

# WORKER **SHORTAGE** AND IMMIGRATION POLL



# Worker shortage and immigration poll

This poll of 1,000 Australians was commissioned by the Institute of Public Affairs. Data for this poll was collected by marketing research firm Dynata between 13 April and 14 April 2023 and rounded to the nearest whole number.

## QUESTION 1:

Australia should temporarily pause its intake of new immigrants until more economic and social infrastructure, such as schools, roads, hospitals, and houses, are built.

Agree	60%
Disagree	28%
Don't know	13%
NET	100%

	By gender	
Column %	Male	Female
Agree	62%	57%
Disagree	26%	29%
Don't know	11%	15%
NET	100%	100%

	By age					
Column %	18-24	25-34	35-44	45-54	55-64	65+
Agree	47%	58%	62%	57%	66%	63%
Disagree	33%	31%	25%	28%	23%	27%
Don't know	21%	11%	13%	15%	11%	9%
NET	100%	100%	100%	100%	100%	100%

	By state						
Column %	ACT	NSW	QLD	SA	TAS	VIC	WA
Agree	40%	61%	58%	51%	60%	62%	63%
Disagree	45%	27%	25%	39%	35%	27%	24%
Don't know	15%	12%	17%	10%	5%	12%	13%
NET	100%	100%	100%	100%	100%	100%	100%

**QUESTION 2:**

**Australia is a tolerant and welcoming nation.**

<b>Agree</b>	<b>85%</b>
<b>Disagree</b>	<b>9%</b>
<b>Don't know</b>	<b>6%</b>
<b>NET</b>	<b>100%</b>

	<b>By gender</b>	
Column %	Male	Female
Agree	89%	82%
Disagree	7%	11%
Don't know	4%	7%
NET	100%	100%

	<b>By age</b>					
Column %	18-24	25-34	35-44	45-54	55-64	65+
Agree	79%	83%	82%	86%	87%	93%
Disagree	13%	12%	11%	8%	8%	4%
Don't know	8%	5%	7%	6%	5%	2%
NET	100%	100%	100%	100%	100%	100%

	<b>By state</b>						
Column %	ACT	NSW	QLD	SA	TAS	VIC	WA
Agree	90%	86%	83%	90%	65%	83%	89%
Disagree	5%	7%	13%	7%	10%	12%	7%
Don't know	5%	7%	5%	3%	25%	5%	4%
NET	100%	100%	100%	100%	100%	100%	100%

### QUESTION 3:

Australian pensioners, veterans, and students should receive first preference for Australian jobs rather than new migrants.

Agree	69%
Disagree	21%
Don't know	10%
NET	100%

Column %	By gender	
	Male	Female
Agree	71%	67%
Disagree	21%	21%
Don't know	8%	12%
NET	100%	100%

Column %	By age					
	18-24	25-34	35-44	45-54	55-64	65+
Agree	58%	65%	72%	69%	75%	71%
Disagree	27%	27%	21%	19%	16%	17%
Don't know	15%	8%	8%	11%	9%	12%
NET	100%	100%	100%	100%	100%	100%

Column %	By state						
	ACT	NSW	QLD	SA	TAS	VIC	WA
Agree	45%	69%	74%	74%	50%	65%	71%
Disagree	40%	21%	17%	16%	45%	24%	15%
Don't know	15%	10%	10%	10%	5%	10%	14%
NET	100%	100%	100%	100%	100%	100%	100%

#### QUESTION 4:

The federal government is proposing to let in a further 650,000 migrants over the next two years. This is:

Too many	64%
Not enough	6%
The right amount	30%
NET	100%

	By gender	
Column %	Male	Female
Too many	61%	66%
Not enough	6%	5%
The right amount	32%	28%
NET	100%	100%

	By age					
Column %	18-24	25-34	35-44	45-54	55-64	65+
Too many	41%	56%	65%	64%	76%	77%
Not enough	12%	10%	6%	4%	2%	1%
The right amount	48%	34%	29%	31%	22%	23%
NET	100%	100%	100%	100%	100%	100%

	By state						
Column %	ACT	NSW	QLD	SA	TAS	VIC	WA
Too many	50%	64%	65%	67%	60%	65%	66%
Not enough	5%	6%	6%	0%	5%	7%	5%
The right amount	45%	31%	29%	33%	35%	28%	29%
NET	100%	100%	100%	100%	100%	100%	100%



**PARLIAMENTARY RESEARCH BRIEF**

A Research note from the Institute of Public Affairs distributed to all Australian parliamentarians

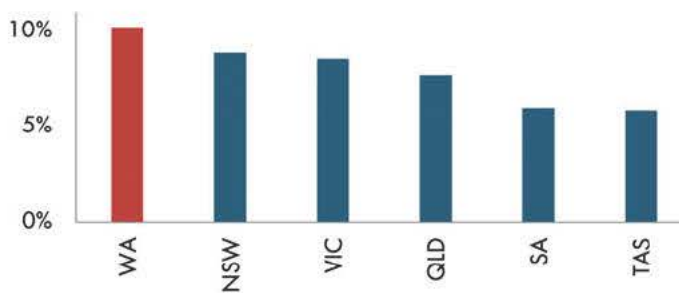


# WESTERN AUSTRALIA IS WORST AFFECTED BY CRIPPLING WORKER SHORTAGE

Australia is currently experiencing a persistent and unprecedented, country-wide shortage of workers.

Currently, Western Australia is hardest hit by worker shortages. The number of job vacancies in WA is equivalent to 10% of the WA working age population not in the labour force, close to double states such as South Australia.<sup>1</sup>

**Chart 1: Job vacancies as a percentage of working-age West Australians not in labour force**

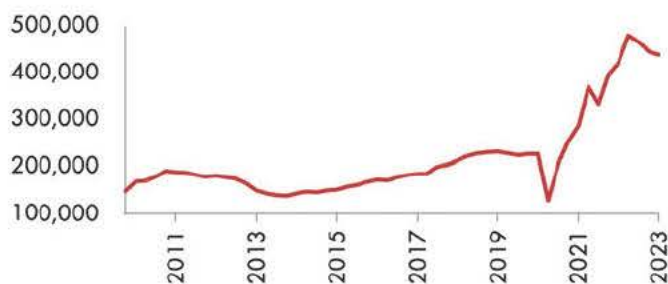


Source: ABS

## Australia’s worker shortage crisis is unprecedented

Australia has experienced a sharp increase in the number of job vacancies since March 2020. According to the Australian Bureau of Statistics, there were 438,500 reported job vacancies in February 2023 and one quarter of businesses cannot find enough workers.<sup>2</sup>

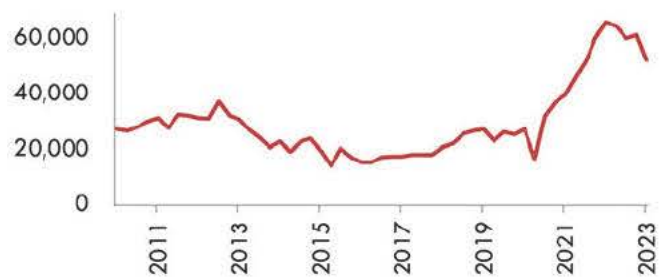
**Chart 2: Number of job vacancies in Australia**



Source: ABS

In WA, there are almost 53,000 job vacancies – double the number prior to Covid – and over one in five businesses cannot find enough workers.<sup>3</sup>

**Chart 3: Number of job vacancies in Western Australia**



Source: ABS

The unprecedented worker shortage imposes significant consequences on Australian taxpayers. IPA analysis in August 2022 found that Australia’s worker shortages accounted for:

- \$32 billion in lost wages
- \$6.8 billion in forgone income tax revenue for the federal government annually.<sup>4</sup>

## WA pensioners, veterans, and students face unfair barriers to work

- Pensioners and veterans can only earn \$226 a week before they lose 50 cents on the dollar in pension payments.
- Students on Youth Allowance lose 60 cents on the dollar once they earn more than \$288 per week.
- Pensioners, veterans, and students face red tape and government bureaucracy and form-filling which discourages work.

