceeded by the median number of motor vehicles per household which stood at 2.2. This high rate of car ownership reflects the fact that the township does not have access to public transport, with the rail line being used for freight only. In addition, many residents in Karoonda need to travel to larger centres such as Loxton, Murray Bridge or Tailem Bend for employment and services. It is a settlement of predominantly older persons, with a median age of 55 and just 129 families comprised of one or more parents with children. Residents are mindful of the fact that younger residents tend to move away after they complete high school. Household incomes are low, with a median of \$822 per week at the most recent census, but rents are also low, with a median of \$170 per week as of the 2021 Census; median mortgages were \$882 per month. Aboriginal persons represented 2.9 per cent of the population at the 2021 Census. The ABS (2021) has developed a range of housing-related indicators that are available at the local scale, and as Table 2 shows, Karoonda residents experienced little accommodation pressure with respect to homelessness, mortgage affordability or unaffordable rental costs.

Karoonda could be described as a 'stalled' regional housing market using the typology discussed earlier. In the recent past the township lost population but that trend has been stopped at this stage, largely through the efforts of the local government that has become directly involved in new housing supply. Growth has also arisen from in-migrants, often older person who may have retired and move to Karoonda in order to benefit from low housing costs, while also taking up part-time work.

The Karoonda East Murray council has been active in the housing market as a way of ensuring the population does not decrease further. Initially it provided a rebate on the cost of land for new home construction, but found that this strategy often attracted those without the capacity to maintain the mortgage in the long-term. In the past the council also worked with not-for-profit providers to offer homes to young persons at risk of homelessness. The local government has now moved to the development of 'turnkey' ready homes for sale at a modest price of approximately \$300,000.

The local government would be more active in the housing market but is limited by its financial circumstances, such that it is only able to develop one dwelling at a time. This means they are not able to achieve economies of scale but they are better able to manage their balance sheet. There is no shortage of demand for properties developed in this manner, with most properties selling as soon as they are listed on the market. Increasingly, the council is looking to diversify the housing stock through its construction program, and this could include independent living units for older persons.

Land supply is not a limitation on housing supply with the council holding a stock of land that can be purchased fully developed. Building costs, however, are higher than in more populous localities, and this means that many new dwellings are prefabricated in Adelaide and transported to Karoonda for assembly. There is a limited building industry in Karoonda; it is mainly focused on farm buildings and the renovation and maintenance of existing properties.

Overall, Karoonda is an example of innovation to overcome structural disruption to housing supply in regional Australia. The local government is committed to taking action in order to preserve its population and meet the needs of the local community, and seeks to make use of the assets it holds in an efficient and effective fashion. It would seek additional support for new housing supply if it was available, but is unlikely to benefit from national-level programs such as the Housing Affordability Future Fund as it lacks the scale that program requires. Current ambitions sit at the provision of one new dwelling a year, which is significant for Karoonda but micro-scale nationally.

Table 2: Housing pressure – Karoonda, South Australia

Homelessness operational groups: Karoonda LGA	
Total homeless	3
% of total residents	0.31%
Mortgage affordability indicator: Karoonda LGA	
Households where mortgage repayments are more than 30% of household income	11
Total households paying mortgage	101
% under pressure	10.89%
Rent affordability indicator: Karoonda LGA	
Households where rent payments are more than 30% of household income	9
Total households paying rent	52
% under high pressure	17.31%

Source: Australian Bureau of Statistics 2021

3.2.2 Murray Bridge

Murray Bridge is a smaller city situated 80 kilometres south-east of Adelaide on the traditional lands of the Ngarrindjeri. The European settlement was established in the late 19th century as an important road and rail crossing of the Murray River. As with Karoonda it has a cold and semi-arid climate, and while it is surrounded by land focused on dry-land cropping, it also has irrigated horticulture, an historically important dairying industry, and has played an important role in the provision of services to its region, while also serving as a transport centre. Murray Bridge is located on important road and rail transport networks. It has been an important centre for agri-food industries over a number of decades, with significant employers in the meat processing and related industries. Murray Bridge is governed by the City of Murray Bridge and also serves as a hub for the provision of state government and Australian Government services.

Murray Bridge had a population of 18,243 persons at the 2021 Census, which is less than its population of 20,858 at the 2016 Census. There has been growth, however, over the longer term, with the city's population rising from just under 13,000 in 1991 (Beer, Bolam et al. 1994: 239). The recent decline may be a consequence of COVID-19 or the closure of a major abattoir and meat processing facility because of fire in 2018. A number of persons interviewed during the fieldwork that informed this case study noted that some households left Murray Bridge because of the pandemic. The facility employed more than 3,000 persons and the process of rebuilding a more modern larger plant is nearing completion after more than five years. Importantly, the new meat processing centre will employ more staff than its predecessor, suggesting a likely rebound in population.

Aboriginal persons represented 6 per cent of the population at the 2021 Census. In the past the South Australian Housing Trust was a major developer and investor in Murray Bridge, and it remains an important provider of affordable housing. There were 8,412 dwellings counted at the 2021 Census with an average household occupancy of 2.3 persons. The median age is 42 and there were 4,709 families in Murray Bridge at the 2021 Census comprised of one or more parents with children. Residents are mindful of the fact that they tend to lose younger residents after they complete high school. Household incomes are modest, with a median of \$1,077 per week at the most recent Census. Rents are also modest, with a median of \$240 per week as of the 2021 Census; median mortgages were \$1,100 per month. Some of those we interviewed as part of the fieldwork argued that dwelling prices and rents had risen by 20 to 30 per cent over 2022 and 2023, and there had been a marked increase in visible homelessness. Census data indicate some housing pressure on residents in 2021 with just 11.94 per cent of mortgage holders in housing stress and 30.46 per cent of renters affected by high housing costs relative to their income (Table 3). Concerningly, however, more than 1 per cent of residents were recorded as homeless at the Census.

Murray Bridge would most appropriately be described as a 'stable' housing market regional housing market using the categorisation used first by the RAI. While Murray Bridge lost population in the most recent intercensal period, the reopening of the meat processing plant is likely to see growth in residents and housing. However, this is only one driver of change on the horizon and the city overall is likely to grow as a result of housing market pressures in Adelaide spilling over to Murray Bridge, and as a consequence of the actions of the City of Murray Bridge. For some considerable period the council has sought to encourage housing and population growth through:

- the development of a draft structure plan that has identified new housing development
- a process of planning for civil and social infrastructure for 45,000 residents
- the development of residential land at prices significantly below those in Adelaide.

As noted by a number of those interviewed, there is a high likelihood Murray Bridge will develop into a significant satellite centre on the basis of its resources endowments, lower housing costs, proactive approach to residential growth and ability to provide services.

Importantly, and unlike Karoonda, Murray Bridge has been able to attract significant private investment into housing provision, obviating the need for direct local government involvement. There are, however, challenges that reflect broader conditions across regional Australia, including the need to source a building workforce and secure construction materials. Murray Bridge could be in a position to benefit from participation in the HAFF.

Murray Bridge serves as an important provider of health and aged care services for its region, and this has resulted in the development of a number of retirement villages and associated developments. These facilities are able to be built and operated at a lower cost than in metropolitan Adelaide where land prices are significantly higher. The aged care sector is potentially a growth area for Murray Bridge, especially as the population of South Australia as a whole continues to age.

Interviews in Murray Bridge highlighted the important role the city council had played in planning for residential growth but noted that other tiers of government have not sought to promote or facilitate its housing market. A number argued for greater state government investment in infrastructure, as well as the provision of additional social housing as the lower end of the rental market has been chronically under supplied.

