



Settlement
Council
of Australia

Migration and Housing Affordability in Australia

Housing affordability has become a pressing concern in Australia, with rising interest rates, increased mortgage payments, and escalating rents contributing to the crisis.

While migrants are sometimes blamed for exacerbating housing shortages, it's essential to understand the multifaceted factors influencing housing affordability and recognise the nuanced role migration plays.

What factors influence housing affordability?

Housing supply constraints

The National Housing Supply and Affordability Council says that housing is becoming less affordable because there aren't enough homes built to meet people's needs. In 2023, only 172,000 homes were finished, which is the lowest number in the past ten years. It's also taking longer to finish construction. On average, it now takes about 12 months to build a new house after it's approved, compared to 9 months in 2019–20. Townhouses take about 15 months, and apartments take around 29 months to complete.¹

Complicated zoning and planning approval rules make it harder to build more homes. The planning process is different in each state and territory, and over 500 local governments are responsible for approving development. The skills, resources, and coordination among these local governments can vary greatly.²

A shortage of available residential land near jobs and services has been a significant driver of the housing crisis. Efforts to increase affordable housing in established suburbs have often been ineffective due to high land costs and planning restrictions.³

Interest rates and credit availability

Lower interest rates in the past increased borrowing capacity, enabling buyers to bid up house prices. For instance, a decline in standard home loan interest rates from the mid-1990s to early 2000s allowed households to borrow more, thereby increasing housing demand.⁴

Financial deregulation and increased competition among lenders have made loans more accessible, further fuelling demand.

Taxation policies

Tax concessions, such as negative gearing and capital gains tax discounts, have made investing in housing more attractive, potentially encouraging speculative demand and driving up prices.⁵

Demographic changes

Factors like higher incomes, changing household structures such as a rise in smaller households, and population growth contribute to increased housing demand.



Migration's role in housing demand

Migration contributes to population growth, which can increase housing demand, particularly in major cities like Sydney and Melbourne. A study on housing prices at the postcode level shows that an immigrant inflow of 1% of a postcode's population raises housing prices by around 0.9% per year.⁶ However, immigration's impact on housing affordability is complex and multifaceted. Generally, people who are already homeowners, most of whom are from established populations in Australia, benefit from increased house prices as this increases their wealth. In 2019–20, 66% of Australian households owned their own home with or without a mortgage; these people are likely to lose wealth if property prices drop. Newly arrived migrants are worst hit by increased house and rental prices as they lack intergenerational wealth available to many locals.

While reducing migration might slightly ease housing prices, it would come at a significant economic cost to Australians. Cutting the number of permanent skilled visas would reduce the workforce and weaken government revenues, ultimately making Australians poorer.

Skilled migrants contribute significantly to Australia's economy by paying more in taxes than they receive in government services. Grattan Institute modelling estimates that each permanent skilled migrant generates a fiscal benefit of \$249,000 (in today's dollars) over their lifetime. Reducing skilled migration by 135,000 over the next four years would result in a \$34 billion loss in tax revenue (net of the government services they use) over their lifetimes in Australia.⁷

Refugees also have a notable impact on the broader economy which continues to grow as they settle here, finish education/training, and entering the labour force.⁸

This shortfall would either require higher taxes on Australians or lead to cuts in essential public services. Beyond their economic contributions, skilled migrants enhance productivity, create jobs, and strengthen Australia's diverse and dynamic society.

Rather than being a strain on the economy, migrants help drive prosperity and raise the standard of living for all Australians.

Conclusion

While migration does influence housing demand, attributing the housing affordability crisis solely to migrants oversimplifies the issue.

A comprehensive approach addressing interest rates, housing supply, taxation policies, and demographic changes is essential. Migration is critical to Australia's economic and social wellbeing, so it is essential that our housing policies can accommodate new migrants. Recognising the positive economic contributions of migrants can lead to a more informed and balanced public discourse on housing affordability in Australia.



¹ National Housing Supply and Affordability Council (2024), State of the Housing System 2024, <https://nhsac.gov.au/reports-and-submissions/state-housing-system-2024>

² Ibid.

³ PEXA & Longview, "Australia's housing crisis - uncovering the real causes", 13 Mar 2023, <https://www.pexa-group.com/content-hub/property-insights-and-reports/real-causes-housing-crisis/>

⁴ Senate Select Committee on Housing Affordability in Australia (2008), A good house is hard to find: Housing affordability in Australia, https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/hsaf/report/c04

⁵ Ibid.

⁶ Moallemi M. and Melsner D. "The impact of immigration on housing prices in Australia" *Pap Reg Sci.* 2020;99:773–786. <https://doi.org/10.1111/pirs.12497>

⁷ Coates B. and Wiltshire T, "Cutting permanent migration may make housing cheaper, but it will definitely make us poorer", Grattan Institute, 11 June 2024, <https://grattan.edu.au/news/cutting-permanent-migration-may-make-housing-cheaper-but-it-will-definitely-make-us-poorer/>

⁸ Deloitte Access Economics and Oxfam Australia (2019), Economic and social impact of increasing Australia's humanitarian intake, <https://www.deloitte.com/au/en/services/economics/perspectives/economic-social-impact-increasing-australias-humanitarian-intake.html>