



# State of cities and regions – impact of COVID-19



State of the Nation's Housing 2021–22

# State of cities and regions – impact of COVID-19



26%  
increase  
in regional dwelling  
prices



## Cities to regions

COVID and greater workplace flexibility drove people to move and stay in regions, esp in NSW and Vic



4 in 10 wfh

38% of Australians worked from home

## KEY POINTS

- The pandemic has led to unusually high housing demand in regional housing markets across Australia. Harsher lockdown restrictions in big cities and a desire for more open spaces, together with work from home arrangements has helped underpin this demand putting pressure on regional housing markets.
- Within the two largest capital cities, there has also been unusually large population movements from inner to outer suburbs. The net movement of people from Sydney to nearby regional areas, such as the Blue Mountains and Central Coast, following a large spike in movements in mid-2020, remains at elevated levels compared to immediately before the pandemic.
- Regional rents grew more strongly than capital cities in Tas, NSW, Vic, Qld and SA in the two-year period ending December 2021. Rents in Victorian regional areas are now at their highest levels relative to rents in Melbourne since at least as far back as 2004.
- Dwelling prices also rose strongly in regional areas compared to capital cities, particularly in 2021, with dwelling prices growing 26% in regional areas, compared to 21% in capital cities in the year-ending December 2021. For example, over 2020 and 2021, regional VIC saw price rises more than double that seen in Melbourne.
- The strong rent and price rises in the regions have been driven by a large population movement from cities and more people choosing to stay in the regions during the pandemic. This reduced affordability in many regional areas, particularly for renters on lower incomes.
- In 2020–21, Australian households moved from capital cities to the regions in significant numbers – notably in Vic and NSW, although this trend is being offset by increasing movements from the regions in Vic. Temporary moves from the capital cities to the regions also appear to be declining, potentially providing some respite for renters in regional areas.

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## Introduction

This chapter explores in detail how recent demographic and social trends, instigated or accelerated by COVID-19, have affected Australia's housing market.

This will include analysis of the changes in house prices and rents in regional areas and cities during this time, as well as population movements and changing housing preferences associated with working from and being at home more.



## Regional and city housing markets in Australia since the onset of COVID-19

Since the onset of COVID-19, housing costs (prices and rents) have increased in many rest of state areas relative to their respective capital cities. This has narrowed the gap between capital city and regional housing markets in some jurisdictions.

In the year ending December 2021, dwelling prices grew 25.9% in regional areas, compared to 21.0% in capital cities.<sup>11</sup>

Dwelling price growth in the regions was also stronger in 2020, although at much lower levels (6.9% in the regions and 2.0% in capital cities).<sup>12</sup> Regional price growth was particularly strong (relative to the respective capital city) in Tas, NSW and Vic in this period (see Table 5.1). However, dwelling prices grew more strongly in the capital cities in SA and the NT. Growth in rents in rest of state areas have exceeded growth in rents in capital cities in all states and territories except the NT and WA (see Table 5.2).

**Table 5.1: Change in dwelling prices, Greater capital cities statistical area (GCCSA) and Rest of state, January 2020 to December 2021**

State/Territory	Greater capital cities statistical area	Rest of state
NSW	27.2%	40.1%
Vic	12.2%	29.9%
Qld	31.4%	32.8%
SA	30.1%	26.6%
WA	20.9%	22.8%
Tas	34.7%	43.0%
NT	25.0%	6.8%
ACT	34.0%	

Source: CoreLogic Hedonic Home Value Index

**Table 5.2: Change in dwelling rents, Greater capital cities statistical area (GCCSA) and Rest of state, January 2020 to December 2021**

State/Territory	Greater capital cities statistical area	Rest of state
NSW	5.2%	22.2%
Vic	-0.4%	17.6%
Qld	15.1%	20.5%
SA	13.6%	16.3%
WA	24.1%	22.0%
Tas	10.8%	21.0%
NT	25.3%	8.7%
ACT	17.1%	

Source: CoreLogic Median Rental AVM

<sup>11</sup> CoreLogic, Hedonic Home Value Index, 4 January 2022, Annual change in dwelling values.

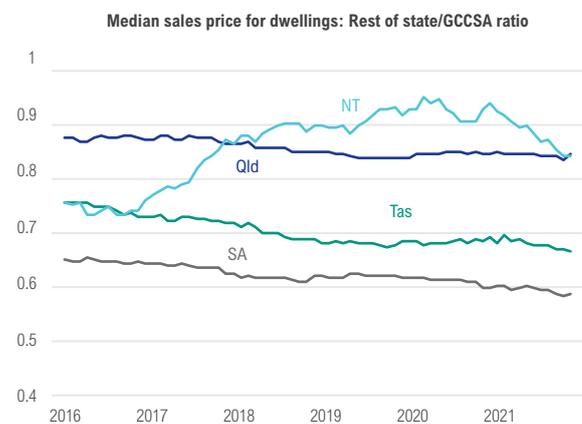
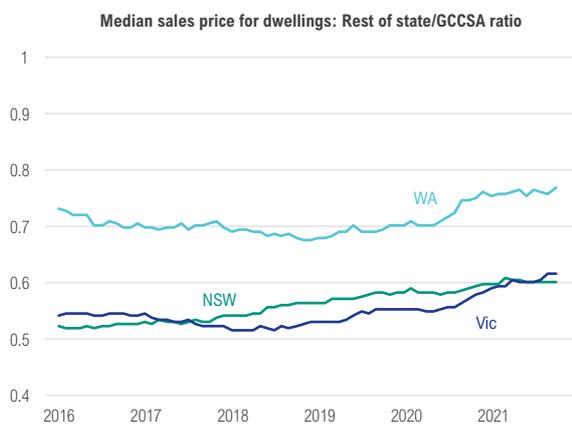
<sup>12</sup> CoreLogic, Hedonic Home Value Index, 4 January 2021, Annual change in dwelling values.

