Housing Australia’s Future

Demographic Analysis of Australia’s Housing Requirements 2014
Housing Industry Association

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2014

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Foreward

One of the largest policy challenges Australia faces in the decades ahead is adequately housing the nation’s growing and ageing population. Over the last decade there has been a persistent imbalance between growth in demand for housing and the slow rate at which the nation has added to the housing stock. Looking forward, this imbalance needs to be redressed and a policy environment developed to ensure that the average level of new home building through to 2050 meets Australia’s housing requirements.

There is a wide range of possible population growth trajectories Australia could experience over the years to 2050. Overlay this with the wide divergences of possible economic growth trajectories, and also consider the potential changes in the way households utilise housing, and there are seemingly infinite possibilities for what Australia’s actual demand for new home building could look like over this projection horizon. Against this backdrop, Housing Australia’s Future narrows the analysis down to a range considered more likely to eventuate over time.

An original remit of the National Housing Supply Council, which was disbanded late last year, was to quantify the stock of dwellings that the nation will require to house the population in the future. Housing Australia’s Future seeks to plug that gap. It is not about ‘where we are’ or ‘where we have been’, the focus needs to be on meeting the future demand for additional housing.

Regardless of what that activity might need to be, Australia’s current policy environment is not conducive to achieving it. We need to have a national conversation regarding how we are going to successfully house our growing and ageing population. Policy cooperation, coordination, and reform need to occur across all three levels of government - meeting Australians’ demands for shelter is an integral part of ensuring a prosperous future for the nation.
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Executive Summary

With a focus on the number of new homes that will need to be built, the analysis presented in this report considers a wide array of drivers that will influence the quantum of additional housing required by the population.

As the population grows, more households will be formed and these households will require a home. Using the population growth projections prepared by the Australian Bureau of Statistics (ABS), this analysis has considered a range of possible population growth and household formation scenarios.

However, population growth and household formation only tells part of the story. Variations in economic conditions also impact the way households utilise housing. For example, rising real incomes are likely to increase the amount of housing demanded by the population while falling real incomes are likely to reduce the amount of housing demanded.

By considering a number of potential population growth trajectories under an array of economic conditions, the analysis presents a range of possible demand scenarios for new home building that could play out in the future.

The analysis then considers how recent demographic developments are tracking relative to the ABS’s projections, contemporary economic conditions, and what these imply for current housing demand.

From a national perspective, Australia’s population growth throughout 2013/14 has generally been consistent with the rate and composition of growth implied by the ABS’s Series B scenario which considers a scenario where there is a mid-range net inflow due to overseas migration, a moderate increase in life expectancy and a modest decline in the fertility rate. However, a closer look at demographic developments at a state level reveals quite divergent performances relative to the projections among the states.

The nation’s population grew by around 393,500 people during the year, equivalent to a rate of 1.7 per cent. An increase in population of this magnitude requires around 152,000 additional homes to house the additional households that formed during the year.

The relatively subdued rate of growth in real household income during 2013/14 is likely to have resulted in a slowing of growth in the amount of housing demanded by households. This is likely to have been reflected in fewer households demolishing existing homes and rebuilding a new home in its place, and fewer households retaining a second home for their own private use (holiday homes, dwellings for workers living away from home etc.).

However, subdued growth in real household incomes is likely to have been counter balanced by the increased purchasing power of households through lower borrowing costs. On balance, it is estimated that under current economic conditions the community would demand construction of between 30,000 and 35,000 new homes in excess of those required to house the additional households that formed during the year.

In aggregate, the additional housing demand required to house newly formed households and the demand for additional housing from existing households imply there was demand for the construction of between 182,000 and 187,000 homes during 2013/14.

In 2013/14, the number of new homes built was about the same as the number of new homes demanded by the population during the year. Unfortunately a match of this kind is an aberration - throughout much of the last decade there was a considerable mismatch between the level of demand for housing and the amount of new home building.

From this point, the challenge for governments of all levels is to ensure that policy settings will enable alignment of demand and supply to persist over the long term by taking into account the variations in demographic requirements for housing and the fluctuations in economic cycles.
Background

Over the last decade there has been a persistent imbalance between growth in demand for housing and the slow rate at which the nation has added to the housing stock.

Australia has experienced strong population growth in recent years and this has been driven primarily by a large contribution from net overseas migration. Combined with demographic changes, this situation has added considerably to the demand for housing.

In contrast, the annual number of new homes commenced over the period 2004 to 2013 declined in seven out of those ten years. Consequently, in 2014 the nation finds itself in a situation whereby new home building activity is trying to catch up with the pent-up demand for additional housing.

Looking to the future, different trends and dynamics in future population growth, demography and household formation will yield different new home building requirements. The nature of these dynamics is outlined below.

Population growth

Throughout the 1980s, 1990s and into part of the 2000s, Australia’s population growth averaged just over 200,000 persons per annum. Just over half of this growth was attributable to natural increase.

From around 2007, population growth started accelerating, reaching its strongest pace in the year to December 2008, when the population grew by 459,500 persons. Since then, population growth has averaged around 378,000 persons per annum.

The major contributor to this strong population growth has been net overseas migration – occurring against a backdrop of major global shifts; social, political and economic. Australia, with its proximity and linkages to emerging markets in Asia, was less exposed (although by no means immune) to the adverse impacts of the financial crises experienced in much of the developed world during 2007-2012. Set against relative peace and stability, this relative prosperity has seen Australia become an attractive migration destination.

Historically, the United Kingdom and New Zealand have been the major sources of immigration to Australia each year. Since 2006/07, however, India has been the largest source country. Looking to the future, a key question is whether Australia’s population will continue to grow at recent rates, or, if growth will return to the levels typical prior to 2007.

