

HIA Housing to 2020

Queensland Dwelling Requirements and Housing Shortage to 2020

- Australian Bureau of Statistics (ABS) projections show a Queensland population doubling to 8.7 million by 2056, half of which will belong to the state capital, Brisbane
- HIA estimates that over the next 10 years alone, Queensland will need to build 471,000 dwellings, well ahead of the 351,000 dwellings completed over the previous 10 years.
- Current population trends imply underlying demand was 47,100 dwellings for 2009 alone, well ahead of the anticipated 28,000 dwellings completed in 2009.
- Following several strong years of building through the middle of last decade Queensland's aggregate housing shortage currently stands at 8,000 dwellings.
- If current building trends persist, Queensland's cumulated housing shortage is expected to reach 153,500 by 2020, the second largest shortage of all states and territories.

This report focuses on the current and future level of housing demand and expected dwelling requirements in Queensland. From this analysis we can put the spotlight on the regions where the housing shortage can be expected to be greatest and pinpoint regions where the most work will be required to ensure a smooth release of affordable and reasonably located land.

Queensland has experienced a boom in population growth thanks mainly to very strong immigration. The ABS projects that Queensland's population will reach 8.7 million by 2056 and that Brisbane alone will have over 4 million persons. Such numbers present Queensland with enormous challenges and opportunities. Key to the success or otherwise in adapting to such a large population will be the provision of adequate, affordable, and appropriate housing.

While Queensland's population has been growing at a record rate, new home building has stagnated. This imbalance in supply and demand has created a housing shortage, leaving many people either homeless or forced into inadequate housing in terms of size and/or location.

From an economic perspective, the housing shortage means that property prices remain out of reach for many first home buyers. Those locked out of the property market in the rental market face record low vacancy rates, skyrocketing rents, and often unsuitable housing options in terms of size and proximity to employment opportunities.

Population Growth

Queensland is simply not keeping up with the housing demand generated by historically strong natural population growth and net overseas migration

Queensland's housing shortage has been driven to a considerable extent by a very large jump in overseas migration. In June 2009, Queensland net overseas migration was almost a half of the current annual increase of 113,000. These migrants are generally skilled migrants and make a clear positive contribution to the Queensland economy. Indeed, historically high net overseas migration was a very important component of domestic demand during the Global Financial Crisis (GFC) and assisted Australia avert a recession. The natural increase in population has also been historically high in recent years.

All these people have a basic and essential need – shelter, be that rented accommodation or owner occupier dwellings. However, Queensland is simply not keeping up with the demand and this has been reflected in higher rents, extremely tight rental vacancies, and renewed pressure on home prices.

Housing affordability and current state of supply – Rental and new homes market

Median house prices in Brisbane have increased at an average annual rate of 12.0 per cent

While many factors contribute to the housing affordability picture, there is no doubt that house prices have out-paced incomes over the past decade. In December 1999 the median established house price in Brisbane was \$148,000 and by December 2009 this had increased to \$452,000. This represents a total increase of 205.4 per cent, representing annual growth of 12.0 per cent per annum.

Full-time earnings have increased from \$36,847 to \$63,102, an increase of just 71.3 per cent. It is true that there has been a small increase in the incidence of dual income households, however, the proportion has not altered greatly in the first home buyer end of the market which is dominated by young couples and singles.

For renters, the equation has become more difficult over the past two years as a structural housing deficit has reduced the availability of rental properties. Over the last two financial years rents have grown across Brisbane by 18.2 per cent, about 11 percentage points beyond the cost of living.

Underlying demand

Queensland needs to build around 45,000 dwellings per year

Underlying demand is a notional measure of the level of demand required to satisfy a growing population. The calculated number is not intended as a forecast of actual demand. It is an estimate of the long term housing requirements for a given region. Actual demand is determined by a whole range of factors which can vary greatly from month to month according to, inter alia, house prices, interest rates, investor confidence, and employment opportunities. Underlying demand abstracts from these factors and focuses purely on demographic factors, which tend to be more predictable in the short term as well as slower to change. The major demographic changes include population change and household size/formation rates.

Future underlying demand and housing requirements

Queensland needs to build 471,000 new dwellings over the coming 10 years, which is 120,000 more than were built over the last 10 years

The current strength of population growth in Queensland means that underlying demand figures are currently at record high levels. HIA estimates that demand for 2010 is running at 46,000 dwellings per year. HIA bases the future population growth estimates on current ABS projections, which are lower than current levels of population growth. The estimates for at least the short-term, should be viewed as conservative. The latest ABS population numbers have hitherto suggested no sign of any slowdown in growth.

