

# Projected housing demand in Australia to 2011

**DEMAND FOR NEW DWELLINGS IN AUSTRALIA IS EXPECTED TO REMAIN HIGH UNTIL 2011, PARTICULARLY IN THE OUTER REGIONS OF THE MAJOR CAPITAL CITIES, DRIVEN BY CHANGING HOUSEHOLD SIZE AND AN AGEING POPULATION.**

## KEY POINTS

- Projected housing demand across Australia is approximately 128,000 dwellings a year between 2002 and 2011. This compares to 148,000 dwellings per year in recent boom years (1999-2002).
- Social trends such as the move towards smaller households, and an ageing population will continue to drive demand for new housing and will contribute to keeping demand high.
- The increasing number of sole-parent households and the ageing of the population means demand for public housing is also likely to remain high, with a projected demand for 71,600 additional public housing units around Australia between 2002 and 2011.
- Almost half a million dwellings are projected to be required in the outer areas of Australia's five largest cities between 2002 and 2011, creating a potential challenge for planning authorities.
- Coastal regions of eastern Australia, as well as Barwon in Victoria, Adelaide's hinterland and the South West and Kimberly regions of Western Australia are all projected to experience continued high growth.
- Population is expected to fall in 23 regions around Australia, mainly rural areas isolated from the major cities. But housing demand is expected to fall in only six of these 23 regions.

## FINDINGS

For much of Australia's history, housing demand in this country has been driven by population growth. However this is no longer the case. From the 1990s, housing demand began to be driven by growth in *households*, not population.

Household growth, in turn, has been driven by social trends, such as the increasing rate of separation and divorce. Demographic trends, including an ageing population, are also contributing to smaller, but more numerous households, as children leave the family home to start their own households, while parents age in place. At the same time, the 1990s also saw a rapid increase in the numbers of people living in Australia on a long-term temporary basis, such as students.

- Between 2002 and 2011, an additional 1,149,000 dwellings are projected to be required in Australia. This is approximately 128,000 dwellings a year for each of the nine years to 2011.
- This compares to the years 1999-2000 to 2001-2002, considered to be boom years, where new dwelling commencements averaged 148,000 per year (ABS, 2002).

*Based on research by Peter McDonald, Australian National University. The project used 1996 Census data to project housing demand across 71 regions of Australia between 1996 and 2011.*



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- Overall, demand for public housing is likely to remain high, driven by an increase in the aged population and the continuing increase in single-parent families. This is because, in the case of older people, the private rental market becomes more difficult for those on relatively low fixed incomes (such as pension payments). For single-parent families, we know from previous research (see Birrell and Rapson, 2002) that they tend to be public or private renters and that there are concentrations of single-parent families in public housing.

While the research project itself provides projections for all regions of Australia, this Bulletin focuses on key trends in the capital cities and regional areas.

## **SYDNEY**

Sydney is expected to account for 83% of the 529,000 population increase in NSW and ACT for the period 2002 to 2011. Both the Outer North and Outer South of Sydney (comprising areas such as Baulkham Hills, Pittwater and Warringah in the north and Blacktown, Blue Mountains, Penrith, Liverpool and Campbelltown in the south) would experience population growth of around 23%. This outer ring of Sydney is also expected to experience the strongest growth in the number of households (by around one third) during that period, although numbers of households are also expected to increase in Middle and Inner Sydney.

Significantly, the composition of households in Sydney is predicted to change, with a notable rise in the number of one-parent families and lone person households. For example, lone person households are projected to nearly double in just 15 years in the outer areas of Sydney. Outer Sydney is also expected to see substantial (35-39%) growth in the number of couple families without children. This is largely due to children leaving the parental home and forming new households while their parents stay in the family home.

The number of two-parent families is also projected to grow in Sydney – unlike the rest of the state, where this household type is in decline over the period.

The growth in the number of households and the change in their composition are expected to lead to very high demand for new dwellings in some regions, with Outer Sydney South leading the way (a projected 10,000 new dwellings a year needed). In the outer regions of Sydney, most dwellings will continue to be occupied by the same person until at least 2011 – meaning there will be few dwellings freed up for younger families, and therefore demand for new housing will remain strong.