Underneath overall growth in the population there have been shifts in its make up, including the ageing of the population. Over the past 30 years, the absolute number of people in all age groups increased, but the proportions that these age groups account for have changed.

The proportion of the population in older age groups has increased while the proportion in younger age groups has declined. Australia’s population is ageing because of sustained below-replacement-level fertility resulting in proportionately fewer children in the population, as well as increased life expectancy resulting in a higher proportion of ‘older’ people in the population.

In the five years since June 2008, the number of people aged 65 years and over in Australia increased by 533,000 to reach 3.34 million people as at June 2013. This group accounted for 14% of Australia’s total population.

Household formation and life cycle

In Australia, home ownership is a typical aspiration which has translated into most households owning, rather than renting, their homes. The process of achieving home ownership, however, is part of a broader process around household formation and the household life cycle.

Peoples’ housing needs and preferences change as their family structures and financial situations change. A ‘typical’ household life cycle may commence with a young person leaving the parental home to move either to a group household which shares a dwelling or to a rented unit as a single occupant.

Before buying a first home, this person may then move into a rented dwelling with a partner while jointly saving for a deposit – whether this happens before or after children become part of the family, there has been no specific pattern in the past two decades. While first home buyers typically purchase an established detached house, there has been some trend toward non-detached housing, such as semi-detached homes, terraces and apartments.
As the number and age of children increase, many families will ‘trade up’ to a larger home. After the children have left home, most home owners will likely remain in that same home at least until retirement, by which time most will own their home outright.

After retirement, some households will move homes, and some of them may choose something smaller. Government policy should aim to equip older people to remain in their homes where they can continue to be part of and contribute to their communities. However, should their needs exceed the services which can be provided to enable them to continue living independently (eg. home and community care programs), then such a person may move to live with their adult children or move to a dedicated aged care and accommodation facility.

Around this ‘typical’ household life cycle there have been significant shifts in and around its different stages. For example, the average number of persons per household has experienced a long term trend decline, albeit one that has reversed more recently, much of which can be attributed to reductions in family sizes and the increase in one person and two person households. These changes can be attributed to major social and economic shifts including: rising living standards; women’s increased participation in the workforce; the rise of one-parent families and childless couples and; the ageing population.

**New home building**

New home building activity is a function of both cyclical and structural factors. The discussion above reflects population growth and household formation being key structural elements to new home building activity. Specifically, these are the dynamics behind the number of additional households requiring additional homes.

Another key element underscoring new home building activity, however, pertains to demand for additional homes resulting from changes (namely increases) in real wealth. New home building associated with this ‘wealth’ factor takes the form of holiday homes, second or secondary (eg. granny flats) homes, and upgraded housing (knock-down rebuilds). Stronger increases in real wealth are likely to result in a greater level of this type of new home building.

Key cyclical factors affecting the level of new home building include official interest rates, broader economic activity, consumer confidence, and dwelling price developments.

Official interest rates are one of the most important cyclical factors which influence new home building activity. Most Australians will use a mortgage to purchase or build a new home. By influencing the interest rate structure prevailing in Australia’s financial system, official interest rates affect actual mortgage interest rates and therefore the costs of owning a home.

Interest rate changes and levels will result from broader economic conditions, which in and of themselves will also affect new home building. Australia’s experience is that new home building activity has tended to suffer disproportionately during times of economic downturn and it can take many years for activity to recover to pre-downturn levels.

Consumer confidence, particularly regarding perceptions of employment prospects (whether that be finding work or retaining a current job), will be a key determinant of households’ propensity to commit to a mortgage to buy or build a new home.

Finally, rising dwelling prices provide a positive signal to residential developers and builders of an increase in demand for housing. New home building is particularly responsive to changes in the price of new homes relative to established homes. When growth in established dwelling prices is stronger than growth in new homes, this makes the new product increasingly attractive to those considering home purchase.
Australia’s New Home Building Requirements

There are a wide range of possible population growth trajectories Australia could experience over the years to 2050. Overlay this with the wide divergences of possible economic growth trajectories, and also consider the potential changes in the way households utilise housing, and there are seemingly infinite possibilities for what Australia’s actual demand for new home building could look like over this projection horizon.

The purpose of this section is to narrow down this wide array of possibilities to a range we consider more likely to eventuate over time.

The population growth projections used in this analysis are those prepared by the Australian Bureau of Statistics. The analysis considers the three core projection series, Series A, Series B and Series C.

- Population projection Series A considers a scenario where there is a high net inflow due to overseas migration, a rising life expectancy, a modest increase in the fertility rate, and large migration flows between states.
- Population projection Series B considers a scenario where there is a mid-range net inflow due to overseas migration, a moderate increase in life expectancy, a modest decline in the fertility rate and mid-range migration flows between states.
- Population projection Series C considers a scenario where there is a relatively low net inflow due to overseas migration, a moderate increase in life expectancy, a decline in the fertility rate and low migration flows between states.

For the purposes of this analysis we have considered Projection Series A to represent an upper bound of population growth possibilities and Series C to represent a lower bound. That does not exclude the possibility that actual growth could exceed or fall short of this range.

In an economic environment where Australian households are experiencing rising real incomes, it is likely that there will be a greater propensity for households to upgrade their housing. This will lead to a greater number of households demolishing an existing home and re-building a new home in its place (or undertaking a major renovation). Similarly, an environment where real household incomes are rising is likely to enable households to retain a second dwelling for private own use (e.g., a holiday home, or a second home closer to their employment). Conversely, declining or slowing growth in real household income is likely to see households use less housing than they otherwise would have.