Figure 5.1 shows the ratio of dwelling prices in rest of state areas to dwelling prices in capital cities. Ratios were higher in December 2021 compared with January 2020 in NSW, Vic and WA, indicating lessening affordability in the regions compared to capital cities in these states. Strongly growing dwelling costs in the regions (relative to the cities) is likely to exacerbate housing affordability for first home buyers looking to enter the market in regional areas. People in these areas are typically on lower incomes, with total average incomes of \$68,000 in capital cities in 2017–18 compared with \$56,000 in rest of state areas.<sup>13</sup>

Figure 5.2 illustrates the ratio for rents in rest of state areas compared to rents in capital cities. The ratio was higher in December 2021 compared to January 2020 in NSW, Vic, Qld, SA and Tas. Rents in Victorian regional areas are now at the highest levels relative to rents in Melbourne since at least 2004, likely reflecting the stronger interstate and intrastate migration to the regions during the pandemic and a fall in demand for inner city properties.<sup>14</sup>

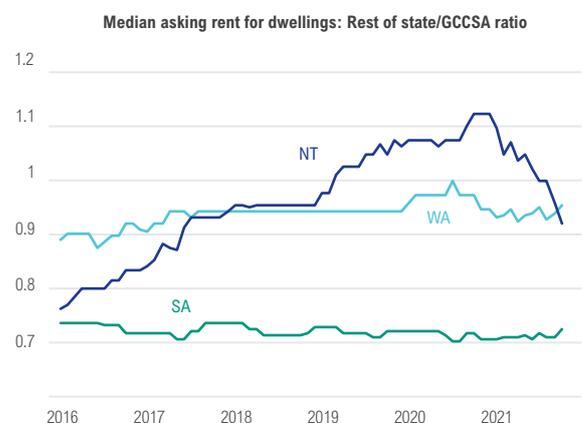
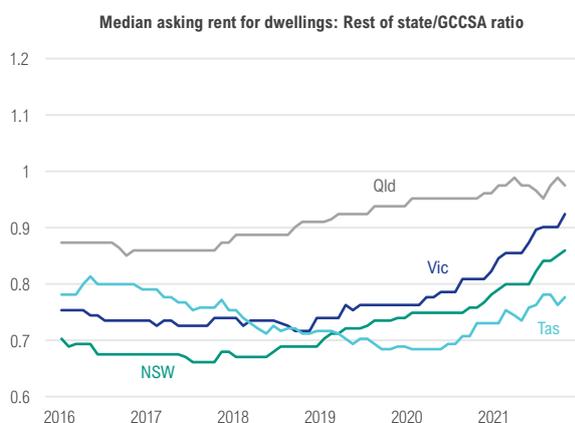
The RBA suggests that this trend in the more populous states is likely to adversely affect low-income households in regional areas around Australia's largest cities, assuming that rents on lower-end properties are moving in the same direction as median rents in the same area.<sup>15</sup> Notably, the share of regional areas where low-income households can rent a median advertised dwelling for less than 30% of their income has declined in recent years.<sup>16</sup>

**Figure 5.1: Median sales price for dwellings: Rest of state/GCCSA ratio**



Source: CoreLogic, Median sales price (12 months)

**Figure 5.2: Median asking rent for dwellings: Rest of state/GCCSA ratio**



Source: CoreLogic, Median asking rent (12 months)

13 ABS, Personal Income in Australia, December 2020 release, Table 1.1. This data is based on personal income tax returns, and does not include certain groups who are not required to submit tax returns (such as those that receive income below a certain level). Median personal income data is not published in aggregate at a GCCSA/rest of state level. However, median income data also suggests higher incomes in capital cities. (e.g. \$53,000 in Greater Sydney vs \$46,000 in rest of state NSW.)