Table 3: Housing pressure – Murray Bridge, South Australia

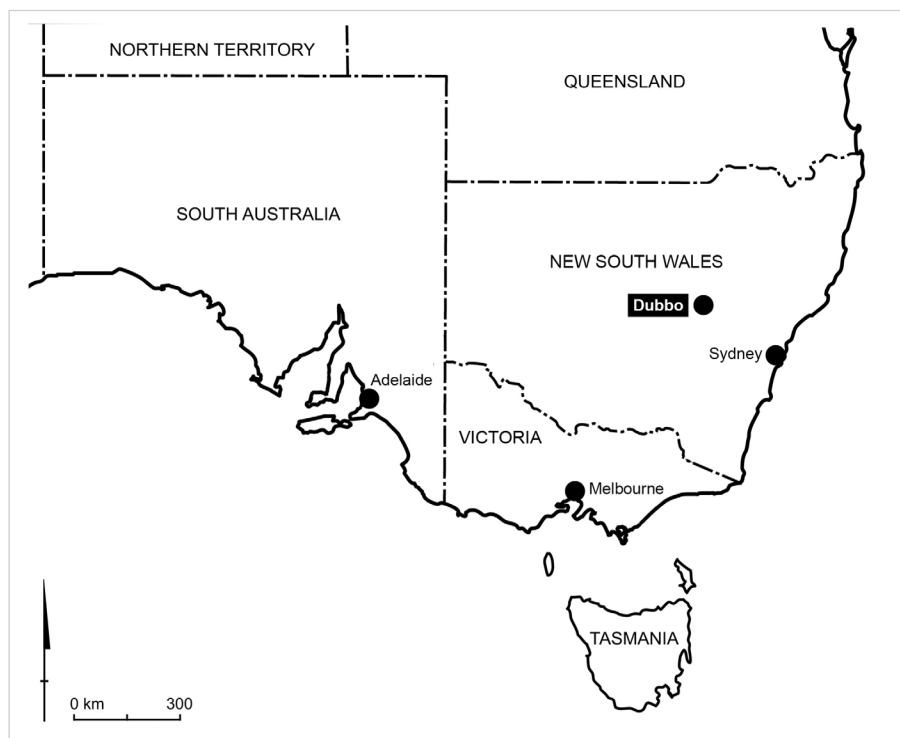
Homelessness operational groups: Murray Bridge LGA	
Total homeless	264
% of total residents	1.23%
Mortgage affordability indicator: Murray Bridge LGA	
Households where mortgage repayments are more than 30% of household income	311
Total households paying mortgage	2,604
% under pressure	11.94%
Rent affordability indicator: Murray Bridge LGA	
Households where rent payments are more than 30% of household income	816
Total households paying rent	2,679
% under high pressure	30.46%

Source: Australian Bureau of Statistics 2021

3.2.3 Dubbo

Dubbo is a significant regional centre in NSW, located 300 kilometres north-west of Sydney (Figure 16). In 2021 the population was 43,516 people, making it the 13th largest urban centre in the state. Built on the lands of the Wiradjuri people, the village of Dubbo was proclaimed in 1849, and became a significant trading post due to its proximity to the Great North Road, a key stock transport route (Sydney Morning Herald 2008).

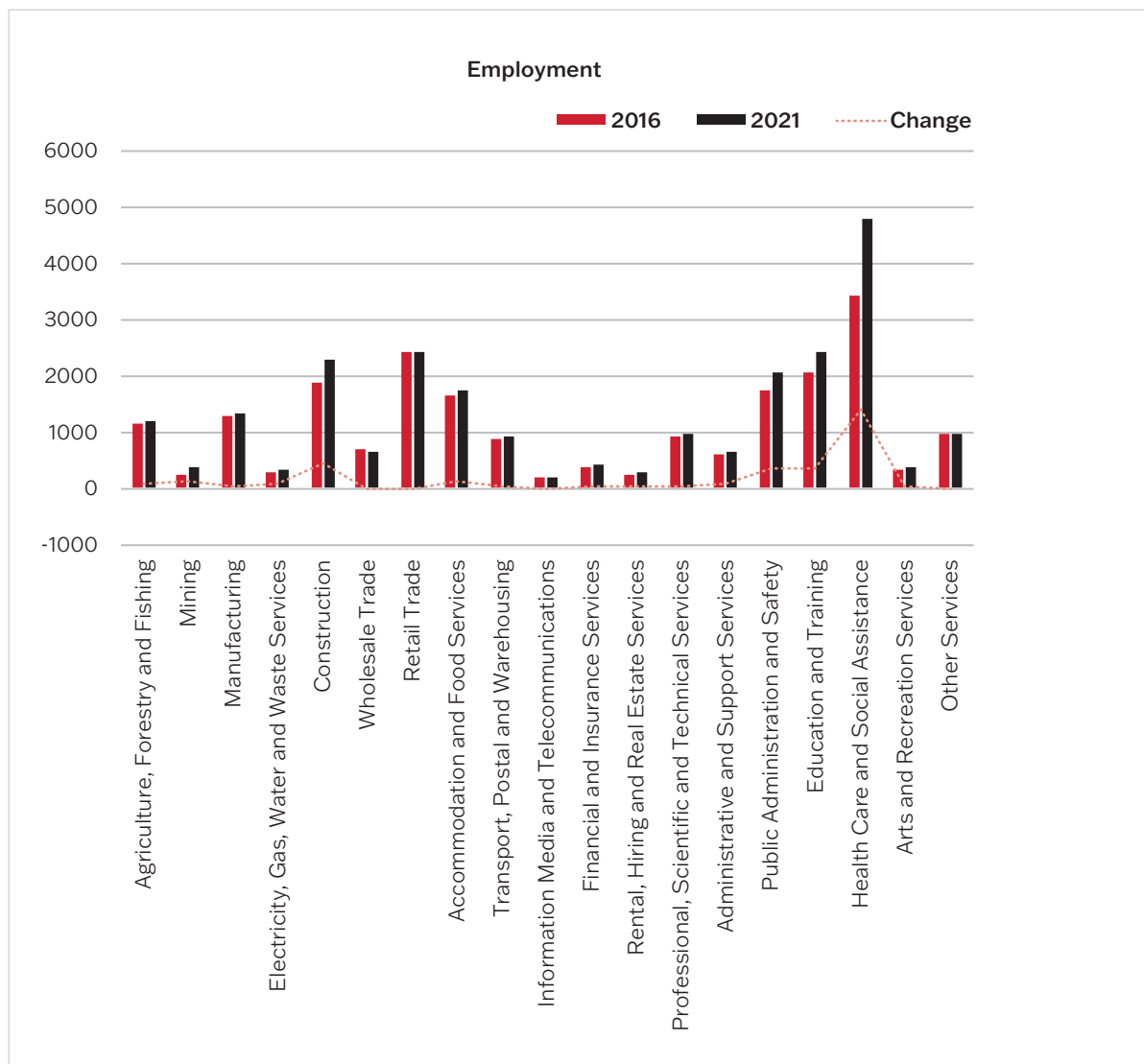
Figure 16: Location of Dubbo, New South Wales



Source: Authors

Agriculture remains an important industry for the area, alongside construction and manufacturing. However, the city has also become an increasingly important services hub for the broader central-west regional population, with health care and social assistance now the leading employment sector and growing significantly since 2016 (Figure 17). This sector now accounts for just over 20 per cent of the jobs in the broader Dubbo region.