The number of people occupying each dwelling is also a significant factor in determining demand for additional housing. While changes in real household wealth/incomes are likely to have an influence on the number of people in each household, there are also many other social factors that could play a role in determining the composition of households in Australia. A wide range of scenarios involving variations in household size have been examined. However, for simplicity the analysis reported here only considers scenarios where the household size remains around the current level (2.59 persons per household) over the forward horizon.

The chart below provides a visual representation of the array of potential scenarios that could eventuate, within the boundaries we have set for the analysis in this report.

At the upper extreme, the chart shows that if Australia encountered an environment where there was persistently very strong growth in real household incomes at the same time as Australia recorded consistently high rates of population growth, there could be demand for the construction of almost 250,000 new homes per year. At the opposite end of the spectrum, the chart illustrates that if the nation experienced very low rates of real growth in household income at the same time as very low population growth, there could be demand for the construction of less than 120,000 new homes per annum.
The population projections prepared by the ABS were compiled following the 2011 census. The projection series starts from the end of June 2012. At that point in time, Australia’s population was estimated to be 22.7 million.

Latest estimates indicate Australia’s population has grown to around 23.5 million people as of the end of June 2014.

Looking further ahead, the ABS demographic projections show Australia’s population is projected to reach between 34.3 million and 41.9 million by mid-2050.

Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 4.2 and 7.1 million additional homes. This implies an annual rate of between 118,164 (see Series C in table below) and 195,293 (see Series A in table below) dwellings per annum.

As mentioned in the previous section, a wide range of scenarios involving variations in household sizes have been considered, and can be provided. The demand for additional housing is highly sensitive to changes in this variable. It is impractical to examine all such variations within this report. For simplicity the analysis focuses on scenarios where there are no material changes to the average size of Australian households over the projection horizon.

The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing demanded (eg. an increase in the incidence of households who own second homes such as holiday homes).

Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in each year between now and 2050 lies within a range of 135,795 (see Series C) and 248,186 (see Series A).

This implies a wide range of possibilities. However, these figures represent the upper and lower bounds of plausibility. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year is likely to fall within this range.
After the highs and lows are balanced out across the forward horizon, the average annual build rate over the period is likely to fall somewhere in the middle.

The scenario with population growth comparable with the ABS’s Series B projection and a medium rate of real income growth implies Australia will need to build an average of 186,391 dwellings per annum.

Under this scenario, around 151,129 homes (out of the 186,391 homes required) would provide housing for new households, while the remaining 35,626 dwellings would offset demolished homes and satisfy the demand for additional housing attributable to a rise in real household incomes.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2050</td>
<td>41,939,543</td>
<td>37,593,636</td>
<td>34,349,728</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.6%</td>
<td>1.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>195,293</td>
<td>151,129</td>
<td>118,164</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>212,924</td>
<td>168,760</td>
<td>135,795</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>230,555</td>
<td>186,391</td>
<td>153,425</td>
</tr>
<tr>
<td>High real income growth</td>
<td>248,186</td>
<td>204,022</td>
<td>171,056</td>
</tr>
</tbody>
</table>

Source: HIA Economics

Recent Demand Developments

This section considers contemporary developments in demographic and economic variables over the year to June 2014. Analysis of the demographic variables uses the ABS’s demographic projections for the year as a point of reference.

The estimated rate of population growth nationally is generally consistent with the ABS’s Series B projection. The population grew by around 393,500 (see ACTUAL* in chart below) people during the year, equivalent to a rate of 1.7 per cent.

An increase in population of this magnitude requires around 152,000 additional homes for new households.

Australia remained a popular destination for overseas migrants in 2013/14, although the rate of net overseas migration has eased since 2012/13. Australia’s population grew by around 237,000 people through net overseas migration; this is consistent with the rate implied by the ABS’s Series B projection (see chart below).

Natural population growth contributed around 156,000 people to population growth. This was towards the lower end of what had been implied by the ABS’s projections.

The relatively subdued rate of growth in real household income during this period is likely to have contributed to a subdued demand from households demolishing existing homes and rebuilding a new home in its place, and second homes (holiday homes, dwellings for workers living away from home etc.). However, this is likely to have been counter balanced by the increased purchasing power of households through lower borrowing costs.

On balance, it is estimated that under current economic conditions the community would demand construction of between 30,000 and 35,000 new homes which do not immediately add to the supply of homes available for occupation by additional households. Such dwellings replace an existing dwelling that has been demolished or represent an increase in the number of dwellings that are retained for the private own use by an existing household.
Sources of Population Growth - 2013/14 Actual vs Projections

Source: HIA Economics, ABS

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.
New South Wales

Long Range Demand Projections

➢ At the time these projections were made, the end of June 2012, the population of New South Wales was estimated to be 7.3 million. The population of New South Wales is estimated to have grown to around 7.5 million people as of the end of June 2014.

➢ Looking further ahead, the ABS demographic projections show the population of NSW is projected to reach between 10.3 million (Series C) and 11.4 million (Series A) by mid-2050.

➢ Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 1.1 and 1.5 million additional homes. This implies that between 30,160 and 41,238 additional dwellings will be required each year just to accommodate population growth.

➢ The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by housing (eg. an increase in the incidence of households who own second homes such as holiday homes).

➢ Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in NSW each year between now and 2050 lies within a range of 35,709 and 57,887.

➢ While this implies a wide range of possibilities, these figures represent the upper and lower bounds of plausibility. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.