As a result of these barriers, only 3% of pensioners and veterans in WA and Australia are currently in work, compared with 25% in New Zealand, which does not have red tape or tax barriers to work.

The federal government attempted to address worker shortages by passing in November 2022 the *Social Services and Other Legislation Amendment (Workforce incentive) Act 2022*, which meant pensioners could earn \$226 per week instead of \$150 before losing 50 cents on the dollar. This is the equivalent to allowing pensioners and veterans to work only an extra half day a week.

## Three reforms that can help address the worker shortage crisis

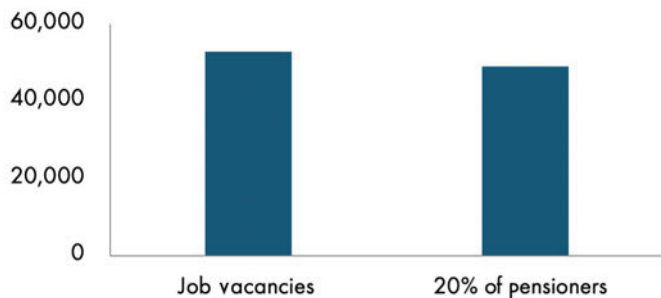
### Pension reform

Under the current pension rules, the combined earnings and pension payments of an aged pensioner are subject to income tax.

- This means that age pensioners and veterans are potentially subject to a tax rate of 69%.<sup>5</sup>
- A recent survey by National Seniors revealed that 20% of all Australian pensioners would consider re-joining the workforce if penalties on work were adequately eased.<sup>6</sup>
- IPA analysis has found that allowing pensioners and veterans to work without also reducing their benefits is a responsible and cost-effective solution.<sup>7</sup>

According to the Department of Social Services, there are 247,385 pensioners in Western Australia.<sup>8</sup> If 20% of West Australian pensioners re-joined the workforce, there would be additional 49,477 workers in WA, an amount nearly equal to the total number of job vacancies in the state.

**Chart 4: Comparison of job vacancies to 20% of pensioners in Western Australia**



Source: DSS and ABS

### Youth Allowance reform

Similarly restrictive payment rules apply to students.

- Students receiving the Youth Allowance payment can earn \$240 per week before their payments begin to be reduced.
- For every dollar over \$240 the student earns, their Youth Allowance payment is reduced by 50 cents.
- For every dollar over \$288 the student earns, their Youth Allowance payment is reduced by 60 cents.

Across the nation there are almost 125,000 students on the Youth Allowance, of which, 55% have no alternative income.<sup>9</sup>

As with pensioners and veterans, the loss of benefits should be removed for students.

### Criminal justice reform

Coinciding with the worker shortage crisis is a long-term emerging incarceration crisis. According to data released by the Productivity Commission in February 2023, it costs Australian state and federal governments \$6 billion in total prison expenditure, or \$148,000 per prisoner per year.<sup>10</sup>

Among the 41,833 prisoners, there are approximately 16,000 non-violent offenders who should not be incarcerated.<sup>11</sup> Instead, these offenders should be sentenced in the community, which would involve participation in offender employment programmes which target industries suffering from worker shortages.<sup>12</sup>

## End Notes

1. Australian Bureau of Statistics, 'Job Vacancies, Australia, February 2023' (March 2023); Australian Bureau of Statistics, 'Labour Force, Australia, February 2023' (March 2023).
2. Australian Bureau of Statistics, 'Job Vacancies, Australia, February 2023' (March 2023).
3. Australian Bureau of Statistics, 'Job Vacancies, Australia, February 2023' (March 2023).
4. Daniel Wild and Saxon Davidson, *Australia's Unprecedented Worker Shortage: Causes and Solutions* (Institute of Public Affairs, August 2022).
5. Daniel Wild and Saxon Davidson, *Australia's Unprecedented Worker Shortage: Causes and Solutions* (Institute of Public Affairs, August 2022) 4.
6. National Seniors Australia, 'Let Pensioners Work and Pay Tax' (2022).
7. Daniel Wild and Saxon Davidson, *Australia's Unprecedented Worker Shortage: Causes and Solutions* (Institute of Public Affairs, August 2022).
8. Department of Social Services, 'DSS Payment Demographic Data' (March 2023).
9. Ibid.
10. Productivity Commission, 'C8: Corrective Services' in *Report on Government Services 2023* (31 January 2023).
11. Morgan Begg, 'Better ways to deal with many who are incarcerated', *The Daily Telegraph* (12 June 2023).
12. Mirko Bagaric and Morgan Begg, *Let Them Work: How Criminal Justice Reform Can Help Address Australia's Worker Shortage* (Institute of Public Affairs, March 2023).



June 2023

# MASS MIGRATION INDUCED HOUSING SHORTAGE

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# Introduction

This research report estimates the shortfall in housing supply as a result of the expected increase to migration announced by the federal government.

The study was conducted by making adjustments to a net annual dwelling supply and demand forecast, modelled by the National Housing Finance and Investment Corporation.<sup>1</sup> The adjustments incorporate new data on overseas migration intake contained in the 2023-24 federal budget,<sup>2</sup> which estimates that net overseas migration could bring in up to 1.755 million new immigrants by the financial year ending 2028.

New net migration figures in the May 2023 budget represent an excess of 379,000 migrants over the initial estimates between 2022 and 2028, announced in the October budget last year.

Key findings in this report are as follows:

- Between 2023 and 2028, net overseas migration to Australia is expected to reach 1.755 million. This is the equivalent to 117,000 new households formed from immigration alone in search of housing every year.
- This will be in addition to the creation of 69,617 new domestic households every year, which will require 417,700 new housing units by 2028.
- Between 2023 and 2028, housing supply is forecast to increase by only 866,900 units.
- This will result in a net housing supply **shortfall of 252,800 housing units** from 2023 to 2028.<sup>3</sup> On a state and territory level, the expected housing shortage from 2023 to 2028 is as follows:
  - New South Wales: 70,889
  - Victoria: 62,168
  - Queensland: 54,591
  - Western Australia: 34,720
  - South Australia: 18,162
  - Tasmania: 8,922
  - The Northern Territory: 2,624
  - The Australian Capital Territory: 2,325

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1 NHFIC (2023, April) *State of the Nation's Housing 2022-23*, National Housing Finance and Investment Corporation: Sydney.

2 Federal Government (2023, May) *Budget 2023-24: Budget Strategy and outlook: Budget Paper No. 1*, Federal Treasury: Canberra.

3 The expected shortfall of housing has increased from the IPA's initial estimate in May due to the higher number of expected migrant intake announced in the most recent federal budget.