Figure 17: Employment by sector for Dubbo, New South Wales



Source: ABS Census 2016 and 2021

Dubbo's population is growing, up from 38,943 in 2016. NSW Government population projections for the broader Dubbo LGA anticipate growth of 0.78 per cent per annum through to 2041, with higher rates of growth for two of the three Statistical Area Level 2s (SA2s) in the Dubbo urban area. Projections prepared for Dubbo Regional Council project a higher rate of growth (approximately 1.3% per annum) for the LGA, which is largely in line with the previous decade (Dubbo Regional Council 2023). The city has a relatively young population, with a median age of 35 and higher rates of children aged 0–14 and adults aged 25–34 than the NSW and Australian averages. There is clear evidence of housing stress in Dubbo (Table 5) with 9.54 per cent of mortgagees paying more than 30 per cent of household income in housing costs, while 26.24 per cent of tenants were considered under high housing pressure.

The 2021 Census recorded 16,568 private dwellings in Dubbo, with 93.6 per cent of these occupied. This was an increase of 1,229 from the 15,339 private dwellings recorded in the 2016 Census. There has been a slight decrease in the percentage of private dwellings owned outright over the five years to 2021, from 28.9 per cent to 28.1 per cent, while rates of ownership with a mortgage remained stable (34.3%), and rental rates increased slightly (32.7% to 33.7%).

While some of Dubbo's growth appears to be through migration from Sydney, the larger contributor seems to be migration from other regional areas, with seven of the top 10 sources of migration to Dubbo over 2016–21 being from less populous regional areas in NSW (Table 4). However, this shifted during the pandemic period, with the top five origins of migration to Dubbo all being LGAs in Greater Sydney. Recent analysis from the RAI (2023) suggests that overall internal migration to Dubbo has slowed in the post-pandemic period.

Table 4: Top 10 origins to Dubbo regional LGA (five-year, one-year)

LGA	Five- year	LGA	One-year
Narromine	172	Canterbury-Bankstown	74
Cobar	115	Blacktown	60
Parkes	115	Georges River	51
Blacktown	100	Cumberland	49
Gilgandra	86	Bayside (NSW)	32
Coonamble	83	Cabonne	30
Warrumbungle Shire	83	Gilgandra	28
Cumberland	75	Parramatta	25
Walgett	68	Coonamble	24
Canterbury-Bankstown	65	Parkes	22

Source: ABS Census 2016 and 2021

Meanwhile, out-migration data for Dubbo points to the emergence of Newcastle as an important node in regional-urban migration in NSW. No Sydney LGAs feature in the top 10 destinations for migration from Dubbo in the five years to 2021, with the ACT and the greater Brisbane region both attracting more migrants over this period. However, these figures are likely influenced by the pandemic lockdowns in 2020 and 2021, which made relocation to Sydney challenging (Brisbane experienced much shorter lockdown periods).

Dubbo's role as a strategic regional hub for NSW's central-west region has been reinforced through various NSW government policies, including the decision to select the central-west as the state's first Renewable Energy Zone (REZ). The REZ infrastructure program is designed to facilitate clustering of wind and solar power generation infrastructure, to enable the efficient development of greater renewable energy capacity for the state. The Central-West Orana REZ is predicted to attract up to \$10 billion in investment to the region by 2030 (NSW Government 2024). Dubbo is well placed to benefit significantly from this investment, as the largest city within the REZ boundaries.

Both local and state governments recognise that strategic investments of this kind will have housing market impacts, particularly a need to temporarily house an influx of construction workers. Demand for temporary worker accommodation is already high in Dubbo, with reports emerging of local employers buying motels and other forms of short-term accommodation to guarantee housing for their workers (see Falson 2023). Peak workforce numbers for the REZ are anticipated by late 2025, remaining high through much of 2026 (NSW Government 2023). To cope, temporary workforce accommodation for up to 1,800 workers is planned, to be located in smaller communities south of Dubbo. At the same time, however, it is also expected that the REZ will result in 500 ongoing positions across the central west region.

This predicted growth in permanent job opportunities points to an ongoing need for new housing development in Dubbo. A recent research report produced for Dubbo Regional Council noted that it ‘appears Council’s current land release schedule could be under-equipped to meet demand trends’ given the expected population growth and strategic investment planned for the region (Delos Delta 2023: 14). However, the report also suggests that Dubbo is relatively well-positioned to respond to housing market pressures by facilitating additional land releases, with abundant undeveloped land available in and around the city. In addition, a local government interviewee noted that the council acquired significant land holdings in the 1970s, which allows Dubbo Regional Council to ‘come in and out of the market as needed’ in response to market pressures. In recent times, this has meant making more of this council-owned land available for development.

Dubbo also has ‘a substantial supply of residential builders’ in the region (Delos Delta 2023: 14), which can help to scale up housing supply when needed. One example of this local capacity is MAAS Group, a diversified property group founded in Dubbo in the early 2000s. The company remains headquartered in the city and now employs approximately 1,800 staff across Australia and Vietnam. As of 2023, the company had a pipeline of 8,000 residential lots across eight regional locations (seven across central-west and northern NSW and one in Rockhampton) (MAAS Group Holdings 2023). The company is currently advertising housing in four residential developments in Dubbo, including Southlakes, which the company describes as ‘Dubbo’s largest premium residential estate’ (Figure 18) (MAAS Group Properties 2022).

Figure 18: Housing in Southlakes Estate, Dubbo



Source: Authors

While the large majority of new housing development in Dubbo remains freestanding houses, some higher density development is also underway in the Central Business District (CBD). A notable example is No. 1 Church Street, a 13-storey mixed-use development with 70 apartments being developed by Gerry Harvey (co-founder of Harvey Norman) and local developers Walkom Bros. It is currently under construction (Figure 19) and the development team claims it will be 'the tallest building west of the Blue Mountains' (Prisk 2022) when completed in 2025. Overall the market for higher density development in Dubbo appears to be mixed, with one other recently-proposed CBD apartment development failing to proceed due to funding issues (Prisk 2023).

Figure 19: The construction site for No 1. Church Street Dubbo, in December 2023



Source: Authors

While Dubbo is not experiencing the same housing pressures as some of the fastest growing regional areas on the NSW coast, it is clear that price increases and low vacancy rates have contributed to a more challenging housing market for lower income households in recent years. Recent CoreLogic (2024) data shows strong growth in both rents and house prices for Dubbo, with median rents increasing 4.6 per cent in the past year and 37 per cent over the past five years. Median house prices have increased 6.9 per cent in the past year and 40.2 per cent over the past five years.

The local newspaper, the *Daily Liberal*, reports frequently on a perceived 'housing crisis' in the city, while Census data suggests that homelessness in Dubbo is growing faster than anywhere else in western NSW. The city's role as a service hub is identified as a possible cause; according to a Dubbo area manager for Mission Australia, 'Dubbo acts as a really central location for people who are further west or in the far west – we will often have people accessing our services who have come into Dubbo thinking there might be more accommodation options for them and then becoming homeless' (Hore 2023). An analysis of regional housing need published by Shelter NSW (2023: 29) notes 'a high proportion of low-income households in the housing and rental markets experiencing mortgage and rental stress' in Dubbo, although this is counterbalanced somewhat by the fact that 'the availability of social housing is reasonable in this LGA, at 5.4 per cent of residential dwellings'. More recently, the annual Rental Affordability Index (SGS Economics and Planning 2023) concluded that 'the average rental property in Dubbo is "moderately unaffordable" for the average Dubbo household'.