➢ It is worth noting that the population growth rate projected for NSW over the long term in all three projection series (Series A, B and C) is lower than the average rate NSW has recorded over the last five years. A scenario where population growth does not revert to lower levels as quickly as the ABS projections imply should not be ruled out.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>7,301,134</td>
<td>7,301,134</td>
<td>7,301,134</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>11,359,104</td>
<td>10,665,010</td>
<td>10,268,959</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.2%</td>
<td>1.0%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>41,238</td>
<td>34,185</td>
<td>30,160</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>46,788</td>
<td>39,734</td>
<td>35,709</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>52,337</td>
<td>45,284</td>
<td>41,259</td>
</tr>
<tr>
<td>High real income growth</td>
<td>57,887</td>
<td>50,834</td>
<td>46,809</td>
</tr>
</tbody>
</table>

Source: HIA Economics
Recent Demand Developments

- In aggregate, the rate of population growth for New South Wales continued to accelerate in 2013/14. The population grew by around 120,000 people during the year, equivalent to a rate of 1.6 per cent.

- An increase in population of this magnitude requires around 46,300 additional homes to house new households.

- As mentioned in the previous section, the relatively low rate of growth in real household income during the period is likely to have been somewhat balanced by the increased purchasing power of households due to lower borrowing costs.

- On balance, it is estimated that in current economic conditions the community would demand construction of around 10,000 new homes which do not immediately add to the supply of homes available for occupation by an additional household.

- NSW is in a perennial battle to dissuade residents from moving interstate. While there were still more NSW residents relocating to other states than there were relocating to NSW from other states, the net outflow in 2013/14 was the lowest in any twelve month period since the mid-1980s.

- NSW remains a popular destination for overseas migrants. Strong levels of population growth attributable to net overseas migration during the 2013/14 year more than offset the population outflow to other states.

- The rate of population growth in NSW during 2013/14 was considerably higher than the rate projected by the ABS in any of the growth scenarios that were considered. While this may be balanced by years of lesser growth in the future, in the short term the sharp acceleration in population growth will be fuelling demand for new housing.

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Sources of NSW’s Population Growth - 2013/14 Actual vs Projections

Source: HIA Economics, ABS

<table>
<thead>
<tr>
<th>Year</th>
<th>Natural increase</th>
<th>Net interstate migration</th>
<th>Net overseas migration</th>
<th>Total growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACTUAL</td>
<td>46,638</td>
<td>-7,367</td>
<td>80,528</td>
<td>119,799</td>
</tr>
<tr>
<td>SERIES A</td>
<td>50,522</td>
<td>-25,500</td>
<td>68,096</td>
<td>93,118</td>
</tr>
<tr>
<td>SERIES B</td>
<td>48,412</td>
<td>-17,500</td>
<td>64,372</td>
<td>95,284</td>
</tr>
<tr>
<td>SERIES C</td>
<td>46,320</td>
<td>-9,500</td>
<td>60,648</td>
<td>97,468</td>
</tr>
</tbody>
</table>

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.
Long Range Demand Projections

- At the time these projections were made, the end of June 2012, the population of Victoria was estimated to be 5.6 million. The population of Victoria is estimated to have grown to around 5.8 million people as of the end of June 2014.

- Looking further ahead, the ABS demographic projections show the population of Victoria is projected to reach between 8.5 million and 10.5 million by mid-2050. Some scenarios show Victoria may trump NSW by becoming Australia’s most populous state within this projection horizon.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 1.0 and 1.8 million additional homes. This implies that between 28,782 and 49,614 additional dwellings will be required each year just to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by households (e.g. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in Victoria each year between now and 2050 lies within a range of 33,226 and 62,947.

- By comparison to the upper and lower bounds of the projection series for NSW, this is a very wide range of potential outcomes. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range. This could suggest demand for new home building in Victoria could experience greater disparity between peaks and troughs in economic cycles.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>5,629,122</td>
<td>5,629,122</td>
<td>5,629,122</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>10,511,351</td>
<td>9,346,877</td>
<td>8,461,387</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.7%</td>
<td>1.3%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>49,614</td>
<td>37,781</td>
<td>28,782</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>54,058</td>
<td>42,225</td>
<td>33,226</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>58,503</td>
<td>46,669</td>
<td>37,670</td>
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<tr>
<td>High real income growth</td>
<td>62,947</td>
<td>51,113</td>
<td>42,114</td>
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</tbody>
</table>

Source: HIA Economics
Recent Demand Developments

- The relatively low rate of growth in real household income during the period is likely to have contributed to a subdued demand from households demolishing an existing home and rebuilding a new home in its place, and second homes (holiday homes, dwellings for workers living away from home etc.). However, this is likely to have been counter balanced by the increased purchasing power of households through lower borrowing costs.

- On balance, it is estimated that in current economic conditions the community would demand construction of around 10,000 new homes which do not add to the supply of homes available for occupation by an additional household. Such dwellings replace an existing dwelling that had been demolished or the dwellings are retained for the use by an existing household.

- Across economic cycles Victoria has experienced periods when there has been strong population inflows from interstate as well as periods where there has been a net loss. The state is currently experiencing particularly strong net inflows.

- The contribution to Victoria’s population growth from interstate migration in 2013/14 was more than double the highest number projected by the ABS.

- Overseas migration also contributed more strongly to the state’s population growth than had been implied by the highest of the ABS’s projections, albeit by a smaller margin.

- Population growth due to natural increase was within the mid to lower range of the ABS’s projections.

- The population growth for Victoria maintained a rate of 1.9 per cent in 2013/14. This equates to a population increase of around 112,000 people during the year.