Demand for public housing is predicted to slightly higher than housing demand overall. Demand for public housing is highest in areas where the population is ageing most rapidly. In NSW as a whole, demand for an additional 25,000 public dwellings is projected.

## **MELBOURNE**

Melbourne is predicted to account for 93% of the projected 396,000 Victorian population increase in the period 2002-2011. Most of Melbourne's increase in population will occur in two outer regions, Melbourne West (which includes suburbs such as Werribee, Craigieburn, Whittlesea and Melton) and Melbourne South (encompassing areas such as Pakenham, the Mornington Peninsula, Croydon and the Yarra Ranges).

The number of households is expected to grow faster than the total population. In Melbourne Inner, West and South, the total number of households is projected to grow by up to one third between 2002 and 2011.

As in Sydney, the composition of households is changing, with an increase in lone person households particularly notable in the two outer regions of Melbourne. The outer regions are also projected to experience a large increase in the number of group households (up 70% in West and 62% in South). Like NSW, Melbourne is the only part of the state in which the number of two-parent families with children is expected to grow.

The future demand for housing is likely to be considerable, due to the trends mentioned above. In the Melbourne South region alone, 90,000 dwellings would be required in the nine years from 2002 to 2011; Melbourne West would need 70,000; Melbourne East 33,000 and Inner Melbourne 26,000.

For public housing, Melbourne West stands out as the region where demand for public housing is predicted to be greater than the demand for housing overall. For Victoria as a whole, number of new public dwellings required to cater for demand is expected to be 10,000 over the period.

## **OTHER CAPITAL CITIES**

The pattern of growth and household composition evident in Sydney and Melbourne is also evident in projections for Brisbane and Perth. In the outer areas of each of these two cities there will be a demand for an additional 10,000 dwellings a year. As in the other major cities, most of the outer suburban demand will be for separate houses.

Adelaide, Darwin and Hobart are slightly different to the other cities.

Net migration is expected to be close to zero for both South Australia and Adelaide, but the period to 2011 would see transfers of population within the state. People are projected to move out of Outer Adelaide and into Middle Adelaide and the Adelaide hinterland (known in the research as peri-metro Adelaide and encompassing areas such as the Barossa, Mount Barker and Victor Harbour). Demand for dwellings in Adelaide is expected to be 39,000 in the nine-year period (and 8500 in the Adelaide hinterland).

In Darwin, household composition in the 1990s was weighted towards group households and couples with

children. However as with other areas, it is the older household types – lone persons and couples without children – that are expected to increase most rapidly over the period. Demand for housing will grow as household growth outstrips population growth, but what is particularly notable is that demand for public housing is expected to grow by 50%.

By contrast, Hobart, along with most of the rest of Tasmania, is expected to experience a fall in population of around 18,000 between 2002 and 2011. Substantial falls are projected in the number of two-parent families and one-parent families, while the number of lone person households would rise considerable. Despite this, there will be an increase in housing demand throughout the state – although the increase is likely to be small in most cases.

## REGIONAL AREAS

The strong movement away from small towns in regional Australia that was evident in the 1990s is projected to continue in the period up to 2011. Declines in population are predicted in a number of regional areas across Australia, but very few regional areas are expected to see a fall in the number of households. Those that do are likely to be the most isolated from regional centres and major capital cities.

The exceptions are the regions along the east coast of Australia, and areas such as Barwon in Victoria, the Adelaide hinterland (encompassing areas such as the Barossa, Mount Barker and Victor Harbour), and the South West and Kimberley regions in Western Australia – which are all projected to experience a continuation of the high growth of the 1990s. In Queensland, the Gold Coast is projected to continue strong growth, both in population and in housing demand, as is Caboolture (which includes areas such as Noosa, Maroochydore, Nambour, Buderim, Caloundra and Bribie Island).