14 CoreLogic, Median asking rents (12 months).

15 RBA, Submission into the Inquiry into Housing Affordability and Supply in Australia, September 2021, pp. 10–11.

16 RBA, Submission into the Inquiry into Housing Affordability and Supply in Australia, September 2021, pp. 11–12.

## Factors affecting prices and rents since the onset of COVID-19

COVID-19 has accelerated a move to greater workplace flexibility. Shut-down orders have forced Australians in many states and territories to work from home for extended periods, with up to 40% of Australians estimated to be working from home during 2020 and 38% in 2021.<sup>17</sup> The OECD, using ABS data, also reports strong growth in the intensity of Australians working from home during 2020. The ~12% of adults working from home on all or most days before March 2020 increased to 30% by September 2020.<sup>18</sup>

The loosening connection between workers and their physical place of work has allowed them to move to the outskirts of cities, or potentially to regional towns.<sup>19</sup> Harsher lockdown restrictions in bigger cities and a desire to be in areas with fewer virus cases likely also encouraged demand for housing in the regions, putting pressure on regional markets. In the short run, these factors appear to have elevated prices and rents in regional areas. Given that full-time office-based workers, typically on higher incomes, have the greatest potential to work from home, this has also likely put upward pressure on housing costs in the regions.<sup>20</sup>

A reduction in the number of people moving from regional areas to capital cities, likely arising from the economic, health and social uncertainty associated with COVID-19, has also exacerbated housing affordability concerns in the regions.

Whether these factors have a long run effect on Australia's housing market is yet to be established. Theoretically, prices and rents are usually highest near the CBD (due to lower travel costs and time, as well as access to amenities) and fall as the distance from the CBD increases. But eliminating the need to travel to work may change this relationship. As yet, the long-term impact of increased flexible working arrangements is unclear.<sup>21</sup>

## Movement between cities and regions

Domestic departures from capital cities continued to exceed domestic arrivals in 2020 and early 2021. In the year ending March 2021 approximately 45,000 more people left greater capital cities for the regions than arrived, compared to 24,000 in the previous year.<sup>22</sup> In Greater Melbourne, net losses in the year ending March 2021 were significantly higher, growing to 32,000 from 3,000 in the prior year. This reflects an increase in people moving from the capital cities to the regions, as well as a decline in people moving from the regions to capital cities during the pandemic. In the year ending March 2021, total departures from capital cities to the regions grew to nearly 244,000 compared to 230,000 in the previous year. In contrast, in the year ending March 2021, total departures from the regions to capital cities fell to 199,000 from 206,000 in the previous year.

Australia Post data<sup>23</sup> on net movements between capital cities and regions in 2020 and 2021 indicates that movements from the capital cities to the regions continue to strongly exceed movements from the regions to the capital cities in NSW and Vic, although the level declined in Vic in 2021.<sup>24</sup> In Qld, movements from the capital cities continue to exceed movements from the regions, although at much lower levels than NSW and Vic. In WA, SA and Tas; net movements between capital cities and regions are reasonably level.<sup>25</sup>

17 Productivity Commission, Working from home, Research Paper, September 2021, p. 11.

18 OECD Digital Economy Papers, Measuring telework in the COVID-19 pandemic, July 2021, no. 314, p. 18.

19 The RBA noted in September 2021 that the ability to work from home for some households has increased the relative attractiveness of regional areas and neighbourhoods that are distant from city centres. RBA, Submission to the Inquiry into Housing Affordability and Supply in Australia, September 2021, p. 20.

20 Productivity Commission, Working from home, Research Paper, September 2021, p. 2.

21 Nygaard and Parkinson (2021) discuss the various approaches to urban development in the context of COVID-19. They suggest that on a systemic level, the impact of the pandemic on urban development and population may be transient, although the picture may differ for micro-geographies within cities and for towns and regional centres. See C.A Nygaard and S. Parkinson, Urban Transitions and Urban Regional Dynamics, Analysing the impact of COVID-19 on urban transitions and urban-regional dynamics in Australia, *Australian Journal of Agricultural and Resource Economics*, 59, 2021, pp. 1–22.

22 ABS, Regional Internal Migration Estimates, Provisional, March 2021.

23 This anonymised data set is an administrative by-product of Australia Post's mail redirection service. If a person is in the process of changing addresses, he or she may fill out an application and—usually for a small fee, but for no charge in certain circumstances—Australia Post will redirect eligible mail and parcels for up to 12 months. Only private residential redirection services were included in this data set. This data obviously has its limitations – not least that only a selection of those moving use redirection services. Nonetheless, it provides some timely insights into population trends during COVID-19.

24 The Centre for Population's Population Statement (December 2021) states that: "Melbourne and Sydney are forecast to experience negative population growth in 2020–21 and 2021–22, owing to restrictions on international and domestic movements that are assumed to dampen overseas and internal migration." (p. 23)

25 Due to very small figures for NT, it was not included in this analysis.

Figure 5.3: Internal migration – gross intrastate departures



Source: ABS, Regional Internal Migration Estimates, Provisional, March 2021

Figure 5.3 shows the change in gross monthly departures from each of the capital cities to their rest of state areas and the significant upwards trend in early to mid-2020. In the year ending March 2021, gross intrastate departures in Sydney rose by more than 5,000 (from 43,000 to 48,000) and in Melbourne by more than 6,000 (from 38,000 to 44,000). Greater Brisbane, Adelaide, Hobart and Darwin also saw gross intrastate increases in the period, although not as significant.<sup>26</sup>

According to Australia Post redirections data, annual gross movements from capital cities to their respective regions increased in 2020 in most states and territories compared to 2019 levels, the exception being Tas with very low levels of movement recorded.<sup>27</sup> In 2021, annual gross movements from capital cities to the regions continued to increase in NSW, Qld and WA; fell slightly in Vic and SA; and rose in Tas.<sup>28</sup>

Movements from state and territory regions to their respective capital cities declined overall during the pandemic.