- An increase in population of this magnitude requires around 43,200 additional homes to accommodate new households.

Sources of Victoria's Population Growth - 2013/14 Actual vs Projections

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year's final quarter.
Queensland

Long Range Demand Projections

- At the time these projections were made, the end of June 2012, the population of Queensland was estimated to be 4.6 million. The state’s population is estimated to have grown to around 4.7 million people as of the end of June 2014.

- Looking further ahead, the ABS demographic projections show Queensland’s population is projected to reach between 7.3 million and 9.4 million by mid-2050. To provide perspective, the lower bound of expectations would see the population of Queensland reaching a level comparable with the current population of New South Wales.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 1.0 and 1.8 million additional homes. This implies that between 27,789 and 49,487 additional dwellings will be required each year just to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by households (eg. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in Queensland each year between now and 2050 lies within a range of 31,287 and 59,983.

- As is the case for Victoria, the disparity between upper and lower bounds of the projection series’ for Queensland is very wide.

- Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.

### Population Growth Scenario

<table>
<thead>
<tr>
<th></th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>4,565,529</td>
<td>4,565,529</td>
<td>4,565,529</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>9,435,210</td>
<td>8,242,590</td>
<td>7,300,046</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.9%</td>
<td>1.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>49,487</td>
<td>37,367</td>
<td>27,789</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>52,985</td>
<td>40,866</td>
<td>31,287</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>56,484</td>
<td>44,364</td>
<td>34,786</td>
</tr>
<tr>
<td>High real income growth</td>
<td>59,983</td>
<td>47,863</td>
<td>38,285</td>
</tr>
</tbody>
</table>

Source: HIA Economics
Recent Demand Developments

- The relatively low rate of growth in real household income during the period is likely to have contributed to a subdued demand from households demolishing an existing home and rebuilding a new home in its place, and second homes (holiday homes, dwellings for workers living away from home etc.). However, this is likely to have been counterbalanced by the increased purchasing power of households through lower borrowing costs.

- On balance, it is estimated that in current economic conditions the community would demand construction of around 7,000 new homes which do not add to the supply of homes available for occupation by an additional household.

- Queensland has typically experienced strong rates of population growth from both interstate migration and overseas migration. While Queensland has still been experiencing high levels of migration in an absolute sense, the rate of migration has been easing over time and underperformed the ABS’s lofty projections for 2013/14.

- The contribution to the state’s population growth from interstate migration in 2013/14, around 5,500, fell short of the lowest number projected by the ABS (8,000 in Series C).

- Overseas migration also made a less significant contribution to the state’s population growth than had been implied by the lowest of the ABS’s projections. Series C implied a contribution of around 45,000 through net overseas migration during the year, however it is estimated that the level was only around 33,600.

- Population growth due to natural increase during 2013/14 was on par with the lower bound of the ABS’s projections.

- Overall, population growth in Queensland continued to lose momentum in 2013/14. The state achieved a population growth rate of 1.6 per cent in 2013/14 which equates to a population increase of around 75,000 people during the year.

- An increase in population of this magnitude requires around 28,900 additional homes to house new households.

Sources of QLD's Population Growth - 2013/14 Actual vs Projections

Source: HIA Economics, ABS

<table>
<thead>
<tr>
<th>Natural increase</th>
<th>Net interstate migration</th>
<th>Net overseas migration</th>
<th>Total growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,572</td>
<td>38,667</td>
<td>5,553</td>
<td>74,750</td>
</tr>
<tr>
<td>38,667</td>
<td>37,179</td>
<td>16,000</td>
<td>50,432</td>
</tr>
<tr>
<td>35,702</td>
<td>12,000</td>
<td>47,674</td>
<td>105,099</td>
</tr>
<tr>
<td>5,553</td>
<td>8,000</td>
<td>44,916</td>
<td>96,853</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>88,618</td>
</tr>
</tbody>
</table>

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.*
South Australia

**Long Range Demand Projections**

- At the time these projections were made, the end of June 2012, South Australia’s population was estimated to be 1.65 million. The state’s population is estimated to have grown to around 1.68 million people as of the end of June 2014.
- Looking further ahead, the ABS demographic projections show the state’s population is projected to reach between 2.06 million and 2.40 million by mid-2050.
- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 145,700 and 276,900 additional homes. This implies that between 4,141 and 7,593 additional dwellings will be required each year just to accommodate population growth.
- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by households (e.g., an increase in the incidence of households who own second homes such as holiday homes).
- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in South Australia each year between now and 2050 lies within a range of 5,566 and 11,869.
- Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.
- The lower bound of the range (Series C) is very low relative to the level of residential building the state has typically undertaken. It is worthwhile noting that a situation where the state’s population grew at an average rate of only 0.6 per cent per annum for such a prolonged period implies a decidedly lacklustre trajectory, not just for housing but for the state’s economy more broadly.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>1,656,299</td>
<td>1,656,299</td>
<td>1,656,299</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>2,403,461</td>
<td>2,197,574</td>
<td>2,063,783</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.0%</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>7,593</td>
<td>5,501</td>
<td>4,141</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>9,018</td>
<td>6,926</td>
<td>5,566</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>10,443</td>
<td>8,351</td>
<td>6,991</td>
</tr>
<tr>
<td>High real income growth</td>
<td>11,869</td>
<td>9,776</td>
<td>8,417</td>
</tr>
</tbody>
</table>

*Source: HIA Economics*
Recent Demand Developments

- The relatively low rate of growth in real household income during the period is likely to have contributed to a subdued demand from households demolishing an existing home and rebuilding a new home in its place, and second homes (holiday homes, dwellings for workers living away from home etc.). However, this is likely to have been counterbalanced by the increased purchasing power of households through lower borrowing costs.