- The **aggregated cost of the shortage from 2023 to 2028 will be approximately \$142 billion or \$24 billion per annum on average**, based on the cost of the extra housing which would need to be constructed in order to accommodate the expected increase to migration. On a state and territory level, the costs are as follows:
  - NSW: \$50.36 billion
  - Victoria: \$33.56 billion
  - Queensland: \$27.16 billion
  - Western Australia: \$15.75 billion
  - South Australia: \$8.79 billion
  - Tasmania: \$3.73 billion
  - The Northern Territory: \$1.02 billion
  - The ACT: \$1.48 billion

# Research Methodology

This research report utilises data derived from: forecast modelling by the NHFIC's 2022-23 State of the Nation's Housing Report, the 2023-24 federal budget and the Australian Bureau of Statistics.

## On Australia-wide net new supply and demand estimates

Specifically, data relating to projected net new dwelling supply between the years 2022 and 2028 were derived from the NHFIC's report. Data relating to net new household formation, which indicate annual increases in demand, were based on both the said report and the budget's updated migration forecast.

The NHFIC's report assumed the steady-state net overseas migration level to be 235,000 individuals per annum, in line with the Centre for Population's prediction in its 2022 Statement and pre-pandemic numbers.<sup>4</sup> Its modelling assumed that net migration would reach this level by 2023, up from 150,000 in 2022.

Data used for the NHFIC's modelling, however, has been superseded by subsequent government information releases. The May budget's forecast suggests that net migration intake will be considerably higher: at 715,000 individuals between 2023 and 2024, before falling to 260,000 individuals per year: an annual steady state over the forward estimate that is higher by 25,000 individuals than initially forecast in the October 2022 budget and the Centre for Population's initial estimate.

The housing supply and demand estimates, presented in this report, adjusts the NHFIC's initial assumption in light of the new and elevated net overseas migration numbers in the budget.<sup>5</sup>

To give context to the study, ABS data have also been collected to cover the five years before 2022, namely the period just prior to and during the pandemic.

New net dwelling supply for each year prior to 2022 was taken to be the equivalent to the year-by-year change in estimated stock of dwelling as reported in the ABS' national dwelling stock statistics.<sup>6</sup> Historical data on new net household formation is based on an analysis of ABS data on the change in Australia's population - attributable to natural increases and net overseas migration.<sup>7</sup>

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4 Centre for Population (2022) *2022 Statement*, Commonwealth Treasury: Canberra.

5 For the purpose of this report, each financial year's migration intake is assigned to the calendar year in which the financial year ends.

6 ABS (2022, October) *Estimated dwelling stock*: Provides quarterly estimates of dwelling stock, additions and removals, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/industry/building-and-construction/estimated-dwelling-stock/latest-release#:~:text=Australia's%20dwelling%20stock%20was%2010%2C879%2C349,additions%20and%206%2C987%20dwelling%20removals>.

7 ABS (2023, March) *National, state and territory population*: Statistics about the population and components of change (births, deaths, migration) for Australia and its states and territories, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/sep-2022#data-downloads>.



For each year, the net increase in housing supply is compared against the net increase in the number of households in Australia to arrive at either a surplus or a shortfall. Increased migration intake increases the number of new households and, therefore, demand for new housing units. The outcome is to reduce any surplus housing or exacerbate any shortage.<sup>8</sup>

For the purpose of this report, housing units can be detached homes, apartments and other forms of dwelling in which an individual or family lives. A household can consist of one or more people, related or otherwise, that lives in the same housing unit (e.g., friends sharing a home, a nuclear family or a single person living on their own).

The 2021 Census finds that Australia has an average household size of 2.5.<sup>9</sup> This is the average number of people throughout the country who occupy a dwelling unit. The number of people in Australia which constitutes a household has been somewhat stable since the year 2000.<sup>10</sup> In this report, therefore, the assumption is made that a new household is formed for every additional 2.5 new residents.

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8 This report is concerned with the gap in housing availabilities for new households. Accordingly, new net dwelling supply and new net household formation are used as determinants of the gap in the analysis. This follows the methodology in the NHFIC's report in favour of utilising aggregate supply and demand data, which capture market and investor sentiments - among other factors - that have the potential to cloud the result.

9 ABS (2022, June) Snapshot of Australia: A picture of the economic, social and cultural make-up of Australia on Census Night, 10 August 2021, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/people/people-and-communities/snapshot-australia/latest-release#:~:text=The%202021%20Census%20counted%20more,2016%20to%202.5%20in%202021>.

10 Qu (2018, May) Population and Households: Population Growth, *Australian Institute of Family Studies*, Available from: <https://aifs.gov.au/research/facts-and-figures/population-and-households>; GlobalData (2022) Average Size of Households in Australia (2010 - 2021), *Data and Insights*, Available from: <https://www.globaldata.com/data-insights/macroeconomic/average-household-size-in-australia-2096118/#:~:text=Size%20in%20Australia,Australia%20had%20an%20average%20household%20size%20of%202.59%20people%20in,2021%2C%20between%202010%20and%202021>.

## On state by state net new supply and demand estimates

The NHFIC’s modelling provides a state by state breakdown of the aforementioned new net dwelling supply and demand forecast.<sup>11</sup> But state-level data do not distinguish overseas migration-driven net demand increases from demand increases arising from other factors such as interstate migration and natural growth.

In this report, then, state and territory allocation of migration intake is extrapolated based on state and territory population data as follows:<sup>12</sup>

**Table 1: State by state population breakdown**

State	Capital City	Population	Share of Population
NSW	Sydney	8,193,500	31%
VIC	Melbourne	6,656,300	25%
QLD	Brisbane	5,354,800	21%
SA	Adelaide	1,828,700	7%
WA	Perth	2,805,000	11%
TAS	Hobart	571,900	2%
NT	Darwin	250,600	1%
ACT	Canberra	459,000	2%

This means that we assume migration pattern into different parts of Australia to follow the current state by state makeup of the overall population. This approach is preferred to apportioning migrant numbers based on state of arrival because the latter disproportionately allocate migrant intake to the states with the busiest international airports.

Since the focus of this report is on the impact of overseas migration, growth in state population arising from interstate migration are not distinguished from natural growth, namely births minus deaths. Consequently, domestic interstate movement is taken to be a part of an ‘organic’ change.

<sup>11</sup> The individual states’ data in the State of the Nation’s Housing Report do not add up exactly to the national data, but the discrepancies are minor. No discrepancy, in any single year, add up to more than 1% of the sum.

<sup>12</sup> ABS (2023, March) National, state and territory population: Statistics about the population and components of change (births, deaths, migration) for Australia and its states and territories, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/people/population/national-state-and-territory-population/sep-2022#data-downloads>; Centre for Population (2023, January) Centre for Population Projections, *Centre for Population*, Available from: <https://population.gov.au/data-and-forecasts/projections>.

## Nationwide Housing Supply Gap

The baseline forecast, informed by the NHFIC’s State of the Nation’s Housing Report, estimates a cumulated housing supply shortfall of 114,800 units between 2023 and 2028, subsequent to which the annual supply of housing was meant meet and then exceed the demand for new housing every year.

This was anchored on the assumption that net overseas migration brought in 150,000 new residents last year before reaching a steady state of 235,000 per annum from this year onwards. This will be the equivalent to 94,000 households.