## LONG-TERM PROJECTIONS

If the assumptions of the projections to 2011 were extended out to 2030, Australia would see a 37% increase in population (1996-2030) and a 61% increase in the number of households. Average household size

would fall from 2.64 to 2.25 persons in this period. The number of households comprising only one person would increase dramatically – by 249% – under these assumptions, while the number of ‘traditional’ households (couples with children) is projected to remain about the same (a 4% increase).

## METHOD

The projections use an innovative methodology developed specifically for this project and based on previous work by McDonald and Kippen (1998).

For a fuller explanation of the methodology used, please refer to the final report of this project (look under research project I0014 on the AHURI website at [www.ahuri.edu.au](http://www.ahuri.edu.au)).

Published tables from the 2001 Census enabled a limited comparison of the projections of housing demand against the number of occupied private dwellings. In all States and territories, excluding the ACT, the projections were within one per cent of the recorded increased dwelling supply from 1996 to 2001. In the ACT the projections were 97.8% of the 2001 supply.

## CAVEATS

The projections give one (major) side to the story – the demand side. No supply-side determinants – land availability, prices, investment patterns, etc. – are built into these projections. As a consequence, they occasionally provide unlikely results (such as predictions of strong demand for separate housing in inner urban areas where land availability is limited). This has the benefit, however, of highlighting where and how supply and demand will not match.

While the project provides long-term projections (up to 2030) of housing demand at an Australia-wide level, the authors believe that these projections are more problematic and may not enable analysis at small area level.

It should also be noted that, for some states/regions projections are based on trends evident in relatively small populations. Actual outcomes can therefore change quite dramatically with relatively small changes in the trends.

### *Estimated additional demand for dwellings, 2002-2011 ('000s)*

State or Territory	Total	Separate houses	Other dwellings	Private dwellings	Public dwellings
NSW & ACT	335	216	119	310	25
Victoria	265	183	82	255	10
Queensland	306	214	92	293	13
South Australia	51	28	23	42	9
Western Australia	171	126	45	160	11
Tasmania	6	2	4	5.4	0.6
Northern Territory	15	9	6	12	3
Australia	1,149	778	371	1,077.4	71.6

## **POLICY IMPLICATIONS**

The housing sector's failure to date, to experience a 'bust' after a period of boom in the late 1990s and early 2000s has defied predictions. This research helps to explain that phenomenon; pointing to increasing numbers of smaller households as a key factor helping to maintain housing demand. At least in the short to medium term it appears likely that the growth in household numbers may enable a 'soft landing' for the housing industry, despite recent interest rate rises. This has implications for policy makers considering the macro economic settings that are in place for Australia.

The findings underline the importance of changes in household composition to determining future housing demand, and demand for associated services. Research to monitor this variable at a state or regional level may be a valuable assistance to planning authorities and the housing industry.

The changing type of households will also have implications for providers of housing in the public, private and community sector.

- Is current stock appropriate to the types of households likely to need it?
- The significant rise in the number of lone person households, particularly in outer areas of major cities, could pose challenges for delivery of services, especially if many of these householders are older people needing support services.
- The projected rising demand for public housing will pose significant policy issues for state housing authorities and Australian Government housing assistance programmes.
- Growth in the outer areas of the five largest capital cities and the rise in the number of couple families without children in these areas will be significant in employment and transport planning.

Regional development policy could also benefit from an examination of the projected trends in population and housing demand, particularly in those areas remote from regional and metropolitan centres.

## **PURCHASING THE PROJECTIONS**

The complete projections are available for purchase from the AHURI National Office. Contact the National Office on +61 3 9660 2300 for more details.

## **FURTHER INFORMATION**

This Bulletin is based on AHURI Project 10014, *Medium and long term projections of housing demand in Australia*. Reports from this project are available on the AHURI web site [www.ahuri.edu.au](http://www.ahuri.edu.au) by typing the project number into the search function or by clicking Research> All Research.

The following papers are available:

- positioning paper;
- final narrative report.

Other related reports:

The location and housing needs of sole parents (available via the AHURI website)

Or contact AHURI National Office on +61 3 9660 2300.



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