The strongest absolute decline was in Victoria, where total intrastate movement from regional areas declined 2,400 in the year ending March 2021, compared to the previous year.<sup>29</sup> More recent Australia Post data indicates that movements from the regions to their respective capital cities have increased in nearly all states in 2021 compared to 2020, except for NSW, where movements from the regions to Sydney declined.<sup>30</sup>

Australia Post redirection data indicates that those LGAs with the highest (absolute) numbers of net movements in the 21 months since March 2020 were in Qld and Vic, with the Sunshine Coast and Gold Coast topping the list (see Table 5.3). Net migration had already been strong in many of these LGAs, with the pandemic continuing this trend. However, in the Central Coast of NSW, net migration increased 91% on the 21 months prior to COVID-19, while on the Mid-Coast of NSW (around Taree and Forster-Tuncurry) net movement increased 50%.

26 The ABS has advised that the June 2021 quarter of Provisional Regional Internal Migration Estimates, advertised for release on 28 October 2021, has been cancelled due to data quality concerns.

27 This anonymised data set is an administrative by-product of Australia Post's mail redirection service. If a person is in the process of changing addresses, he or she may fill out an application and—usually for a small fee, but for no charge in certain circumstances—Australia Post will redirect eligible mail and parcels for up to 12 months. Only private residential redirection services were included in this data set. This data obviously has its limitations – not least that only a selection of those moving use redirection services. Nonetheless, it provides some timely insights into population trends during COVID-19.

28 Due to very small figures for NT, it was not included in this analysis.

29 ABS, Regional Internal Migration Estimates, Provisional, March 2021

30 Due to very small figures for NT, it was not included in this analysis.

Table 5.3: Highest level of net movements to LGAs after the onset of COVID-19

Local Government Area (State/Territory)	Pre-COVID	From April 2020 (onset of COVID-19)
Sunshine Coast (Qld)	7,936	8,591
Gold Coast (Qld)	6,852	7,091
Moreton Bay (Qld)	5,457	6,453
Mornington Peninsula (Vic)	3,311	4,595
Greater Geelong (Vic)	3,547	3,778
Fraser Coast (Qld)	2,124	2,988
Central Coast (NSW)	1,430	2,726
Redland (Qld)	2,684	2,610
Mid-Coast (NSW)	1,660	2,483
Camden (NSW)	3,024	2,267

Source: NHFIC analysis of Australia Post re-direction data.

Note: Pre-COVID relates to the 21 months prior to April 2020 (1 July 2018 to 31 March 2020). This is compared to the 21 months after April 2020 (1 April 2020 to 31 December 2021).

Areas with large people inflows are experiencing heightened demand for housing, putting pressure on local supply. However, supply can be less elastic in regional areas, due to larger developers being focused on metropolitan areas and smaller developers unable to respond as quickly to changing demand for housing. These factors have contributed to rents and prices in these areas rising proportionally more than in the larger cities. NHFIC liaison suggest that areas like the Sunshine Coast and Gold Coast (SE Queensland) are struggling to cope with the increased demand for housing from this intrastate and interstate migration and that local planning delays are slowing the supply response and pushing up housing costs, particularly for new detached housing (see 'State of housing supply' chapter for more detail).

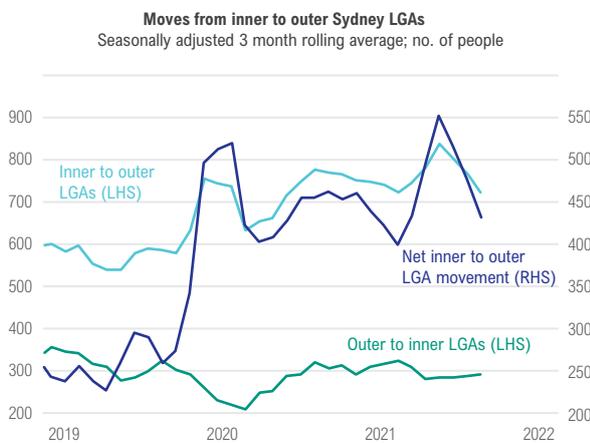
Anecdotally, there are also reports that suggest that the supply of rental properties has declined in absolute terms in some areas throughout the pandemic. Residents in many popular, smaller coastal regions such as Apollo Bay (Vic) and Byron Bay (NSW) are experiencing difficulties in obtaining affordable rental properties due to increased demand for properties from new tenants relocating from the cities, people moving into their holiday houses, as well as the transfer of long-term rental properties to 'Airbnb' homestay properties (associated with higher levels of domestic tourism).<sup>31</sup>

31 Victorian town of Apollo Bay on brink of healthcare crisis due to lack of housing – ABC News (24 April 2021); Struggling renters told to leave Sunshine Coast due to housing crisis in 'heartbreaking' St Vinnies warning – ABC News (20 April 2021); Banning Airbnb and shipping in portable homes considered as housing crisis bites in coastal towns – ABC News (28 August 2021); Byron Bay's rental crisis enters 'uncharted territory' as professionals, volunteers struggle to secure lease – ABC News (1 March 2021).