Overall, the dynamics described above suggest that Dubbo is best categorised as a 'Stable' market according to the typology set out earlier. The region should have the capacity to respond relatively well to predicted future growth by providing new housing supply, but also faces growing challenges in accommodating more unpredictable periods of high demand due to influxes of temporary workers. Maintaining (or ideally improving) the reasonable availability of social housing in the city will also be important, even as the population continues to grow.

Table 5: Housing pressure – Dubbo, New South Wales

Homelessness operational groups: Dubbo LGA	
Total homeless	408
% of total residents	0.74%
Mortgage affordability indicator: Dubbo LGA	
Households where mortgage repayments are more than 30% of household income	624
Total households paying mortgage	6,544
% under pressure	9.54%
Rent affordability indicator: Dubbo LGA	
Households where rent payments are more than 30% of household income	1,594
Total households paying rent	6,074
% under high pressure	26.24%

Source: Australian Bureau of Statistics 2021

3.2.4 Bendigo

The City of Bendigo is located approximately one hour by motor vehicle or train north-west of Melbourne (Figure 20). The city is distinguished by a rich heritage that arises from its historical role as a service centre for the mid 19th century goldfields that surround the city. Bendigo is also an important transport hub that sits at the intersection of four major highways (Beer, Bolam et al. 1994). The city enjoyed modest growth in the period immediately after 1945 as a consequence of the expansion of manufacturing and the development of the Victorian Railway's maintenance and manufacturing facilities. By the mid-1970s more than 20 per cent of the workforce was engaged in manufacturing, but economic restructuring saw the contraction of this workforce and the slowing of growth in Bendigo.

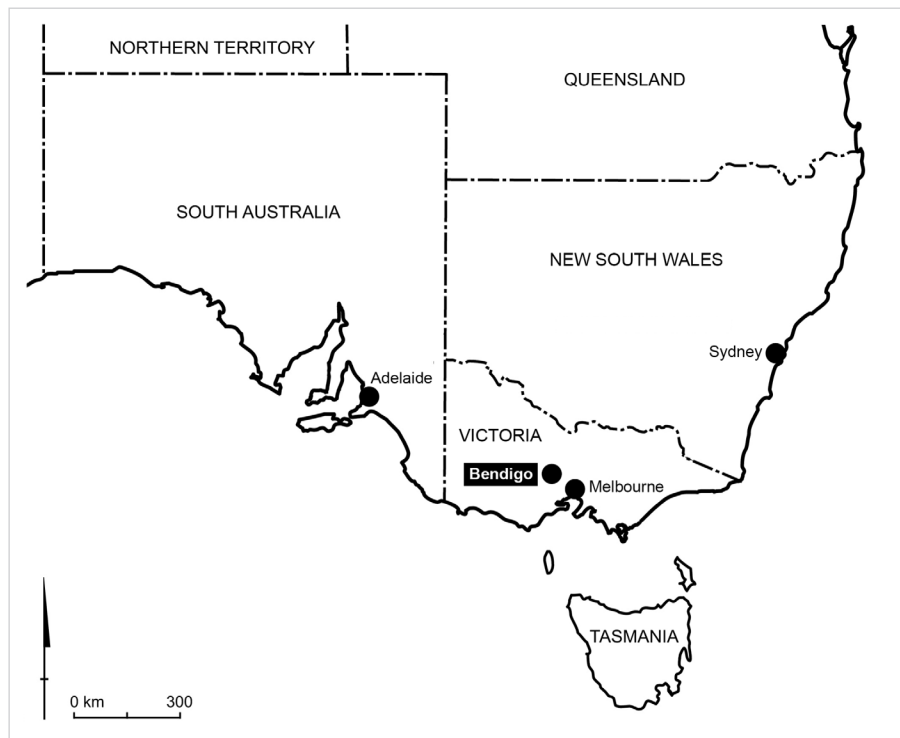
More recently, much of Bendigo's growth has reflected a growing role as a satellite city of Melbourne and a destination for those seeking to leave a major metropolitan area, either pre or post-retirement (Vij, Ardeshiri et al. 2023; Vij, Ardeshiri et al. 2024). Over the past two decades the Victorian Government has invested in highway upgrades and faster rail connections between Bendigo and Melbourne, giving rise to a substantial influx of commuters. This trend strengthened during COVID-19, with Bendigo less affected by lockdowns than Melbourne while still able to offer a high level of amenity and services. Vij, Ardeshiri et al. (2023) reported on the findings of focus groups with both new arrivals and long-term residents in Bendigo and noted the strong pull of lifestyle for many recently arrived residents. For example, one informant considered lifestyle and liveability to be their primary reason for relocation:

I think lifestyle for me. It is really beautiful here. And the fact that it doesn't take us a great deal of time to get anywhere. The time we do spend doing something is spent on the activity rather than traveling to and from the activity (Vij, Ardenshiri et al, 2023: 167).

Over the past three years substantial new housing investment has taken place, with a number of major new developments being established. There has also been an expansion in home building activity. At the same time, the Victorian Government has also invested in the city centre, upgrading civic buildings and engaging in the revitalisation of commercial areas, all of which adds to Bendigo position as a preferred destination for those seeking to relocate.

Bendigo has experienced rapid growth over the past decades, with the population rising from 57,416 in 1991 to 121,470 at the 2021 Census. The city has grown by more than 20,000 residents over the past decade alone. Median household income stood at \$1,148 per week, while the median mortgage was \$1,147 per month and the median weekly rental was \$295 (ABS 2021). Some 2,743 residents were recorded as Aboriginal or Torres Strait Islanders at the 2021 Census, and there were just under 18,000 school age children resident in the city. Detached dwellings dominated the City's housing stock at 85 per cent of the total. Semi-detached and terrace housing was the second most common dwelling structure in the city at the 2021 Census. As Table 6 shows, housing affordability is a concern in Bendigo with 10.15 per cent of mortgage-holders affected by housing stress. Some 30.8 per cent of tenants were reported as being under high housing pressure at the 2021 Census, though the population of homeless persons was relatively small.

Figure 20: Location of Bendigo, Victoria



Source: Authors

Interviewees in Bendigo spoke to the complexity of both housing supply and demand issues in that city. Informants noted the impact of the ageing of the population – both through in situ ageing, and as a consequence of the arrival of older in-migrants. The end of the pandemic has resulted in the resumption of migration by young people to Melbourne and other metropolitan areas, and while this was seen to be a trend evident across regional Australia, it was seen to add to the challenge of structural ageing. Discussion also focused on the rapid rise in house prices over the past three years, as well as the evident increase in homelessness over that period. One informant observed that:

we're starting to see more obvious homelessness and the challenges around affordable housing that ... (were never) ... seen in the past. Like you can see, you can walk around the city centre and see people sleeping in tents like whenever you never used to see that.

They also noted the very low vacancy rates for rental dwellings and its consequent adverse impacts on those seeking to lease a home.

With respect to the construction of new housing, informants noted a range of challenges that have emerged over recent years, with one commenting that:

actually getting housing to market in regional areas is becoming more and more challenging.

Dwelling approvals have been falling over the period 2022 to 2024, as has the number of dwelling completions. Builders have reported significant challenges in finding the workforce they need, with some staff leaving the industry because of 'burnout' associated with ever increasing demand. In the longer term, a number of regulatory issues have been identified as an impediment to further urban development and housing supply. This includes state government imposed requirements to more carefully consider bushfire risk within the planning system, and detailed assessment of this risk, which could potentially limit the supply of land for housing. In conclusion it is worth noting that informants from Bendigo felt that solutions to their housing challenges – now and into the future – would best be addressed through greater coordination with, and between, state government agencies, as well as through the provision of flexible funding available to 'unblock' site specific challenges such as infrastructure deficits or additional development requirements.