- Under the economic conditions prevailing during 2013/14, the South Australian community is estimated to have demanded construction of around 2,000 homes in excess of the number required by households which formed during the year.

- South Australia has typically experienced weaker rates of population growth than most other states, from both interstate migration and overseas migration. Despite this, migration to South Australia has been healthy during 2013/14 relative to the state’s own historic levels.

- In a similar fashion to NSW, South Australia has typically recorded a net population outflow to other states as more residents move interstate than migrants from interstate relocate to South Australia. In 2013/14 the number of SA residents moving interstate outnumbered interstate arrivals by an estimated 3,249 people, a level which lies towards the higher end of the ABS’s projections.

- Overseas migration made a moderate contribution to the state’s population during 2013/14. Arrivals outnumbered departures by around 12,300, a level which is generally consistent with the level of growth projected under the Series B scenario (in the chart below).

- Population growth due to natural increase during 2013/14 fell short of the lower bound of the ABS’s projections.

- Overall, the population of South Australia grew by 0.9 per cent in 2013/14, with around 15,900 new residents.

- An increase in population of this magnitude requires around 6,200 additional homes to house new households.

### Sources of SA’s Population Growth - 2013/14 Actual vs Projections

Source: HIA Economics, ABS

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL</th>
<th>SERIES A</th>
<th>SERIES B</th>
<th>SERIES C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural increase</td>
<td>6,838</td>
<td>8,027</td>
<td>7,590</td>
<td>7,148</td>
</tr>
<tr>
<td>Net interstate migration</td>
<td>-3,249</td>
<td>-3,500</td>
<td>-3,000</td>
<td>-2,000</td>
</tr>
<tr>
<td>Net overseas migration</td>
<td>12,294</td>
<td>13,312</td>
<td>12,584</td>
<td>11,856</td>
</tr>
<tr>
<td>Total growth</td>
<td>15,883</td>
<td>17,839</td>
<td>17,174</td>
<td>17,004</td>
</tr>
</tbody>
</table>

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.*
Western Australia

Long Range Demand Projections

- These projections were made at the end of June 2012. When the population of Western Australia was estimated to be 2.43 million. The population of WA is estimated to have grown to around 2.58 million people as at the end of June 2014.

- Looking further ahead, the ABS demographic projections show the population of WA is projected to reach between 4.78 million and 6.39 million by mid-2050.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 850,000 and 1.47 million additional homes. This implies that between 23,887 and 40,226 additional dwellings will be required each year just to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by households (e.g. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in WA each year between now and 2050 lies within a range of 25,719 and 45,722.

- While this implies a wide range of possibilities, these figures represent the upper and lower bounds of plausibility. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.

- It is worth noting that the population growth rates projected for WA over the long term in all three projection series (Series A, B and C) are particularly high. A scenario where population growth reverts to lower levels more quickly than the ABS projections imply is certainly not implausible.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>2,432,706</td>
<td>2,432,706</td>
<td>2,432,706</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>6,391,068</td>
<td>5,509,642</td>
<td>4,783,267</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>2.6%</td>
<td>2.2%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>40,226</td>
<td>31,269</td>
<td>23,887</td>
</tr>
</tbody>
</table>

**Required annual build rate**

| Low real income growth | 42,058 | 33,101 | 25,719 |
| Medium real income growth | 43,890 | 34,933 | 27,551 |
| High real income growth | 45,722 | 36,765 | 29,384 |

*Source: HIA Economics*
Recent Demand Developments

- The mining investment boom and the associated economic dividend have played a pivotal role in driving growth in real household incomes in Western Australia. However, as the cycle moves past the peak the rate of growth is likely to move back into line with the rest of the country.

- A slowing rate of growth in real household income during the period is likely to have contributed to a less buoyant demand from households demolishing an existing home and rebuilding a new home in its place, and second homes (holiday homes, dwellings for workers living away from home etc.). However, this is likely to have been countered balanced by the increased purchasing power of households through lower borrowing costs.

- Under the economic conditions prevailing during 2013/14, the Western Australian community is estimated to have demanded construction of around 4,000 homes in excess of the number required by households which formed during the year.

- Western Australia has experienced particularly strong rates of population growth during the resource investment boom of the last few years. However, developments during 2013/14 suggest that the lure of a boom time labour market may be drawing to a close.

- At the height of the boom, WA attracted vast numbers of interstate migrants. However, this source of population growth has almost dried up entirely. Furthermore, the strong net interstate migration figures in other states, namely NSW and Victoria, suggests there are fewer people heading west and/or greater numbers of WA’s workforce that had been drawn in from interstate are repatriating to the east coast.

- In 2013/14 the number of interstate arrivals to WA only just exceeded the number WA residents moving interstate. The estimate of net interstate migration to WA provided only 1,771 people to the state’s population during 2013/14. This is considerably below even the lowest of the ABS’s projections.

- In a similar fashion to net interstate migration, overseas migration also made a significant contribution to WA’s rapid population growth over the last few years. However, it too has slowed markedly from the peak. The estimate of net overseas migration during 2013/14 also fell short of the ABS’s lowest projection series for the year.

- Population growth due to natural increase during 2013/14 also fell short of the lower bound of the ABS’s projections.

- Overall, the population of WA grew by 2.4 per cent in 2013/14 (down from 3.4 per cent in 2012/13), with around 61,300 new residents. An increase in population of this magnitude requires around 23,700 additional homes to house new households.
Long Range Demand Projections

- At the time these projections were made, the end of June 2012, the population of Tasmania was estimated to be 512,333. The population of Tasmania is estimated to have grown to around 515,084 people as of the end of June 2014.