### Movement from inner to outer metropolitan areas

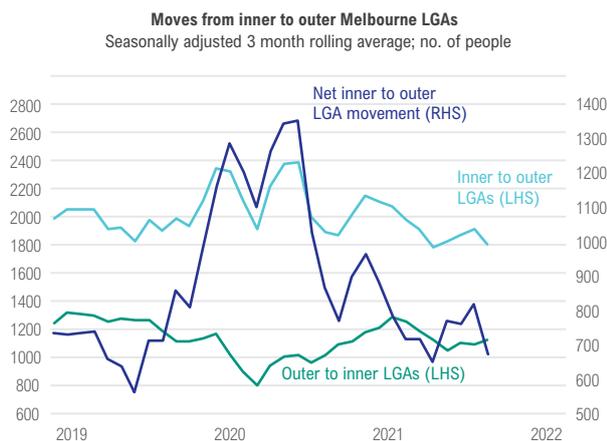
During 2020, mail re-direction data also shows significant population movements from centrally located LGAs in Melbourne and Sydney to those on or towards the edge of these cities. Figures 5.4 and 5.5 show movements from LGAs in central Melbourne to 14 outer LGAs,<sup>32</sup> and from LGAs in central Sydney to 4 outer LGAs (Blue Mountains, Central Coast, Wollondilly and Hawkesbury.) There was a significant net movement in 2020 to these areas, peaking in April 2020 in Sydney and Melbourne, and again in August 2020 in Melbourne. Net movements from inner to outer Sydney remain elevated compared to immediately before the pandemic.

Figure 5.4: Moves from Inner to Outer Sydney LGAs



Source: AusPost, NHFIC

Figure 5.5: Moves from Inner to Outer Melbourne LGAs



Source: AusPost, NHFIC

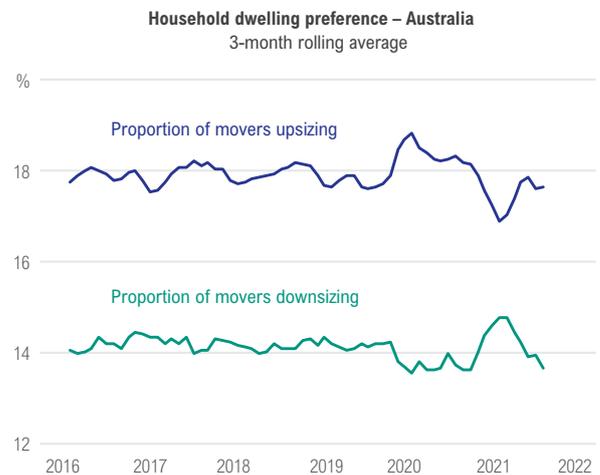
During the period, some regions experienced large increases in rents and/or prices. For example, in the Sydney region, dwelling prices increased 44.2% in the Central Coast and rents 21.9%, while in the Blue Mountains dwelling prices increased 36.7% and rents by 25.0% between January 2020 and December 2021. In the Mornington Peninsula (Vic), dwelling prices increased 39.1% and rents by 28.5%.<sup>33</sup> These increases may at least partially reflect monetary and fiscal policies in place at the time supporting first home buyers.

### Density preferences during COVID-19 – upsizing and downsizing

Australia Post data indicates that those moving over the early COVID period tended to upsize rather than downsize their properties.<sup>34</sup> Moves are characterised as either upsizing to a house or downsizing from a house, or ‘other’. Australia wide, the proportion of movers upsizing increased slightly in 2020, and the proportion downsizing declined (Figure 5.6).

In 2021, there has been an overall decline in the proportion of movers upsizing in Australia (and increase in the proportion downsizing), potentially due to rising house prices (particularly in the larger capital cities), but also due to a lack of appropriate stock (particularly in smaller regional areas). The level of upsizing and downsizing appears to be returning to historical levels.