Table 6: Housing pressure – Bendigo, Victoria

Homelessness operational groups: Bendigo LGA	
Total homeless	808
% of total residents	0.67%
Mortgage affordability indicator: Bendigo LGA	
Households where mortgage repayments are more than 30% of household income	1,694
Total households paying mortgage	16,683
% under pressure	10.15%
Rent affordability indicator: Bendigo LGA	
Households where rent payments are more than 30% of household income	3,854
Total households paying rent	12,514
% under high pressure	30.80%

Source: Australian Bureau of Statistics 2021

3.3 Policy development implications

It is not possible to capture the full range of housing market processes and supply chain challenges in a finite number of case studies. However, the examples presented above demonstrate the complexity and dynamism within regional housing markets across Australia. They also highlight the diverse range of policy solutions being considered in these localities, with locally-based solutions developed to take advantage of the assets and challenges in that urban centre or region. The illustrative examples provided in this chapter have shown that:

- There are significant housing challenges in many regional centres, and these are becoming more acute over time.
- In some places, the challenges of homelessness and poor housing affordability are becoming more pressing and more evident.
- Some regional centres have strong growth prospects for the future, and potentially robust supply chains with respect to both materials and personnel, including the labour force and a diverse portfolio of builders.
- Smaller urban centres may have few options for housing development beyond the efforts of local governments.
- Central government programs may be needed to support local governments and guide these localities toward growth, including the provision of capital funding to cover infrastructure and other costs.

4. Outcomes of the Investigative Panel

- This chapter reports on the outcomes of Investigative Panel deliberations.
- The Panel was convened three times over the life of the project, with the third meeting focusing explicitly on policy recommendations. In all instances, discussion was based on the materials presented by the research team, either written documents or PowerPoint presentations.
- The Panel noted that the greatest challenges to housing supply in the regions, and the widest gap in the supply chain, was the shortage of workforce.
- The Panel considered a range of possible measures to strengthen housing supply, including building demand regionally through engagement with the HAFF; the application of the types of policy instruments found in Nordic countries; the application of place-based policies; and the development of processes that enable local leaders to draw on their skills, knowledge and experience to lead a process of positive change.
- Panel members acknowledged the important role governments – including regional governments – may need to play in developing stronger supply chains for rural and regional housing. There was also an appetite for the development of a national urban and regional strategy; it was felt this initiative would provide certainty for private investment, while also unlocking potential State and Australian government support.

4.1 The Panel and its processes

Investigative Panels are an approach to the creation of new knowledge valued by AHURI and the housing research community in Australia because of their ability to encourage direct engagement between experts from the research, policy and practice communities, including industry. It is a technique that has the capacity to bring together insights from diverse sources and of varying scales, providing a testbed for new ideas against the experience and understanding of those with authoritative knowledge. It is an approach that has the potential to deliver policy-relevant solutions through consideration and debate, thereby stimulating fresh approaches in research and policy development.

In this research a key goal was to ensure a wide range of experts from the regions could contribute to this discussion. The researchers sought both a 'grass roots' perspective, as well as the 'helicopter view' attached to national thought leaders in this field. The project sought the perspective of government agencies as well as third party research institutions and those involved in the direct provision of housing in these localities. Finally, in constructing the composition of the Panel, the research team was mindful of the need to hear from multiple jurisdictions in order to better capture the breadth of experience and challenges across Australia. Market conditions and policy frameworks vary jurisdiction by jurisdiction. The Panel meetings ran alongside the other empirical components of the research, with their findings informing the discussions of the Panel. On this basis we sought and obtained Panel members including:

- the research leader of a regionally focused research institute based in Canberra
- the CEO of a social housing provider based in rural NSW
- the CEO of an outer rural local government in NSW
- a representative of the Australian Local Government Association based in Canberra
- the CEO of a Regional Development Australia committee operating in South Australia with whole-of-state responsibilities
- the Deputy Chair of the National Housing Supply Council based in Adelaide
- the CEO of a regional development agency in Victoria that includes a strong housing delivery arm
- a representative from Master Builders in Victoria.

Three Panel meetings were held over the life of the project with the first focused on the understanding of the project and the sharing of background information. The second Panel discussion considered the findings of the literature review and the quantitative analysis, while the third was focused on potential policy solutions.

The Panel and its workings were acknowledged as central to the goals of this research because of the capacity to generate fresh insights and knowledge that could only come from the application of the views and experience of the Panel members. Panel members were recruited for their expertise and knowledge of regional housing issues, as well as the part they have played in identifying and implementing solutions. As would be expected, there were changes in Panel membership over the duration of the project due to changes in organisational arrangements, especially as a consequence of staff members moving to new employers. This publication reflects the views, conclusions and findings of the research team and these should therefore not be attributed to individual Panel Members.

The work of the Investigative Panel addressed the six primary research questions that underpin this project:

- How has long-term economic and demographic change affected regional housing markets? Has growth of the visitor economy (and platforms such as Airbnb) reshaped the nature, volume and timing of demand?
- Have regional housing market trajectories changed because of the pandemic? Is there evidence that these markets have reverted to long-standing trends, or can we identify a shift in scale and direction?

- What regionally focused policies, strategies and actions are available to government and other agencies? Which measures are effective and are there transferrable insights to be drawn from international experience?
- What are the likely impacts on regional housing of current and proposed national and state and territory policies?
- How can regional supply chains be strengthened to ensure housing production that is resilient in the face of shocks and able to meet a region's long-term needs?
- What lessons can be learnt, and policy actions taken, from regions taking innovative action to meet housing needs?

4.2 Panel perspectives on policy options

As noted above, the final Panel meeting focused on the policy options that had arisen out of the other empirical elements of the research. The Panel was asked to consider those outcomes and provide guidance on the policies, programs and other actions that could 'unfreeze' regional housing markets (Eliassen 2020). The Panel was asked to think through what the most impactful actions would be, given that the various policy options were not necessarily mutually exclusive; it may be possible to identify a combination of actions that together would deliver the most beneficial results; that a range of actors (the Australian Government, state and territory governments, local governments, the community sector and sectors of the economy not previously considered part of the housing ecosystem) may be called upon to take steps to address regional housing disruption; and that there will inevitably be a need to develop priorities.

As background, the Panel was asked to consider the potential take up of the HAFF across regional Australia as a potential solution to regional housing disruptions. They were provided a sketch of the HAFF that emphasised it was:

- intended to provide 30,000 new dwellings over the coming quarter of a century
- designed to operate as a facility only available to new (previously unoccupied) dwellings, with participation open to state, territory and local governments, as well as the community sector
- accompanied by other direct capital funding for social housing, including a remote housing component
- a requirement that participating organisations committed equity – assumed to be in the form of land in many instances
- designed to ensure properties were held in affordable rental for at least 25 years
- intended that other capital would be raised by the participant
- expected that over the long-term funding would be allocated on a per capita basis across states and territories.

From a regional perspective it was noteworthy that specific targets for the regions had been set and few CHPs are based in, and specifically focused on, the regions and therefore are an unlikely source of new housing through the HAFF.

