

CONCLUSION

NHFIC's first State of the Nation's Housing report comes on the back of the global pandemic which has delivered an unprecedented and immediate shock to new demand for Australian housing over the next few years, mainly via international border closures. This has left many capital city rental markets (temporarily) oversupplied relative to the collapse in new demand and this is currently putting downward pressure on rents in some cities like Sydney and Melbourne. The outlook for housing demand, supply and affordability is ultimately dependent on the reopening of international borders, the path of future population growth and the economic recovery, all of which are subject to an unusual degree of uncertainty.

Our projections show that due to the large population shock, new housing demand will be 286,000 dwellings lower compared with the pre-crisis outlook. We expect this demand shock will leave the housing market with supply exceeding new demand in 2021 (127,000 dwellings) and 2022 (68,000 dwellings). Government stimulus is supporting and bringing forward supply over this period. Demand is likely to rebound and outpace supply beyond 2023, with population growth expected to be structurally lower.

The short-term oversupply identified in this report needs to be considered in a broader historical context. Previous work undertaken by the former Housing Supply Council (2011) showed that in 2010 there had been a cumulative shortfall of housing delivered of around 200,000 dwellings⁷⁹, while more recently and prior to COVID-19, there was a significant increase in supply with it modestly outpacing demand for some years. In some respects, the projected excess supply over the next two years can be seen as partial catch-up for longer more protracted periods of undersupply.

As our report shows, while affordability might improve over the coming years in some areas due to downward pressure on rents, affordability for more modest income renters and prospective first home buyers has deteriorated over recent decades. A focus on shifting the policy framework, including enhancing the efficiency of the planning and approval process, to allow supply to respond to demand with less impact on affordability would be desirable.

Looking ahead, future State of the Nation's Housing reports will look to enhance the methodologies and frameworks used in this report to improve our insights into the functioning of Australia's housing markets, and to enhance our ability to monitor housing demand, supply and affordability, a key plank of our Investment Mandate. Our broader research work will continue to identify issues and solutions that help improve housing outcomes for Australians. This includes reflecting on the acute issues faced by many who experience housing stress and who cannot find appropriate accommodation suitable for their needs, including disadvantaged groups such as those with disabilities and many of Australia's Indigenous population.

⁷⁹ National Housing Supply Council (2012) [Housing Supply and Affordability—Key Indicators, 2012](#).