Figure 5.6: Household dwelling preference – Australia



Source: AusPost, NHFIC

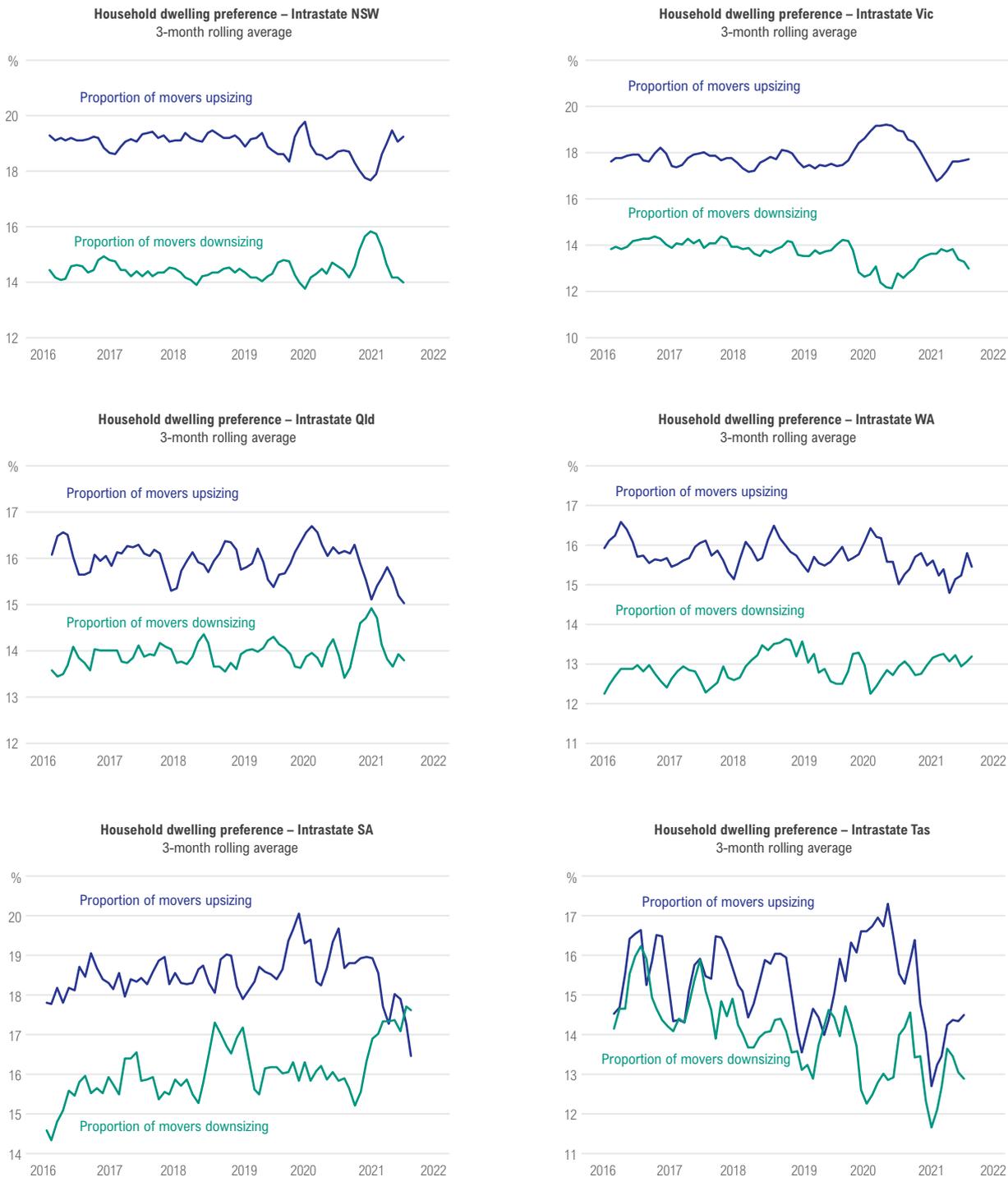
32 Brimbank, Cardinia, Casey, Frankston, Greater Dandenong, Hume, Knox, Maroondah, Melton, Mornington Peninsula, Nillumbik, Whittlesea, Wyndham, Yarra Ranges.

33 CoreLogic, Median Rental AVM and Hedonic Home Value Index.

34 The RBA noted in September 2021 that since the onset of the pandemic, growth in advertised rents and in prices for established markets in Australia have been stronger for houses, consistent with people wanting more space as they spend more time at home. RBA, Submission into the Inquiry into Housing Affordability and Supply in Australia, September 2021, p. 21.

In nearly all states and territories, the proportion of movers 'upsizing' rose during 2020. This increase was particularly strong in Vic and Tas (Figure 5.7).<sup>35</sup> In 2021, the proportion of movers 'upsizing' fell in nearly all states and territories.