The Panel was also asked to consider the experience of Nordic countries (specifically Iceland, Finland, Sweden, Denmark, Norway and the Faroe Islands) that have experienced comparable housing problems in their rural regions as a result of low population density, 'frozen' housing markets, high costs of construction, and the departure of young people. (Nordregio 2020; Nordregio 2021; Eliassen, Ormstrup Vestergård et al. 2020). A key insight from this body of work is the suggestion that rural housing markets in many parts of Nordic Europe are 'frozen' (Nordregio 2020). It was argued rural housing markets may have solidified because the market price of the existing housing is substantially below the cost of new construction. This serves to discourage new building, effectively locking out investment and housing finance. Nordregio (2020) observed that where finance is available, lenders take a conservative valuation of new construction, which forces the borrower to save more, effectively slowing the replacement of the stock and ruling out further growth. Moreover, it:

... leaves rural regions facing a downward spiral, where the general trends of urbanisation and an ageing population lead to depopulation and decreasing prices on the housing market ... which then has negative consequences for rural development and feeds into the general urbanisation trend – a kind of vicious circle (Nordregio 2020 p 2).

Nordregio (2020) acknowledged governments have taken action and this has resulted in national and municipal governments working together to finance construction. They have also sought to augment the perceived value of these housing markets by investing in the broader community with respect to employment opportunities, services and so on. They have also improved neighbourhood facilities and other characteristics of neighbourhoods. These northern European nations have intervened directly in housing markets through a mix of subsidies, direct loans and loan guarantees to support further investment in the rural housing stock.

Overall, Nordregio (2020) advocated for the following six actions to support rural housing:

1. government funding to strategically support housing in rural areas where a shortage of housing is impeding growth
2. loan support made available to home purchasers and investors as top-up loans or loan guarantees
3. local branding and place-based development to encourage the growth of rural housing markets
4. local governments to act as change agents, effectively adopting an active mindset to the reshaping of their communities and localities
5. greater use of private rental housing to ensure greater flexibility in the market
6. finding ways to deploy the rental sector to accommodate the elderly, the young and newcomers to the region.

Panel members were invited to reflect upon the policy instruments used in those jurisdictions, including Swedish government-provided guarantees to support lending for new construction and the provision of capital grants; Norwegian experience with the direct provision of housing for older persons via central government subsidies to local government; and the regulation of short stay accommodation and holiday homes in Denmark.

In addition they were asked to consider the potential utility of policies and programs – such as those introduced by the SA Government – focused on facilitating or curating additional housing supply across non-metropolitan regions. This could include approaches that highlighted the aggregation of demand to ensure an ongoing supply of new construction, thereby assisting the development of a stable workforce and supply chain, as well as encouraging local leaders to mobilise community assets to enact positive change in home building.

Specific questions asked of the Panel included:

- Could CHPs, other not-for-profit organisations and local governments work together in the regions to secure HAFF funding?
- Can regions work to secure state and territory government prioritisation for HAFF?
- Is HAFF likely to deliver a volume of housing likely to positively affect housing affordability in the regions?
- If Australia had a commitment to regional housing comparable to that evident in Northern Europe, which actions would you advocate?
 - Restrictions and taxes on Airbnb and holiday homes (such as in Victoria)?
 - Direct government investment in regional housing markets?
- Can state and territory government agencies serve as effective facilitators of regional housing supply?
- Can non-government agencies act as impactful facilitators in local housing markets, including community housing providers?
- Can and should local government directly encourage regional housing investment?
- Regions report low engagement with builders and high prices as there is not a volume of work to:
 - justify investment
 - build a local workforce (our survey showed the biggest problem for new housing supply outside the capitals is the shortage of labour)
- If one or more parties commit to a significant program of building investment, how could additional construction capacity (both staff and equipment) be established in the region?
 - How could this be done?
 - Who should take the lead?
 - What would be the risks? What does the potential upside look like?
 - What scale of regional centre would form an appropriate focus for such initiatives?
- Is demand aggregation likely to be a successful strategy for encouraging the supply of additional housing in the regions?
- What role should local leaders play in working towards housing solutions for their communities?

Overall, the Panel felt that the HAFF had considerable potential to add to the supply of dwellings across regional Australia. They had concerns that no target had been set for the percentage of funding to go to rural and regional Australia, and were also mindful that this funding source could push up prices in some housing markets. Some considered this an opportunity to transfer stock from the hands of private investors to the community sector, which they saw as a positive outcome. It was their expectation that the HAFF was more likely to benefit metropolitan Australia over the more distant regions. For this reason, some argued that responsibility should sit with the state and territory governments, and they should be incentivised to take up this challenge. Other perspectives emphasised that, while HAFF is expected to deliver 30,000 dwellings over the life of the program, a further 10,000 homes are to be produced out of the Housing Accord, and there is scope to focus that investment outside the major cities. In this sense, the HAFF needs to be considered alongside the broader suite of government housing interventions introduced by the Australian Government and the state and territory governments. Co-ordinating across the three tiers of government, and within the portfolios of each tier, has been absent historically and may create significant challenges over the next decade.

There was a clear view amongst some respondents that the CHPs, other not-for-profit organisations and local governments would need to take up any opportunities arising out of the HAFF. There was a view that Special Purpose Vehicles may well be a solution, especially as they may reduce risk for any one organisation undertaking new housing development using HAFF support. Such entities already exist, but are uncommon, and there was an expectation that they would be receptive to the opportunities represented by the HAFF. There was a view that the requirement to provide affordable housing for 25 years – rather than 10 years under NRAS – could be an impediment to the engagement of some types of organisations.

Other discussions focused on the limited capacity of CHPs and other not-for-profit organisations. Put simply, many sparsely populated regions have few community organisations and local governments face resource constraints; this combination makes working together difficult. One Panel member said:

So there has to be some capability building in some of the rural councils around the ability to achieve that sort of partnership. I think the desire is there but the capability within the organisation would be really slim. Remember that we are subject to skill shortages as well.

There was concern that resource constraints would result in perverse outcomes from the HAFF in that funding is most likely to go to those parts of regional Australia with greater resources, while places with equally pressing, or greater, needs miss out.

When asked where other government investment should be directed, the Panel members emphasised the need for State and Australian government funding for trunk and connection infrastructure. There was a view that this type of subsidy would encourage the private sector to invest in new homes, and help overcome an already-evident shortfall in major services in the regions. Currently, too many residential development projects are considered uneconomic by investors as they may face substantial initial infrastructure costs, or the complete absence of essential services. In response to this observation it was noted that \$1.575 billion is available through the National Infrastructure Fund for subdivisions where the absence of previously constructed trunk systems makes them unviable. However, the Panel members acknowledged that there is a scale challenge as:

Generally they want \$50 million-plus sized projects was the feedback we got. Getting the various local governments and the various projects together is the one thing. It's very expensive to do. To herd the cats – get the community, get the local governments, and get everyone on the same page ... takes a big effort because there's going to be four or five or six different projects put together to get the scale needed to get through the various hoops.

Others felt that the greatest challenge for regional housing markets was to be found in the economics of new supply versus the established stock:

The really big elephant in this room is that the biggest problems we have are when the cost of the new build is significantly above the median price of available stock. That's a structural problem and there needs to be some fairly heavy regulatory or financial investment to change that around.

There was a sense that it was especially important to have direct, effective government action because most policy instruments currently available lack the capacity to assist the communities most in need. Comparisons were drawn with the experience of northern Europe where:

...there's a much better state investment in locally owned public housing and a much closer relationship between what they call the communes in Denmark or the communities in other parts of Scandinavia; they own, they manage, they keep that stock so it's almost like you've got a decentralised network of CHPs which look after their place. And that's heavily supported by the central government.