**Table 2: Baseline forecast**

Year	New Net Dwelling Supply	New Net Household Formation			New Dwelling Supply – Household Formation
		Total	Organic	Net Migration	
2017	189,609	153,440	56,800	96,640	36,169
2018	197,104	159,200	58,320	100,880	37,904
2019	178,597	154,640	55,600	99,040	23,957
2020	159,595	50,360	52,360	-2,000	109,235
2021	153,297	59,640	57,280	2,360	93,657
2022	143,800	132,400	72,400	60,000	11,400
2023	148,500	139,200	45,200	94,000	9,300
2024	138,200	150,400	56,400	94,000	-12,200
2025	127,500	176,400	82,400	94,000	-48,900
2026	134,600	173,700	79,700	94,000	-39,100
2027	155,700	171,100	77,100	94,000	-15,400
2028	162,400	170,900	76,900	94,000	-8,500

Housing supply is expected to decline from a high of almost 200,000 units annually, prior to the pandemic, to 127,500 in 2025 before picking up again in a belated response to increased demand. The decline has been due to a number of factors including: the rise in interest rates following an upsurge in inflation, the increasing cost of building materials, the increasing cost and scarcity of labour, and delays due to weather conditions and red tape.<sup>13</sup>

Demand for housing, on the other hand, is expected to strengthen - on the back of the expected return of migration intake to pre-pandemic levels and beyond. By 2024, household formation is expected to outstrip new net dwelling supply, meaning that – on balance – there will be more families looking for homes than there are homes being supplied to accommodate them.

<sup>13</sup> Diana Mousina (2023, April) Australia’s housing shortage, *EconoSights*, Available from: <https://www.amp.com.au/content/dam/amp-au/documents/insights/econosights-housing-shortage.pdf>; NHFIC (2023) *State of the Nation’s Housing 2022-23*, National Housing Finance and Investment Corporation: Sydney.



New Treasury figures, revealed in the May budget, however, suggests that demand for housing has already outpaced supply on the back of higher than expected net migration intake.

Net overseas migration in the financial year ending 2022 was 23 per cent higher than expected in the October budget, at 184,000. Intake for this year is 70 per cent higher than anticipated, at 400,000. Intake for next year is expected to be 34 per cent higher than anticipated, at 315,000. And the steady state migration intake going forward will be 10 per cent higher than anticipated at 260,000 per annum, up from 235,000 per annum in accordance with the October budget and Centre for Population estimate.

May 2023's budget papers ambiguously note that net overseas migration is expected to "[fall] back towards historical trends of 235,000 per year", but only after "the temporary catch-up effect from the pandemic subsidies" well beyond 2027. A counterpoint to the budget assertion of a return to pre-pandemic levels is the typical growth in net overseas migration in Australia in recent years. In the 15 years prior to the pandemic, the average annual growth in net overseas migration was 8.3 per cent. Net overseas migration falling, after 2027, to approximately half of today's level - and staying constant thereafter - is unlikely.

The furthest projected net overseas migration forecast is 260,000 in 2027. For simplicity, the present analysis assumes that the net overseas migration will stay at this level into 2028.

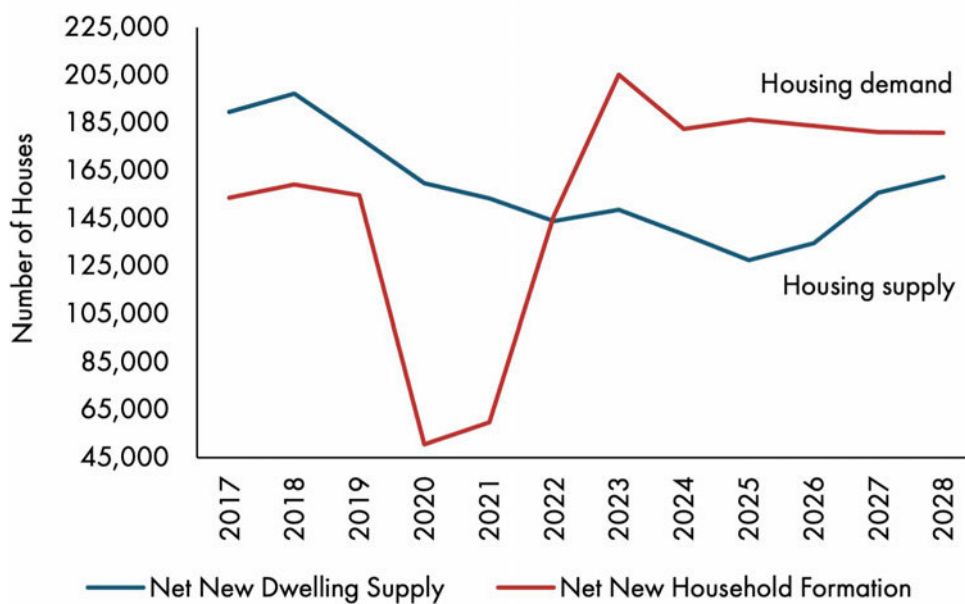
**Table 3: Housing supply shortfall due to migration expansion**

Year	New Net Dwelling Supply	New Net Household Formation			New Dwelling Supply – Household Formation
		Total	Organic	Net Migration	
2017	189,609	153,440	56,800	96,640	36,169
2018	197,104	159,200	58,320	100,880	37,904
2019	178,597	154,640	55,600	99,040	23,957
2020	159,595	50,360	52,360	-2,000	109,235
2021	153,297	59,640	57,280	2,360	93,657
2022	143,800	146,000	72,400	73,600	-2,200
2023	148,500	205,200	45,200	160,000	-56,700
2024	138,200	182,400	56,400	126,000	-44,200
2025	127,500	186,400	82,400	104,000	-58,900
2026	134,600	183,700	79,700	104,000	-49,100
2027	155,700	181,100	77,100	104,000	-25,400
2028	162,400	180,900	76,900	104,000	-18,500

As shown in Table 2 above, based on the updated figures, we estimate a housing supply shortfall of approximately 42,133 housing units each year between 2023 and 2028, for a total accumulated shortfall of 252,800 units. Over the course of the period, net migration intake is expected to increase by over 1.755 million people or the equivalent to 702,000 households.

The shortfall in housing supply is expected to continue into the foreseeable future, as shown in Chart 1 below.

**Chart 1: Housing supply shortfall due to migration expansion**



All else remaining constant, the increased migration intake will worsen Australia’s housing shortage and lengthen the time needed for the supply side of the market to catch up with the increased demand in housing.

We estimate the cost of building a residential dwelling to be \$516,314 – on average – across Australia’s capital cities, where the bulk of the population lives, and where the majority of new migrants are expected to settle.

The estimate is derived from applying the median cost of land and building per m<sup>2</sup> on the average size of new homes in Australia, namely 195.8 m<sup>2</sup>.<sup>14</sup>

**Table 4: Cost of building a new home<sup>15</sup>**

Capital City	Cost of Land per m <sup>2</sup>	Building Cost per m <sup>2</sup>	Total Cost
Sydney	\$1,898	\$1,730	\$710,362
Melbourne	\$1,087	\$1,670	\$539,821
Brisbane	\$851	\$1,690	\$497,528
Perth	\$607	\$1,710	\$453,669
Adelaide	\$531	\$1,940	\$483,822
Hobart	\$284	\$1,850	\$417,772
Darwin	\$193	\$1,800	\$390,209
Canberra	\$1,325	\$1,930	\$637,329

However, the total cost of addressing the aforementioned supply gap of 252,800 units will be more than simply multiplying the accumulated shortfall by the abovementioned unweighted average cost of building a residential dwelling. This is because the supply gap will be more prevalent in the most expensive states.

We estimate the cost of addressing the supply shortfall to be \$141.85 billion over the six years to 2028, which is the equivalent to \$23.64 billion per year between 2023 and 2028.

Our state by state analysis is presented in detail in the next section of the report.

