

MEDIA RELEASE

NHFIC releases first flagship housing report

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The National Housing Finance and Investment Corporation (NHFIC) has released its first flagship report producing five-year projections for housing supply and demand across Australia's major cities and regional areas.

The [State of the Nation's Housing 2020 report](#) assesses the number of new households that are expected to form (new housing demand) over the next five years, the number of new net dwelling additions expected to come on-line, and annual balance of new supply and demand, while also assessing housing affordability.

NHFIC's flagship report, which will be undertaken annually, found:

- The global COVID-19 pandemic has caused the largest shock to population growth since early last century, triggering a forecast fall in new demand for housing of 286,000 dwellings over the next five years.
- Despite the impacts of the pandemic, a recovery in construction activity from the COVID-19 recession is underway -- led by detached housing -- with total net additions expected to rise to 181,000 in 2021 from 170,000 in 2020 on the back of the monetary and Federal and State Government fiscal stimulus put in place this year.
- Federal and state government stimulus is supporting supply by encouraging construction activity in the short term, but the lower demand for new housing is expected to weigh on construction over the medium to longer term, with net additions likely to fall and then recover to around 148,000 in 2025. Weakness in net apartment additions will potentially extend to 2025, when just 27,000 new dwellings are expected, similar to levels seen prior to the apartment boom.
- New supply is expected to exceed new demand by around 127,000 dwellings in 2021, and 68,000 dwellings in 2022. Cumulative new supply is expected to be around 93,000 higher than new demand by 2025, although sensitivity analysis demonstrates this could halve with slightly more optimistic population growth assumptions.
- If vaccines are forthcoming earlier than expected (resulting in international borders opening sooner and more Australians returning home) and housing supply is potentially constrained, any cumulative excess supply over a medium-to-longer term horizon is anticipated to be negligible.
- With new supply expected to exceed new demand over the near term, there is likely to be downward pressure on rents in Sydney and Melbourne where vacancy rates are higher which could improve overall rental affordability, although the real impact will differ across geographies and household income distributions.

- Longer term trends of declining affordability, particularly for low-income households in the private rental market and the ability for prospective first home buyers to transition to home ownership are likely to persist, particularly if supply is not responsive to demand when it recovers.
- Housing affordability has deteriorated substantially in some cities over recent decades. NHFIC analysis shows households in the third income quintile living in the greater Sydney region can now only afford 10 per cent of properties, compared with 25 per cent in 1998.
- A lower period of housing demand due to the global pandemic presents an opportunity to revisit housing policy frameworks to ensure that policies can accommodate future population growth without adverse consequences for affordability.

NHFIC CEO Nathan Dal Bon said: “This first flagship report from NHFIC’s research team is an objective and comprehensive report producing detailed projections that shed light on the state of the nation’s housing market.

“While there have been many challenges during 2020, there has also been a great degree of resilience in the property sector to date. Due to historically low interest rates and government stimulus, construction activity and housing prices have held up better than many anticipated.

“COVID-19 has changed the way we live and work with implications for housing demand, supply and affordability across all of Australia’s housing markets. We look forward to continuing to build our knowledge and our understanding of these issues to produce work which helps to inform policy discussions and improve housing outcomes,” Mr Dal Bon said.

NHFIC’s research can be found at: <https://www.nhfic.gov.au/research/>

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