The estimated underlying demand requirements over the coming 10 years also fall short of past building levels. Queensland requires 471,000 new dwellings over the next 10 years, compared with a build over the past decade of 351,000.

Queensland's Housing Shortage

Based on current trends, Queensland's housing shortage would hit 154,000 dwellings by 2020.

The underlying demand section showed that in 2009 HIA anticipates Queensland will have built 18,400 fewer dwellings than is necessary to keep up with population growth. In cumulating the current stock of housing shortage, HIA used ABS Census data to guide the movement of the shortage between the 2001 and 2006 Censuses. During this period, the change in the number of unoccupied dwellings was used as a proxy for the housing shortage/surplus.

Between 2001 and 2006 Queensland had an increase in unoccupied dwellings so as a starting point in 2006 it is assumed that the state has a housing surplus.

Queensland has a high proportion of unoccupied dwellings, thanks to 2nd homes, holiday homes, and conversions. The methodology treats an increase in these types of dwellings (relative to the household stock) as a 'surplus' of housing. It could well be argued that such dwellings do not add to the true available stock of housing available for owner occupation and so the housing shortage discussed in this report is therefore an under-estimate.

Since the 2006 Census, Queensland's lack of new home building has turned the state from a housing 'surplus' to a housing 'shortage'. HIA estimates that as of 2009 the shortage was 8,216 dwellings and rising rapidly.

The massive, recent deterioration in new home building activity is bad news for the state. On current housing trends, HIA expects Queensland's housing shortage to reach 88,000 by 2015 and 154,000 by 2020. This result is second only to New South Wales.

These estimates relate only to projections based on current trends. If the market was allowed to operate freely and land shortages did not exist then it should be expected that completions would grow rapidly over the coming years and mitigate the problem. The reality in Queensland is that affordable, well located land is not abundant. Furthermore, planning restrictions, higher taxation and charges on new housing relative to existing dwellings, labour shortages, and onerous regulation biased toward new housing only exacerbate this problem.

In the absence of an appropriate supply response the accumulation of a housing shortage will see continued pressure on housing affordability over the next decade. The lack of affordable and appropriately located rental properties will only worsen, while pressures on house prices to continue to outstrip incomes growth will remain.

Regional Results

HIA has the only publically available information of housing shortages by local area across Australia

Australia's growing housing shortage is typically measured at the national and state level. This report provides the first estimates made in Australia for analysis of the housing shortage by small area. The Local Government Area (LGA) has been chosen as the regional unit of analysis as local government is typically the planning region.

As a guide to housing demand and supply HIA developed a detailed database for LGA's providing current and projected underlying demand and dwelling completions and the resulting housing shortage/surplus. The following section details the major results for Queensland.

Queensland Regions

There are dwelling shortages in over half of Queensland Local Government Areas (LGA's)

Shortages exist in just over a half of the 157 LGA's across the state². The majority of the shortages can be found in the South East corner of Queensland, although Mackay and Cairns, in the north and far northern regions of the State, are also in shortage. Not surprisingly, the housing shortage is most marked in the Brisbane LGA with a huge shortfall of 6,474 dwellings. Beaudesert follows in a distant second place with a deficit of 2,227 dwellings for 2009.

Ipswich is in a substantial shortage of 1,913 dwellings, while Caboolture, Logan, and Maroochy are all in a deficit of just below 1,500 dwellings.

The table below shows that many of the LGA's with the greatest housing shortage are also the same regions with the highest level of demand. Again, it's the growth areas within South East Queensland and Cairns where demand will be highest. Current construction levels in these areas are not sufficient to meet the population growth needs.

The Gold Coast is expected to be the focal point of Queensland's underlying demand by 2020. Based on current building trends, a shortfall of 10,777 dwellings looks set to materialise in the rapidly growing metropolis. Demand is expected to also be substantive in Brisbane, however the current trend would suggest that the present housing shortage there is set to shrink over the next decade. Strong demand and an ensuing housing shortfall are expected to be very prevalent in Maroochy. It is also interesting to note that in every one of the top ten areas where demand for housing is set to be strongest in Queensland, current building trends indicate that a substantial shortfall will become apparent by 2020.