



MEDIA RELEASE

NHFIC releases flagship ‘State of the Nation’s Housing 2021–22’ research report

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The National Housing Finance and Investment Corporation (NHFIC) today released its flagship ‘State of the Nation’s Housing 2021–22’ research report.

First introduced in 2020, the *State of the Nation’s Housing* is NHFIC’s flagship research report. It provides analysis into housing demand and supply across Australia, as well as long-term projections, with a view to identifying potential drivers of, and challenges to, housing affordability.

NHFIC CEO Nathan Dal Bon said: “Our second flagship ‘State of the Nation’s Housing’ research report provides a comprehensive overview of key housing data and projections. It has been a remarkable past 18 months for Australia’s housing markets, with the largest population shock in a century, unprecedented government stimulus, a widespread flight to the regions, and accelerating house price growth and tightening rental markets impacting housing affordability. This research has been informed by extensive consultation with stakeholders including industry and provides on-the-ground insights to understand Australia’s housing supply and affordability trends in the coming decade.”

NHFIC modelling in the *State of the Nation’s Housing 2021–22* suggests:

- More than 1.7 million new households are expected to form across Australia from 2022 to 2032. By household type, the strongest growth in new households is expected from lone person households (595,000), followed by couple families without children (488,000), then couple families with children (361,000).
- On the back of record low interest rates combined with state and Federal government stimulus, new housing supply is expected to be stronger than we anticipated in our 2020 report and will likely remain strong by historical standards over the medium term, with more than 550,000 new dwellings (net of demolitions) expected to be constructed (184,000 per year) over the next three years.
- New net housing supply additions are expected to outpace new household formation by 115,300 in 2022, and 35,500 in 2023, as international border restrictions are relaxed and Net Overseas Migration (NOM) begins to recover.
- From 2022 to 2032 (cumulatively) new household formation is expected to be broadly in balance with net new supply, but this is largely driven by unusually low levels of household formation in 2022 and 2023 owing to COVID-19. NOM is



expected to fully recover to pre-pandemic levels by 2024–25, and from then household formation is expected to outpace new supply by a cumulative 163,400 dwellings to 2032.

Key findings of NHFIC's State of the Nation's Housing 2021–22:

- Closed borders and falls in Net Overseas Migration (NOM) led to fewer households forming (in aggregate). Despite an improved outlook for NOM since our 2020 report, Australia's population is still expected to be 1.5 million lower in 2031, compared with pre-pandemic estimates. However, housing markets have remained strong, with robust dwelling price growth and rental vacancy rates back to below long-run average levels in most markets.
- Falling vacancy rates over the course of 2020–21 (particularly in Sydney and Melbourne), have been driven by the withdrawal of rental listings as investors likely sold properties to owner occupiers, but also suggests some additional household formation that is not explicitly accounted for in our projections.
- NHFIC industry liaison indicates serviced and development-ready greenfield land supply remains a significant constraint in key markets, such as Sydney and South-east Qld. Given it can take several years to bring new housing supply to market in some areas, this could limit the development industry's ability to meet future demand when population growth is expected to have recovered to pre-pandemic levels.
- A shortage of multi-unit dwelling completions is expected in the next 2 to 3 years, especially as rental markets are already tightening, and demand will lift as international border restrictions are relaxed. More higher density dwellings will be required closer to CBDs to meet unmet demand.
- There has been unprecedented demand across regional housing markets during the pandemic. Over the course of 2020 and 2021, dwelling price growth in regional NSW (40.1%) was substantially greater than dwelling price growth in Sydney (27.2%), while price growth in regional Vic (29.9%) was more than double that of Melbourne (12.2%).
- Affordability for renters and first home buyers deteriorated across most cities and regions in 2021 (to September), except in Sydney and Melbourne, where aggregate rental affordability improved modestly. However, rental pressures have been building in these cities more recently.
- As projected in our 2020 report, rents fell sharply in real terms in 2020-21 and were expected to remain weak for some years. While the story is quite varied across markets, rents have rebounded faster than anticipated, to positive growth in 2021-



22. Rents are likely to continue to rise in the near term as international border restrictions are relaxed.

- First home buyer affordability has deteriorated over the course of 2021 due to strong dwelling price growth. Sydney and Hobart remain the most unaffordable cities for first home buyers with the bottom 60% of income earners able to afford less than 10% of available properties in the market.
- Supply constraints, combined with strong demand for construction, has seen price growth for some materials (such as timber, aluminium and steel) soar by 20–34% in 2021. Closed international borders have also led to labour shortages.

The latest *State of the Nation's Housing 2021–22* research report includes new chapters on housing markets in Australian states and territories which provides detail on recent supply constraints in the development industry, as well as detail on recent housing prices and vacancy rate trends. There is also has a new chapter on regions and cities highlighting the impacts of the pandemic. The 2021–22 report features 10-year projections (increased from 5-years) to better align to housing development cycles.

State of the Nation's Housing is complemented by NHFIC's core ongoing research program, which aims to contribute applied and practically-focused research.

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About NHFIC

NHFIC's mission is to improve housing outcomes for Australians. Established in 2018, NHFIC is a corporate Commonwealth entity that provides long-term and low-cost finance and capability building assistance to registered community housing providers (CHPs) to support the provision of more social and affordable housing. NHFIC lends, invests and provides grants to help finance the critical infrastructure needed to unlock and accelerate new housing supply. NHFIC supports home buyers by administering Government schemes that help them purchase their home sooner, and undertakes independent research into housing supply, demand and affordability in Australia. For more information and the latest data on our achievements, visit nhfic.gov.au

Established in January 2020, NHFIC's research function conducts comprehensive research into housing demand, supply and affordability in Australia. NHFIC research was established to inform engagement and interest in relevant housing topics and encourage better housing outcomes, through better connected conversation between government, research and industry.