



Sustainable Population Australia inc
PO Box 297
CIVIC SQUARE ACT 2608
Ph: 02 6235 5488
Fax: 02 6235 5499
info@population.org.au
www.population.org.au

Patrons: Prof Frank Fenner
Prof Tim Flannery
Prof Ian Lowe
Dr Mary White
Dr Paul Collins

29 October 2003.

Productivity Commission
LB 2, Collins Street East
MELBOURNE VIC 8003

Attention: Athena Wicks

Inquiry on First Home Ownership

I submit this short submission on behalf of the National Executive of Sustainable Population Australia (SPA), with apologies for its lateness.

In September the Canberra region branch of Sustainable Population Australia made a submission, the contents of which we fully support. This one will also focus on the demand created by population growth. We have noted the issues raised on page 12 of the Issues Paper.

As it notes, Australia's population grew by 1.1 million in the five years to 2002, with about half due to overseas migration. While ABS has recently revised its figures for net overseas migration (NOM) downwards, it is generally accepted by demographers that the figure is now about 112,000 annually.

Meanwhile, according to the Australian Financial Review¹, Australia's property "boom" is showing no signs of abating, with house prices in eight state and territory capitals surging by an average of five per cent in the quarter to June this year, with prices rising annually by 18.1 per cent. The average price of a house in Sydney at the end of the June quarter was \$465,000. Just achieving the deposit for an average priced house would be difficult for most first homebuyers, let alone pay the mortgage. The AFR notes that this growth in prices has been driven by "easy credit, aggressive market of property investment schemes, low unemployment, buoyant confidence and disenchantment with the share-market."

SPA would add "demand from excessive population growth" to this list. We commend to you the paper by Birrell and Healy in the latest issue of *People and Place*², the conclusion of which we repeat here:

Immigration is an important underlying factor shaping growth in demand for housing because of its role in household formation. This role will become more important over the next twenty years because the numbers of people aged in their twenties would stabilise in the absence of immigration. It is no wonder that housing and property industries are so keen for high migration. By 2021, according to our projections, the migration component of household formation growth in Sydney will be around 75 per cent, in Melbourne and Adelaide 60 per cent, and in Perth 54 per cent...

...In the case of Sydney, the intuition of residents and some politicians (including the NSW Premier Bob Carr), that immigration is a factor in the housing affordability crisis, is correct. The absence of the

immigration component of household growth in Sydney would significantly reduce the underlying gap between demand and supply. There is little doubt that a reduction in the national immigration intake would improve housing affordability in Sydney.

Around 40 per cent of immigrants end up in Sydney which is growing by well over 50,000 annually. This necessitates about 23,000 new dwellings each year in Sydney alone. As the city presses against its geographic margins, land prices on the edges have risen remarkably, pushing up the prices of housing as insufficient land has been released to meet demand.

Another factor increasing demand for housing, of course, is decreasing household size which is expected to fall from 2.7 to 2.3 in the next 20 years.

State governments, particularly in NSW, have been criticised for not releasing more land to keep prices down. The NSW Opposition claims, for instance, that there will be a shortfall of 125,000 new homes in Sydney over the next 15 years because of the slow release of land on 'greenfield' sites³. This ignores the infrastructure costs of opening up new land for housing, and also the environmental and health costs of urban sprawl, particularly the pollution of local streams and estuaries from stormwater run-off, and air pollution from vehicles as people commute further to work.

Some believe, such as the Chifley Report⁴ commissioned by the ALP, that population growth should continue and that in order to take the pressures off the major capitals, migrants be encouraged to settle elsewhere, notably regional centres. This would, of course, reduce the demand for housing, and thus prices, in the major cities. It would, conversely, increase the price of housing in these regional centres. Whether it would push housing beyond the realm of affordability for first homebuyers is a matter of conjecture.

SPA recognises the need to take pressure off the major cities but does not believe that significant growth in many of the suggested regional centres is sustainable. Supplies of water limit all inland towns in Australia. Coastal towns also are subject to drought and water shortages as we witnessed last summer. The coastal zone is already environmentally stressed and further growth will only accelerate the decline in biodiversity through loss of habitat and from invasion of exotic species associated with urban development. CSIRO has warned that southern Australia may experience significant drying under climate change that puts a further question mark over the sustainability of further population growth, whether in cities or regional centres.

Hence, SPA believes that in order to enhance housing affordability for first homebuyers, rather than constantly increasing the supply of land for new housing, that demand be curbed by decreasing immigration levels significantly and allowing natural increase to gradually decline for another 30 years, when it is expected that births will equal deaths.

Jenny Goldie
National director

References:

1. Jim Parker. "House prices reach for the sky" Australian Financial Review. 4 September 2003.
2. Bob Birrell and Ernest Healy. "Migration and the Housing Affordability Crisis".
3. Robert Wainwright. "Squeeze for inner-city as land dries up". Sydney Morning Herald. 11 November 2002.
4. Glenn Withers and Marion Powell. "Immigration and the regions: Taking regional Australia seriously." Chifley Research Centre, October 2003.