<sup>14</sup> Craig James and Ryan Felsman (2020, November) Australian houses are again the world’s biggest, *Economic Insights*, CommSec: Sydney.

<sup>15</sup> Estimates derived based on data from: Statista (2023, April) Price per square meter of land in selected cities Australia 2022, *Statista*, Available from: <https://www.statista.com/statistics/736673/australia-land-price-per-square-meter-in-selected-areas/>; Domain Research (2023, February) Housing affordability: The price per square metre, *Domain*, Available from: <https://www.domain.com.au/research/housing-affordability-the-price-per-square-metre-1193910/>; NewsCorp (2018, February) Tasmanian land sales are up but prices are down, *Mercury*, Available from: <https://www.realestate.com.au/news/tasmanian-land-sales-up-prices-down/>; Koste (2023) Construction Cost Table, *Australian Building Construction Cost*, Available from: <https://koste.com.au/construction-cost-table/> (Note that the construction figures used are based on the ‘Standard House (Medium)’ estimate); Platinum Pro (2023, January) How much does it cost to build a house in Tasmania?, *Platinum Pro Construction*, Available from: <https://www.platinumproconstruction.com.au/blog/how-much-does-it-cost-to-build-a-house-in-tasmania/>; Kitome (2022, October) Calculating the Cost of Building a Home, *Kitome*, Available from: <https://kitome.com.au/blog/calculating-cost-building-home/>.



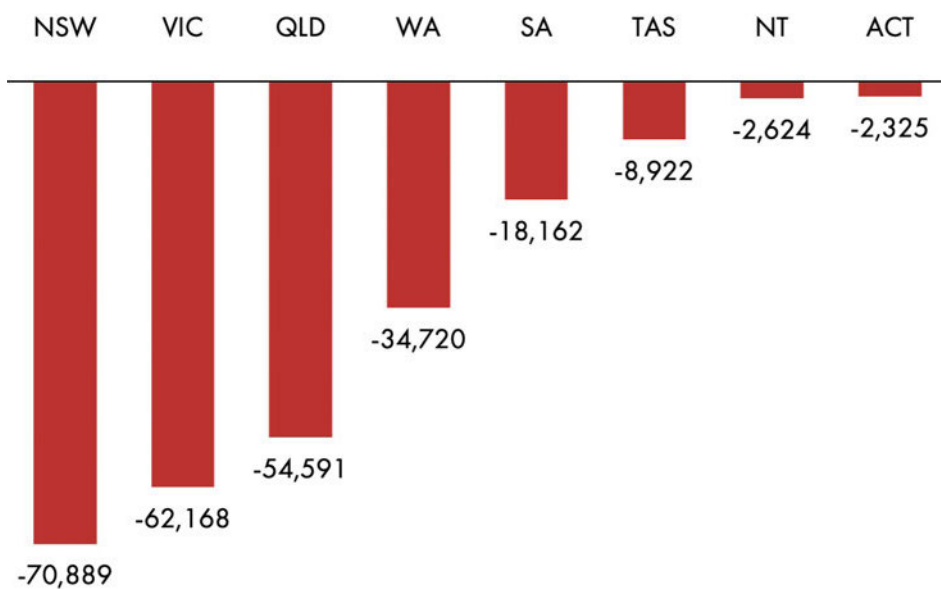
## State by State Analysis

This section of the report estimates the state by state impact of the expected housing supply shortfall that Australia is experiencing and will continue to experience to 2028 and beyond.

Assuming that migration pattern matches the distribution of Australia’s population among the eight states and territories, we expect each state and territory to suffer from housing supply shortages over the next decade. But the impact will not be evenly felt.

As Chart 2 below shows: NSW, Victoria and Queensland will bear the brunt of the housing supply shortfall – with the territories being the least affected.<sup>16</sup>

**Chart 2: Cumulative housing shortage in each state and territory from 2023-2028**



The Northern Territory is expected to benefit from both an increase in the housing supply and a slowing down in the rate of household formation.

The ACT will experience a slight pick up in the housing supply and a flatlined population growth, with overseas migration contributing to less than half of Canberra’s new household formation.

<sup>16</sup> The sum of the state by state supply shortfall estimates is 0.63% higher than the estimated nationwide shortfall as a result of the aforementioned slight discrepancy in the original state by state vs national data.

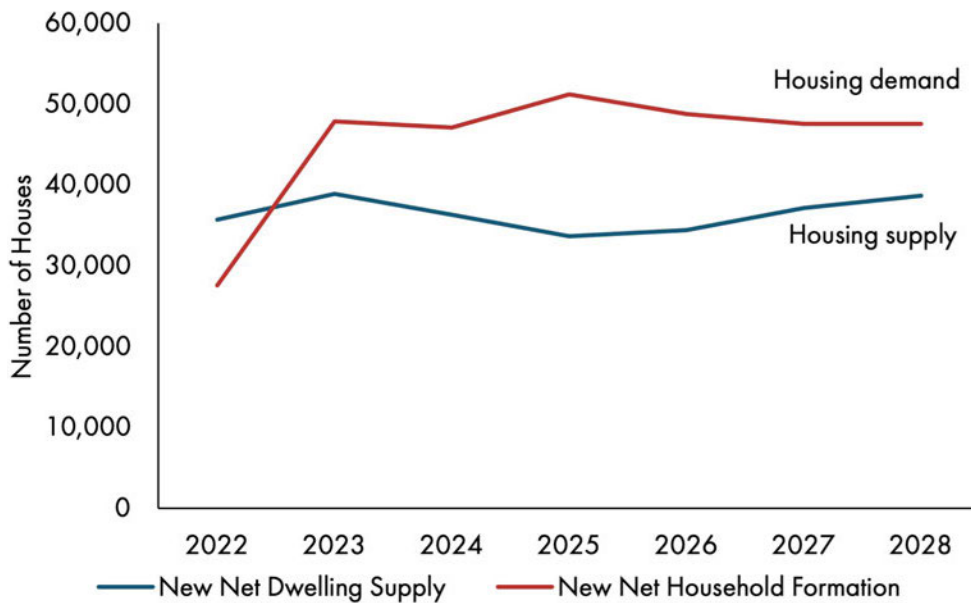
## New South Wales

**Table 5: New South Wales state estimates**

Year	New Net Dwelling Supply		New Net Household Formation		Net Migration	New Dwelling Supply – Household Formation
	Sydney	Rest of NSW	Total	Organic		
2022	23,400	12,300	27,566	4,479	23,088	8,134
2023	25,900	13,000	47,803	-2,387	50,190	-8,903
2024	24,500	11,800	47,038	7,513	39,525	-10,738
2025	22,800	10,800	51,137	18,513	32,624	-17,537
2026	22,900	11,500	48,737	16,113	32,624	-14,337
2027	25,100	12,000	47,537	14,913	32,624	-10,437
2028	25,800	12,800	47,537	14,913	32,624	-8,937

Between 2023 and 2028, NSW will experience a shortfall of 70,889 housing units. During the same period, NSW will receive an estimated 550,525 net new migrants, the equivalent of 220,210 new households through migration alone.

**Chart 3: Housing supply shortfall due to migration expansion in New South Wales**



Assuming that the construction of a new unit of housing for each new household in NSW is \$710,362, the total cost of the shortfall for the state will amount to \$50.36 billion. This will be the equivalent to \$8.39 billion per annum to 2028.