**Figure 5.7: Household dwelling preference – Intrastate moves**



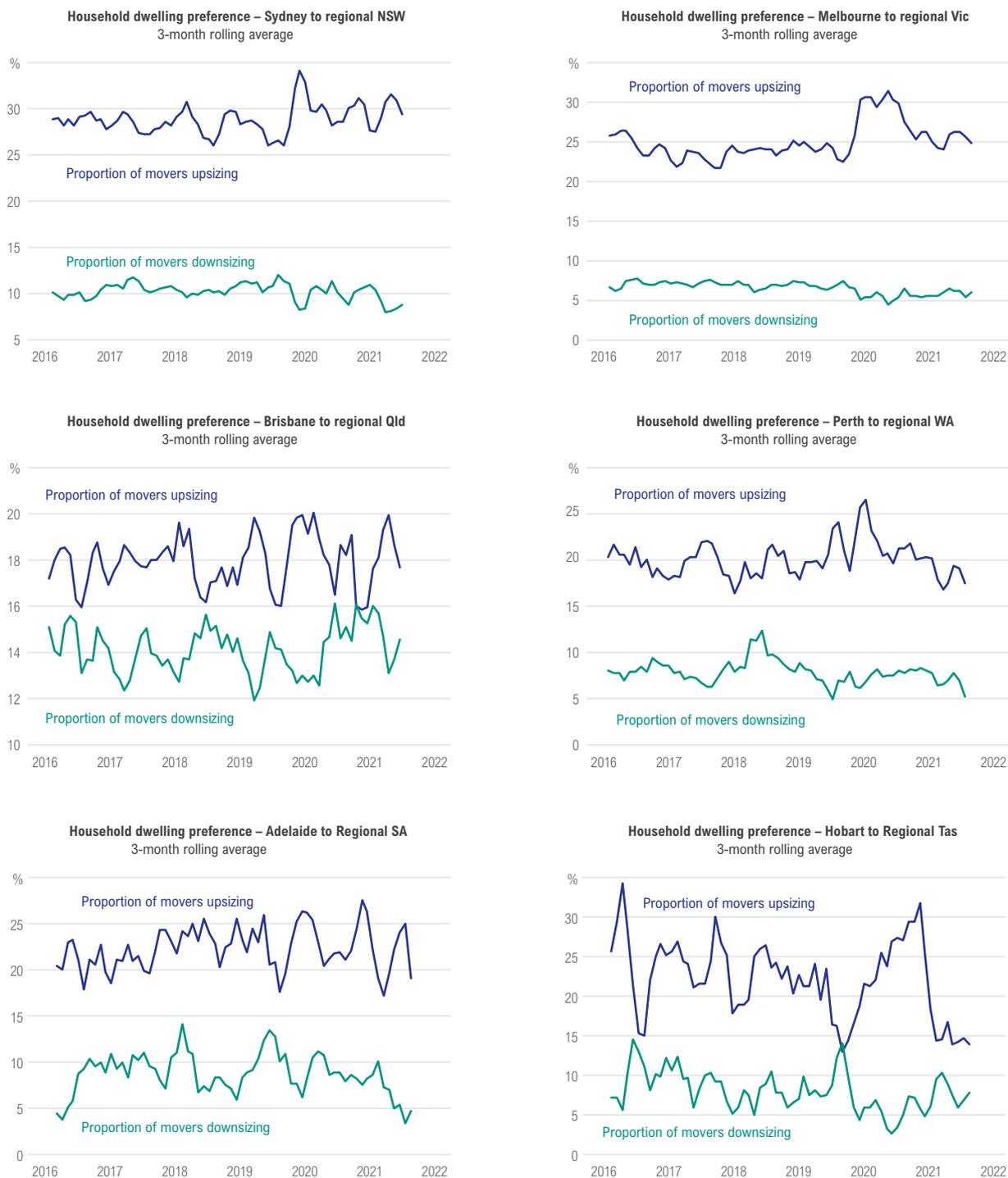
Source: AusPost, NHFIC

<sup>35</sup> Due to very small figures for NT, it was not included in this analysis.

These trends can also be discerned by analysing aggregate movements in ‘upsizing’ from capital cities to regional areas in 2020, most notably in Melbourne to regional Vic, but also Sydney to regional NSW, Perth to regional WA and Hobart

to regional Tas (see Figure 5.8). 2021 saw a decline in the proportion of movers ‘upsizing’ from capital cities to regional areas in all states in comparison to 2020.<sup>36</sup>

**Figure 5.8: Household dwelling preference – Capital City to Regional moves**



Source: AusPost, NHFIC

36 Due to very small figures for NT, it was not included in this analysis.

## Housing demand and pressures in regional areas since COVID-19

Given the outflow of people from capital cities, many regional areas have experienced significant growth since early 2020.<sup>37</sup> Table 5.4 shows the top 5 inner regional areas by percentage growth in redirections (as a proportion of population).

Queenscliffe LGA (Vic) had the biggest increase in population over the COVID-19 period as a proportion of its (small) population. Between January 2020 and December 2021, Queenscliffe LGA saw concurrent increases in rent (24.6%) and dwelling prices (36.1%), higher than increases in regional Victoria more broadly.

Increases in prices and rents in the Bass Coast (Vic) and Wingecaribee (NSW) LGAs were also higher than their regional state averages, with Wingecaribee rents, for example, increasing 35.1% compared to 22.2% in regional NSW more broadly.

**Table 5.4: Inner regional areas**

Local Government Area (State/Territory)	Growth in re-directions from April 2020 (% of pop)	Dwelling rent change Jan 2020 to Dec 2021	Dwelling price change Jan 2020 to Dec 2021
Queenscliffe (Vic): Queenscliff and Point Lonsdale	22.2%	24.6%	36.1%
Bass Coast (Vic): Wonthaggi, Cowes, Inverloch, Grantville	4.7%	21.2%	38.5%
Bridgetown-Greenbushes (WA): Bridgetown, Greenbushes	4.3%	21.0%	30.9%
Chittering (WA): Bindoon, Muchea, Wannamal	4.0%	14.5%	26.7%
Wingecaribee (NSW): Bowral, Moss Vale, Mittagong	3.3%	35.1%	47.2%

Source: AusPost and CoreLogic (Hedonic Home Value Index and Median Rental AVM)