- Looking further ahead, the ABS demographic projections show the population of Tasmania is projected to be between 491,940 and 671,552 by mid-2050.

- The lower bound of these projections, Series C, implies a decline in the population. Looking beneath that decline, the ABS projects this to be driven by a situation of a natural decline (rather than increase); that is, a situation whereby deaths start to outstrip births, while steady stream of inward net overseas migration is almost offset by the number of Tasmanian residents heading interstate.

- A situation where Tasmania’s population has actually shrunk has only occurred during some exceptional years. Should such a scenario come to fruition and persist over consecutive years, this would likely be symptomatic of significant social and economic challenges for the state.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require up to 60,423 additional homes by 2050. This implies that up to 1,618 additional dwellings will be required each year to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by given households (eg. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in Tasmania each year between now and 2050 ranges from 2,989 to 250 (bearing in mind that this very low annual build rate is associated with a shrinking in the state’s population).

- While this implies a wide range of possibilities, these figures represent the upper and lower bounds. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range. Based on the historic experience, the lower end of the range appears highly unlikely.

### Population Growth Scenario

<table>
<thead>
<tr>
<th></th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>512,333</td>
<td>512,333</td>
<td>512,333</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>671,552</td>
<td>568,808</td>
<td>491,940</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>0.7%</td>
<td>0.3%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>1,618</td>
<td>574</td>
<td>-207</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>2,075</td>
<td>1,031</td>
<td>250</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>2,532</td>
<td>1,488</td>
<td>707</td>
</tr>
<tr>
<td>High real income growth</td>
<td>2,989</td>
<td>1,945</td>
<td>1,164</td>
</tr>
</tbody>
</table>

Source: HIA Economics
Recent Demand Developments

- Total population growth in Tasmania continued to strengthen in 2013/14 (albeit from a weak base), following a sustained period of deterioration such that the population grew only negligibly in 2011/12. In 2013/14, the population grew by around 1,190 people during the year, equivalent to a rate of 0.37 per cent.

- An increase in population of this magnitude requires around 800 additional homes to house the new households.

- As per the situation in most other jurisdictions, the relatively low rate of growth in real household income during the latest period is likely to have been somewhat balanced by the increased purchasing power of households due to lower borrowing costs.

- On balance, while the state is starting to see key indicators head in the right direction (state final demand and unemployment, for example) the overall economic situation still remains relatively weak and is likely to translate into relatively soft growth in real incomes. We would therefore estimate that the community would demand construction of around 600 new homes which do not immediately add to the supply of homes available for occupation by an additional household.

- While Tasmania has typically experienced weaker rates of population growth than most other states, largely as a result of net outflows in interstate migration, 2012/13 was an especially weak year on that front. The situation started to recover during 2013/14, but on net, Taswegians were still heading across Bass Strait for opportunities on the mainland.

- In 2013/14 the number of Tasmanian residents that migrated to the mainland outnumbered those who moved to Tasmania, by 1,105 persons, a level which is around the middle of the considered ABS population projections.

- Overseas migration continued to be a key source of Tasmania’s population growth. The additional persons from this source just outstripped the decline in persons due to net interstate migration outflows. Overseas arrivals outnumbered departures by around 1,418, closer to the higher end, Series A (in the chart below), of the ABS’s projections.

- Meanwhile, population growth due to natural increase during 2013/14 fell short of the lower bound of the ABS’s projections.

Sources of Tasmania’s Population Growth - 2013/14 Actual vs Projections

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.
Northern Territory

Long Range Demand Projections

- At the time these projections were made, the end of June 2012, the population of the Northern Territory was estimated to be 235,182. The population of the NT is estimated to have grown to around 244,518 people as of the end of June 2014.

- Looking further ahead, the ABS demographic projections show the population of the NT is projected to reach between 395,399 and 408,889 by mid-2050.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 58,265 and 63,474 additional homes. This implies that between 1,628 and 1,765 additional dwellings will be required each year just to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by given households (eg. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in the NT each year between now and 2050 lies within a range of 1,769 and 2,188.

- While this implies a wide range of possibilities, these figures represent the upper and lower bounds of plausibility. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2050</td>
<td>395,399</td>
<td>400,548</td>
<td>408,889</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.4%</td>
<td>1.4%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>1,628</td>
<td>1,680</td>
<td>1,765</td>
</tr>
<tr>
<td>Required annual build rate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low real income growth</td>
<td>1,769</td>
<td>1,821</td>
<td>1,906</td>
</tr>
<tr>
<td>Medium real income growth</td>
<td>1,910</td>
<td>1,962</td>
<td>2,047</td>
</tr>
<tr>
<td>High real income growth</td>
<td>2,051</td>
<td>2,103</td>
<td>2,188</td>
</tr>
</tbody>
</table>

Source: HIA Economics
Recent Demand Developments

- Total population growth in the NT continued to decelerate in 2013/14. The population grew by around 2,571 people during the year, equivalent to a rate of 1.06 per cent.
- An increase in population of this magnitude requires around 1,000 additional homes to house the new households.
- The relatively low rate of growth in real household income during the latest period is likely to have been somewhat balanced by the increased purchasing power of households due to lower borrowing costs.
- On balance, with broader economic conditions heavily reliant on mining-related activity, the strong growth in this sector (notwithstanding the most recent easing) is likely to still be having a positive effect on overall real income growth in the territory. We would therefore estimate that the community would demand construction of around 350 new homes which do not immediately add to the supply of homes available for occupation by an additional household.
- The NT has a notoriously transient population resulting, throughout much of its history, in net outflows of residents away from the territory to other jurisdictions. In 2013/14 there was a net outflow of around 3,250 residents from the NT, the largest outflow in over two decades.
- Nevertheless, overseas migration remains a key source of population growth and in recent years has reached record highs, which have more than offset any deleterious effects from net interstate outflows.
- Overall, however, the NT’s population growth has been decelerating and in 2013/14, this growth was considerably lower than the rate projected by the ABS in any of the growth scenarios that were considered. Against the backdrop of a continued winding down in mining-related investment and construction, there may well be a couple of further years before population growth accelerates to the stronger levels experienced in 2008-2009 and also in 2012-2013.