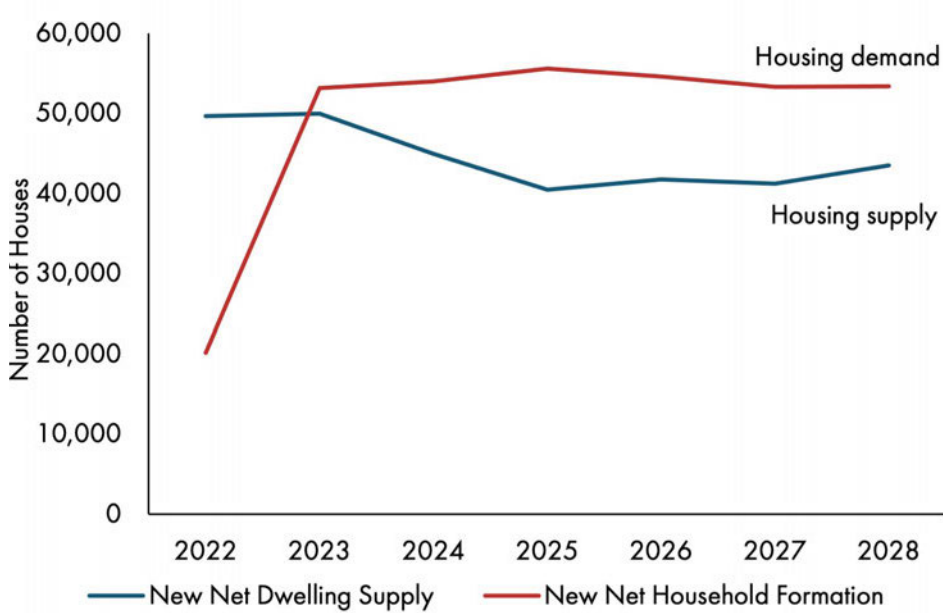
## Victoria

**Table 6: Victoria state estimates**

Year	New Net Dwelling Supply		New Net Household Formation		New Dwelling Supply – Household Formation
	Melbourne	Rest of VIC	Total	Organic	
2022	36,000	13,600	20,166	1,410	18,756
2023	37,000	12,900	53,119	12,345	40,774
2024	33,700	11,200	53,955	21,845	32,110
2025	30,600	9,800	55,548	29,045	26,503
2026	31,100	10,700	54,548	28,045	26,503
2027	30,900	10,300	53,248	26,745	26,503
2028	32,700	10,800	53,348	26,845	26,503

Between 2023 and 2028, there will be an estimated shortfall of 62,168 housing units in Victoria. During the same period, Victoria will receive an estimated 447,240 net new migrants, the equivalent of 178,896 new households through migration alone.

**Chart 4: Housing supply shortfall due to migration expansion in Victoria**



Assuming that the construction of a new unit of housing for each new household in Victoria is \$539,821, the total cost of the shortfall for the state will amount to \$33.56 billion. This will be the equivalent to \$5.59 billion per annum to 2028.

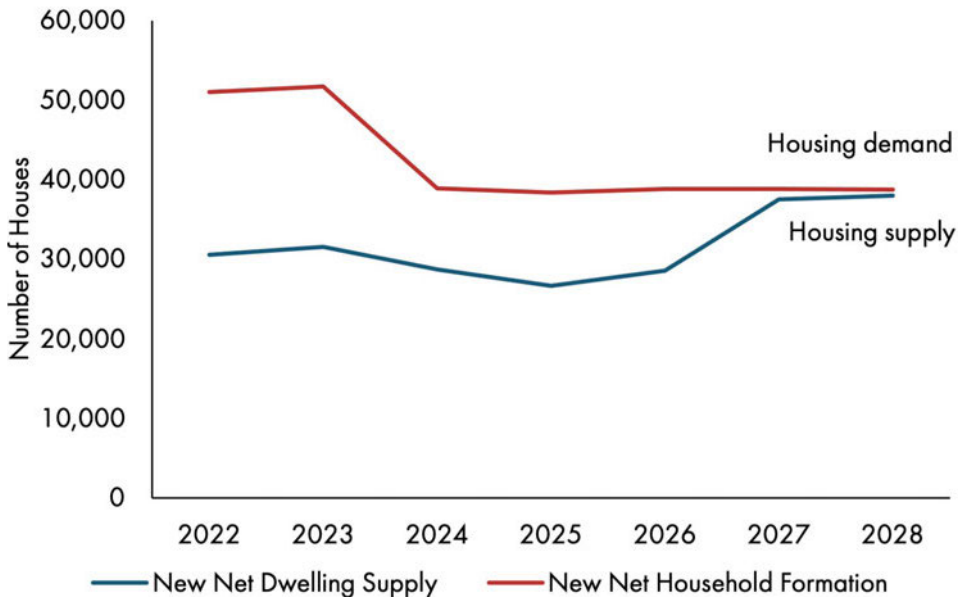
## Queensland

**Table 7: Queensland state estimates**

Year	New Net Dwelling Supply		New Net Household Formation		Net Migration	New Dwelling Supply – Household Formation
	Brisbane	Rest of QLD	Total	Organic		
2022	16,600	13,900	50,988	35,899	15,089	-20,488
2023	17,300	14,200	51,731	18,929	32,801	-20,231
2024	15,900	12,800	38,860	13,029	25,831	-10,160
2025	14,800	11,800	38,350	17,029	21,321	-11,750
2026	15,800	12,700	38,850	17,529	21,321	-10,350
2027	17,300	20,200	38,850	17,529	21,321	-1,350
2028	16,900	21,100	38,750	17,429	21,321	-750

Between 2023 and 2028, there will be an estimated shortfall of 54,591 housing units in Queensland. During the same period, Queensland will receive an estimated 359,790 net new migrants, the equivalent of 143,916 new households through migration alone.

**Chart 5: Housing supply shortfall due to migration expansion in Queensland**



Assuming that the construction of a new unit of housing for each new household in Queensland is \$497,528, the total cost of the shortfall for the state will amount to \$27.16 billion. This will be the equivalent to \$4.53 billion per annum to 2028.

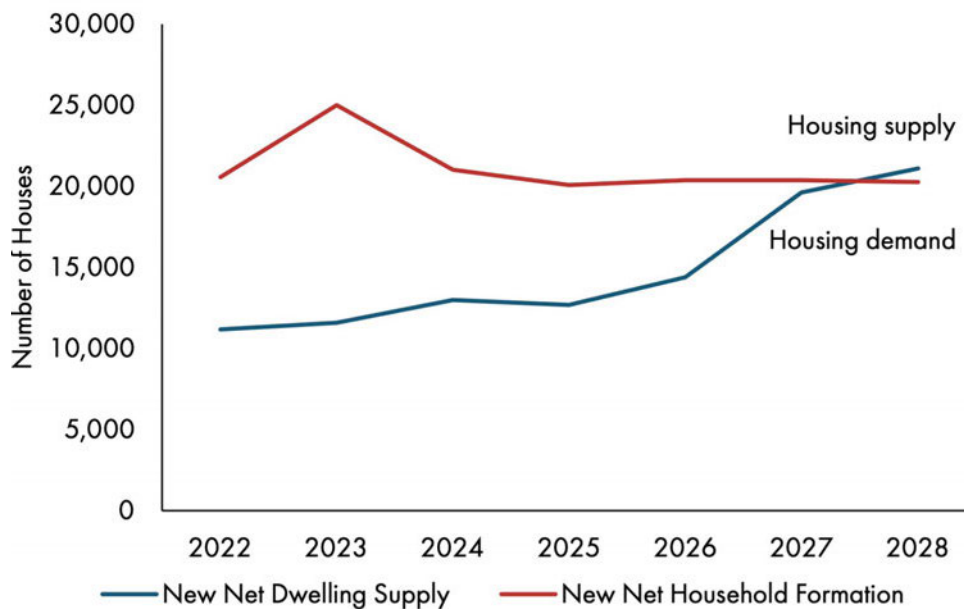
## Western Australia

**Table 8: Western Australia state estimates**

Year	New Net Dwelling Supply		New Net Household Formation			New Dwelling Supply – Household Formation
	Perth	Rest of WA	Total	Organic	Net Migration	
2022	9,500	1,700	20,561	12,657	7,904	-9,361
2023	9,600	2,000	24,988	7,805	17,182	-13,388
2024	10,900	2,100	21,036	7,505	13,531	-8,036
2025	10,500	2,200	20,074	8,905	11,169	-7,374
2026	11,600	2,800	20,374	9,205	11,169	-5,974
2027	16,500	3,100	20,374	9,205	11,169	-774
2028	17,500	3,600	20,274	9,105	11,169	826