Local government, it was argued, could potentially serve as a facilitator of housing market reform but it would need to be an opt in model:

If councils are interested and willing that's fantastic. We've probably already seen the ones in that space already stepping up. So to try to catch more – probably other incentives. How do we incentivise the council to take on this role acknowledging that often that they are the only organisation in the community that can possibly do this?

There would, however, be a need to develop the capability of local governments, including their ability to make bids for national or state-level funding opportunities. Funding could also be provided according to perceived need and the strategic ambitions of the government program, rather than ability to lodge a competitive bid. Attention would need to be paid to both questions of probity and competitive neutrality, both of which may limit the actions of local governments. Others noted that in some jurisdictions local government financing authorities had the capacity to provide funding support.

An alternative perspective argued the type of house price guarantee offered in Sweden would likely be effective in regional Australia as it would trigger investment by small scale investors. The HAFF and funding for major infrastructure it was argued, would be of greater interest to large-scale investors who are often unwilling to undertake projects outside the capitals. They noted the challenge of:

...even being able to attract one of these institutional investors here. Because the return just doesn't exist. Therefore, the policy that you showed in Sweden – it's probably more aimed at a mum and dad investor – which was the guarantee house price, capital grants, construction or reno[vation] of a house. That's more aimed at an individual than it's aimed at a really big firm. That sort of policy would probably work better in a rural community.

It was also argued that there was little cause to regulate STRA because that form of housing provision also serves an important role – boosting local jobs through tourism but also serving as a source of housing for workers staying in a region for a relatively short-term while they are employed on a major project. Holiday homes, it was argued, offer a far smaller contribution to regional economies. Regulation of STRA, it was argued, could have perverse outcomes for regions as:

...it's the crowding out that is bothering me on a longer-term perspective. And I'm not an economist, I'm a practitioner. But I feel like we're crowding out tourism, business, and other economics – and by the way, construction of net zero is crowding out the long-term tourism (industry). So we might end up with this problem that actually we de-stimulate other industries in a decade's time. So, anything we can do should be done to try and mitigate those unintended consequences.

Some on the panel argued that:

...the one thing that could best unlock is for our region to come up with a model that corporate Australia would want to invest in to capture the... \$20 billion worth of construction over the next 10 years that is almost certainly going to occur in our region...the spillover for that will tackle the affordable housing markets and create opportunities...to have homes built that would be suitable once the construction boom's over because there would be the legacy from that. That's my dream and probably will stay a dream after 10 years, but I'm not going to die wondering.

More broadly, the discussion acknowledged that no single solution was likely to solve the challenges confronting regional housing markets in Australia. Instead, there was an appetite to think of:

...a suite of policy models – so rather than saying that this is the best policy approach but here's a suite of things that different communities can choose from that make sense for them, and I think, looking at it from that much more flexible approach and it's not necessarily something that always sits comfortably with state or federal governments, they like to have that equity and roll something out at scale. I think when we look at examples like Airbnb and the policy responses ...

I think we're slowly starting to see now a recognition that – in New South Wales, for example, we had an approach that was let's have one policy for the entire state and it's taken us now to the best part of five years to acknowledge that it absolutely makes no sense The value that Airbnb brings to communities varies significantly. In some places it really is a detriment and in other places it brings a lot ... Everything that we're hearing ... makes sense around this idea that making sure that the policy options that we're looking at can be flexible and can be adjusted or adapted to actually suit the circumstances on the ground is really key to how we approach putting forward recommendations in this space.

Demand aggregation was seen to be an important potential pathway for the delivery of additional housing. The Panel noted that all too often regions are unable to supply housing as the quantum of new builds is too low and demand may be uncertain, but:

...one of the ways in which these two things can be addressed would be if you can get regions and CHPs, or a CHP, prepared to work together to try to assemble a program of projects then you would not only deal with the issues about scale from a labour or materials perspective, but you might also address the threshold question for institutional investment. So I think this would be something that would be really interesting to pursue.

However, the Panel members noted the significant hurdles that need to be overcome in implementing a demand aggregation strategy, which returns the discussion to the question of capability development and resourcing. One of the participants commented on the ability of demand aggregation to begin to address workforce shortages evident in the housing industry across the regions.

Others noted the need to link demand aggregation to the asset owner in the sense that there is an opportunity to work with existing landlords and developers in the regions who could assist in assembling project with significant demand and financing.

Finally it was argued that there would be value in developing a national urban settlement strategy and there was a sense that this type of policy document is being actively considered by the Australian Government. It was argued that part of that policy could include additional untied funding for local government that would enable regions to implement place-based policies able to deliver better housing outcomes.

4.3 Policy development implications

The deliberations of the Investigative Panel provided invaluable input into this research, offering practitioner and policy maker informed insights into the changing nature of housing dynamics and housing supply across rural and regional Australia. The Panels resulted in vigorous debate, and a strongly developed sense of sharing experiences and options across the members, all of which benefited this program of work. Key findings included:

- Acknowledgement that Airbnb can play an important role in regional communities, especially as a source of short-term housing for workers entering a region.
- The desirability of developing a national urban and regional settlement strategy, as an enabler of private investment and public sector infrastructure provision.
- Recognition of the ability of place-based policy to potentially support stronger housing supply chains across regional Australia. It would do so by bringing together specific measures such as demand aggregation, the mobilisation of local leaders and targeted housing-related infrastructure provision to ‘unlock’ frozen housing markets.
- Panel members advocated for measures to strengthen not-for-profit organisations, including CHPs in the regions. Many less populated regions have few CHPs operating in their region, and even fewer headquartered outside one of the major metropolitan centres.
- A desire to see concerted action to make use of the HAFF, and this in part recognised that the structure of the program, and its implementation, may work to the disadvantage of non-metropolitan housing markets.
- There was discussion of the desirability of setting regional housing targets for the region.

5. Policy development options

This research engages with contemporary debates across Australia – and, to a degree in other parts of the world – around how best to address the challenges of new housing supply in non-metropolitan regions. There is a perception that the need for action has become more pressing over the past five years as COVID-19 reshaped population movements in ways that placed greater pressure on housing markets, while also adversely affecting supply chains for new housing supply nationally and locally.

It is clear from the findings of this research that housing supply in Australia went through a period of shock in the wake of pandemic and the associated lockdowns. This disruption was further exacerbated by government measures to stimulate the home-building industry at the height of pandemic, as well as the repatriation of a substantial number of Australians as the global community struggled with COVID-19.

A clear outcome of this research is the need for government action to ‘unfreeze’ local housing markets across rural and regional Australia. Panel discussions highlighted the desirability of making use of recently-announced measures – such as the HAFF – to stimulate local supply regionally, and that this would require conscious action by communities and central governments.

An unexpected finding of this research was that regional housing supply chains are not as disrupted as some accounts would suggest. While shortages of land and building materials remain in some locations, they are not evident across regional Australia. What is critical, however, is the shortage of labour to work on dwelling construction. Panel members and respondents to our survey indicated that a guaranteed program of work and new-builds was needed to attract and retain labour in the housing sector. This could be an area for further policy development, particularly in the way it intersects with the HAFF.