Sources of NT’s Population Growth - 2013/14 Actual vs Projections

Source: HIA Economics, ABS

<table>
<thead>
<tr>
<th></th>
<th>ACTUAL*</th>
<th>SERIES A</th>
<th>SERIES B</th>
<th>SERIES C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural increase</td>
<td>2,796</td>
<td>3,054</td>
<td>3,005</td>
<td>2,925</td>
</tr>
<tr>
<td>Net interstate migration</td>
<td>-3,249</td>
<td>-2,000</td>
<td>-1,000</td>
<td>-500</td>
</tr>
<tr>
<td>Net overseas migration</td>
<td>3,024</td>
<td>2,816</td>
<td>2,662</td>
<td>2,508</td>
</tr>
<tr>
<td>Total growth</td>
<td>3,870</td>
<td>4,667</td>
<td>4,933</td>
<td></td>
</tr>
</tbody>
</table>

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.
Australian Capital Territory

Long Range Demand Projections

- At the time these projections were made, the end of June 2012, the population of the Australian Capital Territory was estimated to be 375,076. The population of the ACT is estimated to have grown to around 386,938 people as of the end of June 2014.

- Looking further ahead, the ABS demographic projections show the population of the ACT is projected to reach between 568,267 and 769,027 by mid-2050.

- Assuming household sizes (number of people per household) remain comparable to the current size, just housing the additional households would require between 70,023 and 147,549 additional homes. This implies that between 1,963 and 4,003 additional dwellings will be required each year just to accommodate population growth.

- The number of new homes built must exceed the number of additional homes required through population growth to offset demolitions and adjust for any changes in the quantity of housing consumed by households (eg. an increase in the incidence of households who own second homes such as holiday homes).

- Allowing for variation in the rate of population growth and growth in real household income, the average number of homes required to be built in the ACT each year between now and 2050 lies within a range of 2,246 and 4,853.

- While this implies a wide range of possibilities, these figures represent the upper and lower bounds of plausibility. Across the numerous economic cycles we could expect to encounter between now and 2050, activity in any single year should fall within this range.

- It is worth noting that the population growth rate projected for the ACT over the long term in two out of three projection series (Series A and B) is higher than the average rate the territory has recorded over the last five years. A scenario where population growth does not accelerate to the higher rates as quickly as the ABS projections imply is considerable possibility.

<table>
<thead>
<tr>
<th>Population Growth Scenario</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population in 2012</td>
<td>375,076</td>
<td>375,076</td>
<td>375,076</td>
</tr>
<tr>
<td>Population in 2050</td>
<td>769,027</td>
<td>659,363</td>
<td>568,267</td>
</tr>
<tr>
<td>Implied annual population growth rate</td>
<td>1.9%</td>
<td>1.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Additional dwellings required per annum</td>
<td>4,003</td>
<td>2,889</td>
<td>1,963</td>
</tr>
</tbody>
</table>

**Required annual build rate**

- Low real income growth
  - Series A: 4,287
  - Series B: 3,172
  - Series C: 2,246

- Medium real income growth
  - Series A: 4,570
  - Series B: 3,455
  - Series C: 2,530

- High real income growth
  - Series A: 4,853
  - Series B: 3,738
  - Series C: 2,813

Source: HIA Economics
Recent Demand Developments

- In aggregate, the rate of population growth for the ACT continued to accelerate in 2013/14. The population grew by around 5,500 people during the year, equivalent to a rate of 1.45 per cent.

- An increase in population of this magnitude requires around 2,200 additional homes to house new households.

- As mentioned in the previous section, the relatively low rate of growth in real household income during the latest period is likely to have been somewhat balanced by the increased purchasing power of households due to lower borrowing costs.

- On balance, it is estimated that in the deteriorating economic conditions in the ACT, the community would demand construction of around 300 to 400 new homes which do not immediately add to the supply of homes available for occupation by an additional household.

- Despite being home to the Best City in the World, residents in the ACT haven’t been dissuaded from moving interstate. In 2013/14 there was a net outflow of around 870 residents from the ACT, the largest outflow in almost 10 years.

- Nevertheless, as a prophet is without honour except in his own town, the ACT is without renown across the world, except in her own country. The ACT remains a popular destination for overseas migration and this has been a key source for the territory’s overall population growth, more than offsetting migration outflows to other states.

- Overall, however, the rate of population growth in the ACT during 2013/14 was considerably lower than the rate projected by the ABS in any of the growth scenarios that were considered. Against the backdrop of ongoing federal fiscal tightening, it may well take a number of years before this fiscal tightening turns around and consequently, for the ACT to then see its population grow at a rate closer to the considered ABS projections.

Sources of ACT’s Population Growth - 2013/14 Actual vs Projections

*Data relating to the ‘ACTUAL’ are estimates based on ABS’s published figures for the first three quarters of the 2013/14 financial year and an estimate for the year’s final quarter.
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