Between 2023 and 2028, there will be an estimated shortfall of 34,720 housing units in Western Australia. During the same period, Western Australia will receive an estimated 188,470 net new migrants; the equivalent of 75,388 new households through migration alone.

**Chart 6: Housing supply shortfall due to migration expansion in Western Australia**



Assuming that the construction of a new unit of housing for each new household in Western Australia is \$456,669, the total cost of the shortfall for the state will amount to \$15.75 billion. This will be the equivalent to \$2.63 billion per annum to 2028.



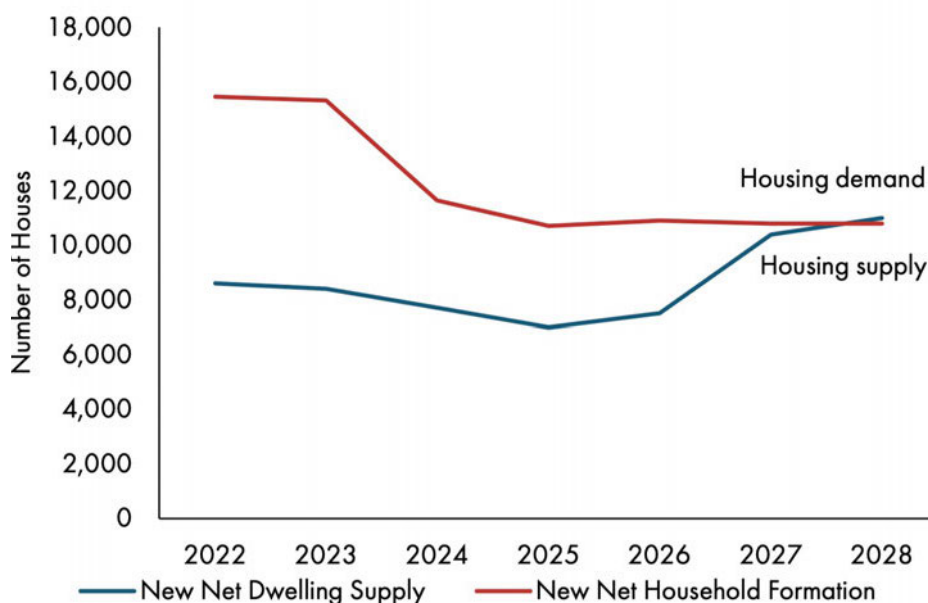
## South Australia

**Table 9: South Australia state estimates**

Year	New Net Dwelling Supply		New Net Household Formation		Net Migration	New Dwelling Supply – Household Formation
	Adelaide	Rest of SA	Total	Organic		
2022	6,700	1,900	15,452	10,299	5,153	-6,852
2023	6,700	1,700	15,321	4,119	11,202	-6,921
2024	6,200	1,500	11,640	2,819	8,822	-3,940
2025	5,600	1,400	10,700	3,419	7,281	-3,700
2026	5,900	1,600	10,900	3,619	7,281	-3,400
2027	8,600	1,800	10,800	3,519	7,281	-400
2028	9,000	2,000	10,800	3,519	7,281	200

Between 2023 and 2028, there will be an estimated shortfall of 18,162 housing units in South Australia. During the same period, South Australia will receive an estimated 122,870 net new migrants, the equivalent of 49,148 new households through migration alone.

**Chart 7: Housing supply shortfall due to migration expansion in South Australia**



Assuming that the construction of a new unit of housing for each new household in South Australia is \$483,822, the total cost of the shortfall for the state will amount to \$8.79 billion. This will be the equivalent to \$1.46 billion per annum to 2028.

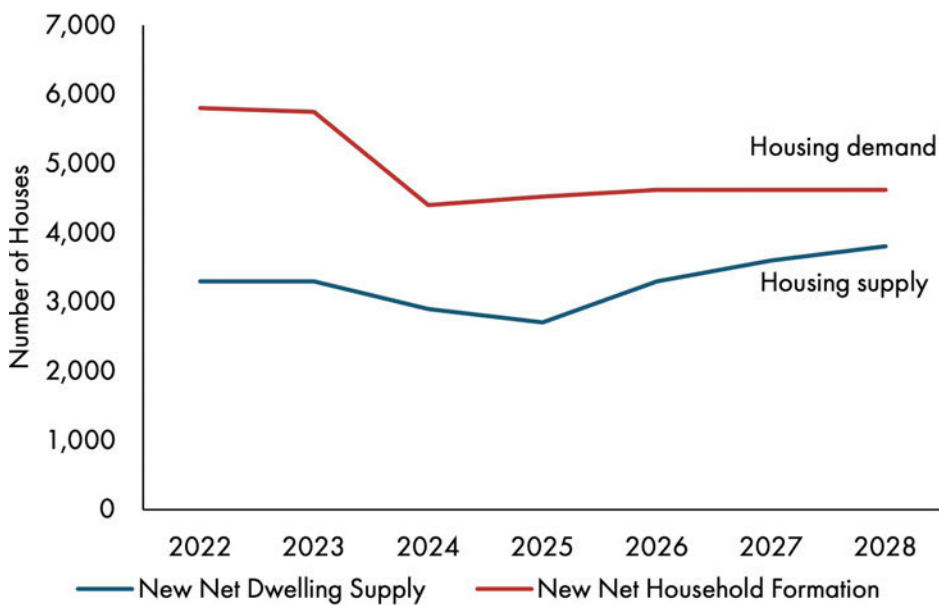
## Tasmania

**Table 10: Tasmania state estimates**

Year	New Net Dwelling Supply		New Net Household Formation			New Dwelling Supply – Household Formation
	Hobart	Rest of TAS	Total	Organic	Net Migration	
2022	1,500	1,800	5,798	4,186	1,611	-2,498
2023	1,500	1,800	5,745	2,242	3,503	-2,445
2024	1,300	1,600	4,401	1,642	2,759	-1,501
2025	1,200	1,500	4,519	2,242	2,277	-1,819
2026	1,400	1,900	4,619	2,342	2,277	-1,319
2027	2,300	1,300	4,619	2,342	2,277	-1,019
2028	2,500	1,300	4,619	2,342	2,277	-819

Between 2023 and 2028, there will be an estimated shortfall of 8,922 housing units in Tasmania. During the same period, Tasmania will receive an estimated 38,425 net new migrants, the equivalent of 15,370 new households through migration alone.