## Temporary movements during COVID-19

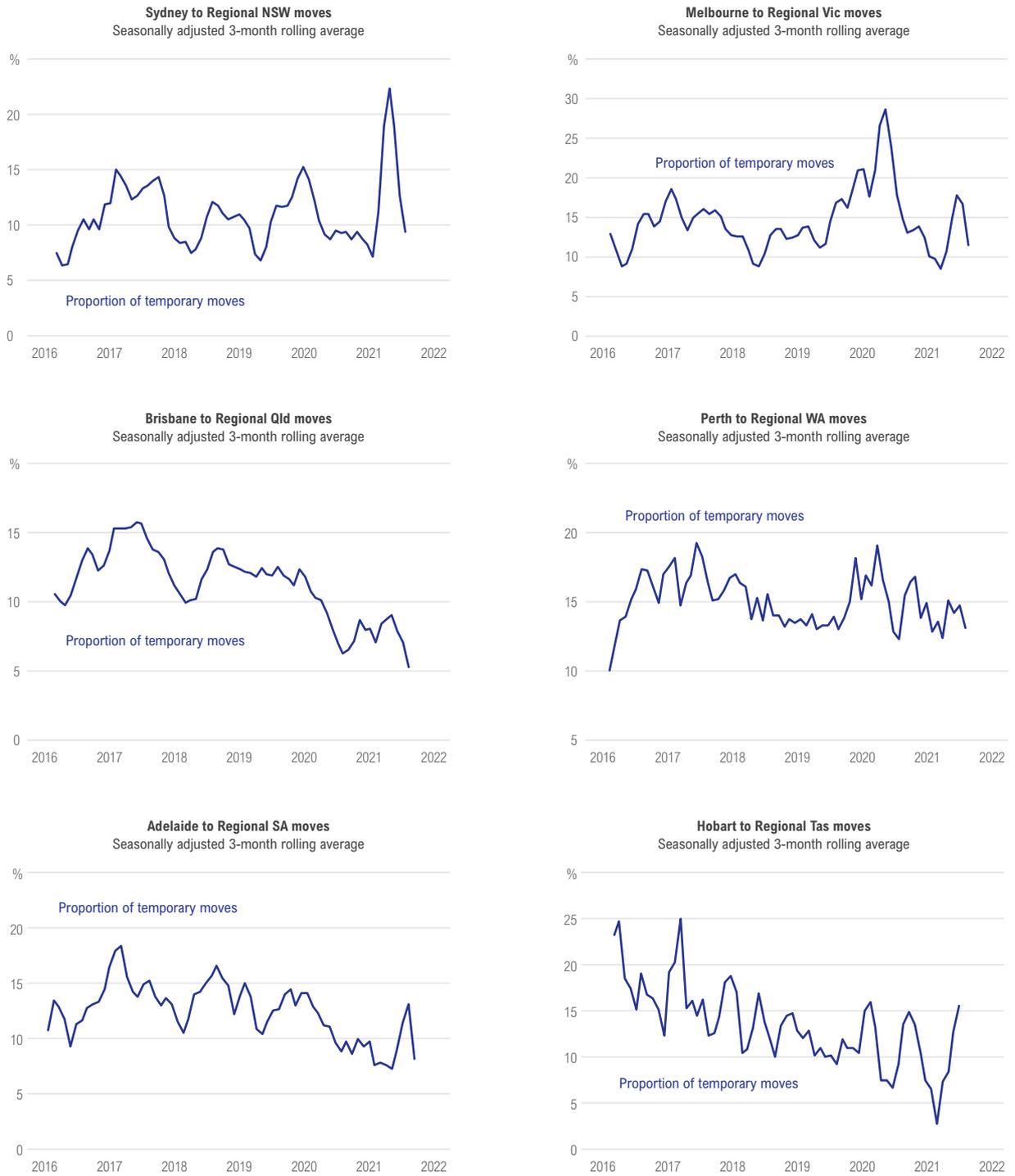
Given the temporary nature of the pandemic and its associated lockdowns, at least some of the moves highlighted in the data above are unlikely to be permanent. According to Australia Post, which asks those seeking redirection services to nominate whether their move is permanent, temporary movements from capital cities to regional areas spiked in April 2020, following the onset of the pandemic (see Figure 5.9).<sup>38</sup> Australia wide, temporary movements increased as a proportion of all capital city to region moves in 2020, but declined to pre-2019 levels in 2021.<sup>39</sup> This suggests that some of the pressure on rents in regional areas may be relieved in coming months.

<sup>37</sup> To determine those areas which have experienced the greatest increase in population (and potentially declines in affordability) NHFIC has conducted an analysis of Australia Post data on movements to regional Local Government Areas during COVID-19, using the ABS' Australian Statistical Geography Standard (ASGS) Remoteness Areas. This divides geographical regions into 5 classes of relative remoteness across Australia: Major Cities of Australia; Inner Regional Australia; Outer Regional Australia; Remote Australia; and Very Remote Australia.

<sup>38</sup> This aligns with analysis done by the Harvard Joint Centre for Housing Studies, which found that temporary moves spiked in March and April 2020 in the United States.

<sup>39</sup> Due to very small figures for NT, it was not included in this analysis.

Figure 5.9: Proportion of capital city to regional moves that are temporary



Source: AusPost, NHFC