5.1 The key questions answered

This project set out to answer six key research questions:

- **RQ1:** How has long-term economic and demographic change affected regional housing markets? Has growth of the visitor economy (and platforms such as Airbnb) reshaped the nature, volume and timing of demand?
- **RQ2:** Have regional housing market trajectories changed because of the pandemic? Is there evidence that these markets have reverted to long-standing trends, or can we identify a shift in scale and direction?
- **RQ3:** What regionally-focused policies, strategies and actions are available to government and other agencies? Which measures are effective and are there transferrable insights to be drawn from international experience?
- **RQ4:** What are the likely impacts on regional housing of current and proposed national and state and territory policies?
- **RQ5:** How can regional supply chains be strengthened to ensure housing production that is resilient in the face of shocks and able to meet the long-term needs?
- **RQ6:** What lessons can be learnt, and policy actions taken, from regions taking innovative action to meet housing needs?

With respect to RQ1 we found that long-term economic and demographic change has affected regional housing markets to some degree, especially through the ongoing growth of a number of larger non-metropolitan centres along Australia's eastern seaboard. At the same time, the decline of smaller, inland and remote urban settlements continues, and housing processes in these localities are fragile.

RQ2 asked whether regional housing markets have changed because of the pandemic. We found evidence of change for a brief period of time, especially in Victoria. However, this variation appears to have been very short-term and tied to the extensive 'lockdowns' imposed across the nation. There is clear evidence that long standing demographic trends have re-asserted their established pathway.

We also found in response to RQ3 that a considerable array of regionally focused policies and actions are potentially available to governments and their agencies. There are lessons to be learnt from the Nordic countries of Europe, but it is also possible to build portfolios of action that draw on Australian experience. Such approaches would build upon the existing evidence base and examples of success to deliver a better housing future for regional Australia and its citizens.

That said, we find that current policy settings – with the potential exception of the HAFF – provide too few opportunities for strengthening regional and rural housing supply (RQ4). While there has been innovation in areas such as land use planning in NSW (Beer et al. 2022), policy frameworks are under developed, under resourced and not allocated priority amongst governments. Local governments, which have the greatest interest in ushering in positive change, often lack the skills and resources to reshape housing markets. They also express concern about taking on an unfunded policy mandate.

Finally, in response to RQ5 and RQ6 we conclude that building a strong pipeline of future construction is fundamental to strengthening regional supply chains. Critically, this one measure would allow the market and existing governmental processes to effectively deal with the other challenges evident in new home constructions. We conclude that the single most important action to be taken to address the disruption of regional and rural housing markets is the development of a greater focus on this issue. We believe this would then enable a range of other positive actions to emerge and begin to address housing shortfalls in the regions. In many ways, this is the most significant insight to be derived from the review of international experience.

5.2 Final remarks

Action to address the disruption of regional housing markets across Australia is most likely, and productively, to fall across three domains:

1. Regional housing providers could take advantage of the HAFF to build additional dwellings, which would be added to existing demand to create a more secure pipeline of work for builders and their workforce. This would need to be a long-term strategy, otherwise short-term action may exacerbate existing challenges, placing additional price pressure into the market. On the downside, HAFF is an already established program and its architecture – while allowing for regional actors such as local governments to become participants – does not prioritise the regions. This may serve as a significant impediment to the adoption of this measure beyond the capital cities.

2. The key learning from the review of international experience, including the Nordic regions, is that direct government action to address the problems of rural housing supply is both effective and possible. However, this presumes a willingness of governments to make substantial investments and interventions in regional housing markets and such action is unlikely given our federal system of government and our political history.
3. A portfolio of place-based policies represent the third approach to the challenge of regional housing supply, and this would potentially include action to aggregate demand, as well as the repositioning of housing supply within the context of local economic and social needs. Globally, place-based policies commonly include housing-related measures (Beer 2023). They benefit from the increased efficiency that arises from community-relevant, tightly targeted investment, integration with other policy actions, and the support of local leaders in implementation and advocacy.

Place-based policies do not simply focus on identifying the most efficient or impactful strategy for delivering a policy objective, but instead:

.... have a focus on specific cities, localities or regions, but they represent far more than just a label for already established programs of government activity, or the concentration of public sector resources in specific locations. Place-based policies embody an ethos about, and an approach to, the development of economies and society that acknowledges that the context of each and every city, region, and rural district offers opportunities for wellbeing. It advocates for a development approach that is tailored to the needs of each. Importantly, place-based policy explicitly seeks the development of all parts of the landscape, with no settlement too small or too remote to plan for progress (Beer, McKenzie et al. 2020: 12).

Other authors who have considered place-based policies have emphasised alternative core attributes. For example, Barca (2009) argued they are a policy ethos grounded on local knowledge able to address inefficiencies in the economy as well as entrenched social (and, presumably, environmental) challenges. Subsequently, Barca, McCann et al. (2012: 130) proposed 'two fundamental aspects' to place-based approaches, a recognition that 'geographical context really matters' and acknowledgement of the critical role of 'knowledge in policy intervention'. While Broadhurst (2018) showed that place-based partnerships can serve as a 'soft system' that transforms government policies to better enable learning and further development. Similarly, Newman, Seaford et al. (2021) considered place-based policy as an essential measure to be deployed in attempts to 'level up' economic opportunities across the United Kingdom.

Place-based policies have a wide remit with respect to their geography, but also with reference to the range of policy domains to which they may be applied. Place-based policies have been applied to the challenges of improving public health, delivering more effective welfare support, addressing climate change and reducing its impact, enhancing education outcomes, and better targeting infrastructure provision. Their design and implementation acknowledges and respects a sense of connection: the inclusion of community and stakeholders in policy design and implementation as a way of enhancing the impact of public sector engagement. Place-based policies are frequently perceived to be a solution when conventional policy interventions have failed, but they are often the most appropriate first response.

Core elements of place-based policy include a focus on one place, or a specified cohort of places; the participation of multiple parties in identifying and delivering solutions; a concern for the welfare or wellbeing of these places and their residents; acknowledgement of the attachment of individuals and communities to the places in which they reside; a recognition of the potential to achieve better outcomes by spanning policy silos and implementing flexible responses; and, the need to accept a longer term perspective as a way of effectively solving intractable challenges (Beer 2023).

It is important to acknowledge that regional housing markets remain at risk in many parts of Australia and the failure of governments to support them in the coming years will have negative impacts on these places and the nation as a whole. Without intervention, housing in these communities will not keep pace with demand, placing further pressure on metropolitan housing markets. The review of the literature has drawn attention to the fact that regional housing markets have been under various forms of stress (exposure to booms and busts in some localities, stagnation and declining asset values and so on) for more than 30 years. We must also acknowledge that the greatest number of homeless persons in Australia live outside the metropolitan centres, and a significant percentage of the nation's poor quality housing is located in the regions.

It is important to recognise that governments have not taken steps to support regional housing in the recent past, but we would argue that public sector intervention is warranted. Relatively small interventions are likely to deliver substantial benefits to future generations of residents. In many ways, the most pressing need is for the building of an institutional architecture (including local housing providers, construction-related training providers and enhanced supply chains) that would support the growth of both market and non-market housing. There is also a role for direct government investment in these housing markets, a pathway to better outcomes demonstrated by recent experience in northern Europe.

In closing, it is important to reflect upon the fact that disruption within regional housing markets across Australia is not a technical challenge; instead, it is a question of governance, with existing systems found wanting in the past and unable to address emerging needs in the third decade of this century. There is an opportunity to develop and implement better responses that match the needs of these communities now and into the future. The beneficiaries of such action will include those living in the regions, but it will also benefit all Australians because more vibrant regional housing markets and responsive housing supply chains outside the capitals will take pressure off housing nationwide.

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