



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

15 February 2004.

Productivity Commission
LB 2, Collins Street East
MELBOURNE VIC 8003

Inquiry on First Home Ownership - response to discussion draft

Sustainable Population Australia is primarily interested in the demand aspects of housing and its affordability, specifically the extent to which population growth increases demand.

In chapter 4 of the draft discussion paper, you largely discount the effect of population growth. You say: "the impacts of population growth on demand for housing are subtle and complex..." Why? Surely a kindergarten child can understand that the more people there are, the more houses are needed unless they are all crowded into existing stock. Yet we know the opposite is occurring, with the number of people per household declining, in fact, exacerbating demand from population growth only.

You imply that the composition of migrants and whether growth comes from natural increase or from immigration make the issue complex. They are, however, only ancillary to the central question of numbers. The issue is population growth, not immigration alone. Natural increase still adds about 115,000 to the population each year, albeit slowly declining. Nevertheless, immigration now exceeds natural increase and cannot be ignored.

In Box 4.1 you address the methodology of ABS that puts doubt on published figures for net overseas migration. Yet the ABS has now addressed its methodology and in the most recent figures to June 2003, the annual NOM was 125,300, about 14,000 more than the previous year. NOM is now much more than the 72,440 NOM in 1997. Traditionally, over 40 per cent of migrants end up in Sydney and even with regionalisation of the migration program in recent years, most of those not going to Sydney have ended up in Melbourne. Thus those two cities have each experienced growth in excess of 50,000 a year that, for Sydney at least, requires of the order of 22,000 new dwellings *each year*. Supply has not kept up with demand and prices have risen.

Meanwhile, existing Sydney residents, especially retirees, are reaping the windfall of inflated house prices and moving to the coast. In Narooma, for instance, on the South Coast of NSW, a house that was bought for \$115,000 three years ago is now worth \$240,000. Narooma is part of the Eurobodalla Shire whose population increases by 1450 annually. This increase in demand through population growth must account for a significant part of this housing inflation, and in turn unaffordability for the young. Canberra has also seen a lot of outflow of Sydney residents, pushing up prices there and in its surrounds, doubling the price of some rural blocks within a year. The recent series of articles in the *Age* about coastal development near Melbourne paints the same picture. Some of those buying houses are wealthier Melbourne residents wanting weekenders, and some are speculators, but many

are retirees who have sold up, taking advantage of the higher prices in Melbourne that have resulted from increased demand, largely driven by immigration, although not entirely.

We reiterate what was in our original submission, namely the study by Healy and Birrell from *People and Place* that stated:

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.

Jenny Goldie
National director
on behalf of
Sustainable Population Australia