**Chart 8: Housing supply shortfall due to migration expansion in Tasmania**



Assuming that the construction of a new unit of housing for each new household in Tasmania is \$417,772, the total cost of the shortfall for the state will amount to \$3.73 billion. This will be the equivalent to \$621 million per annum to 2028.

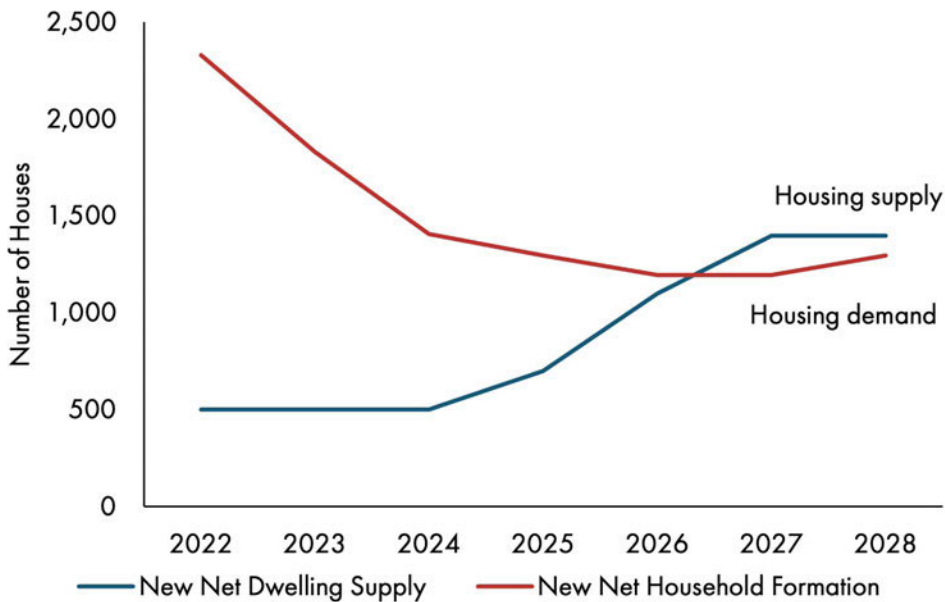
## Northern Territory

**Table 11: Northern Territory estimates**

Year	New Net Dwelling Supply		New Net Household Formation		Net Migration	New Dwelling Supply – Household Formation
	Darwin	Rest of NT	Total	Organic		
2022	400	100	2,330	1,624	706	-1,830
2023	400	100	1,833	298	1,535	-1,333
2024	400	100	1,407	198	1,209	-907
2025	500	200	1,296	298	998	-596
2026	800	300	1,196	198	998	-96
2027	1,000	400	1,196	198	998	204
2028	1,000	400	1,296	298	998	104

Between 2023 and 2028, there will be an estimated shortfall of 2,624 housing units in the Northern Territory. During the same period, the Northern Territory will receive an estimated 16,838 net new migrants, the equivalent of 6,735 new households through migration alone.

**Chart 9: Housing supply shortfall due to migration expansion in the Northern Territory**



Assuming that the construction of a new unit of housing for each new household in the Northern Territory is \$390,209, the total cost of the shortfall for the territory will amount to \$1.02 billion. This will be the equivalent to \$171 million per annum to 2028.

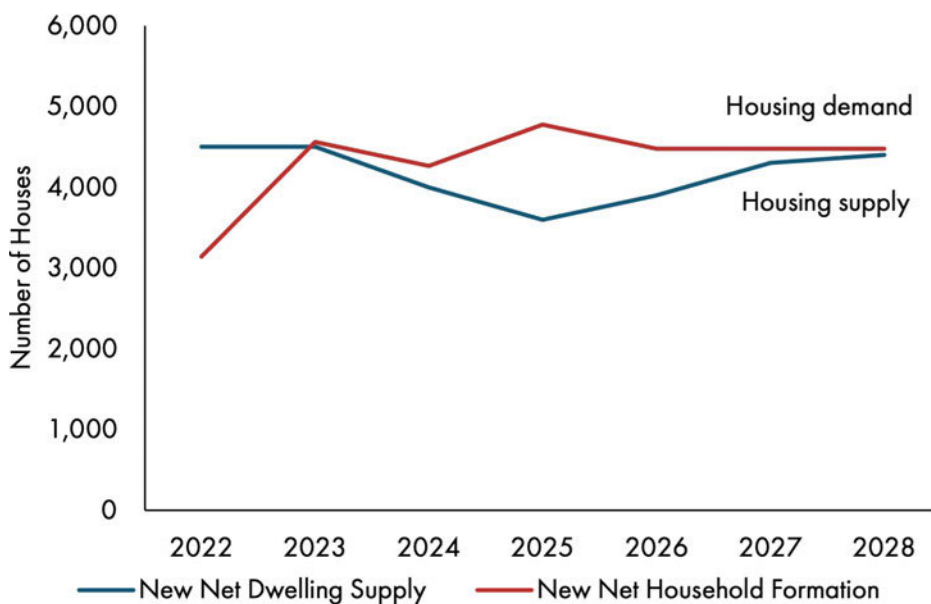
## Australian Capital Territory

**Table 12: Australian Capital Territory estimates**

Year	New Net Dwelling Supply	New Net Household Formation			New Dwelling Supply – Household Formation
		Total	Organic	Net Migration	
2022	4,500	3,139	1,846	1,293	1,361
2023	4,500	4,560	1,748	2,812	-60
2024	4,000	4,262	2,048	2,214	-262
2025	3,600	4,776	2,948	1,828	-1,176
2026	3,900	4,476	2,648	1,828	-576
2027	4,300	4,476	2,648	1,828	-176
2028	4,400	4,476	2,648	1,828	-76

Between 2023 and 2028, there will be an estimated shortfall of 2,325 housing units in the ACT. During the same period, the ACT will receive an estimated 30,840 net new migrants, the equivalent of 12,336 new households through migration alone.

**Chart 10: Housing supply shortfall due to migration expansion in the Australian Capital Territory**



Assuming that the construction of a new unit of housing for each new household in the ACT is \$637,329, the total cost of the shortfall for the territory will amount to \$1.48 billion. This will be the equivalent to \$247 million per annum to 2028.

## Conclusion

This research report estimates the shortfall in housing supply as a result of the net inflow of immigrants following the Commonwealth Government's lifting of international borders after the pandemic and its decision to rely on increased migration as a solution to address Australia's worker shortage crisis.

The study was conducted by making adjustments to a net annual dwelling supply and demand forecast, modelled by the NHFIC. The adjustments incorporate new data on overseas migration intake contained in the 2023-24 federal budget.

Key findings in this report are as follows:

- Between 2023 and 2028, net overseas migration to Australia is expected to reach 1.755 million. This population increase will be in addition to the natural increase of the domestic population. This is the equivalent to 117,000 new households formed from immigration alone in search of housing every year.
- This will be in addition to the creation of 69,617 new domestic households every year, which will require 417,700 new housing units by 2028.
- Between 2023 and 2028, housing supply is forecast to increase by only 866,900 units.
- This will result in a net housing supply **shortfall of 252,800 housing units** over the course of the period.
- The **aggregated cost of the shortage will be approximately \$142 billion or \$24 billion per annum**, which will have to be borne by Australian families through higher rent, a higher barrier to home ownership, higher taxes, higher inflation and a more severe cost-of-living crisis.





# MASS MIGRATION INDUCED HOUSING SHORTAGE

## About the Institute of Public Affairs

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The IPA supports the free market of ideas, the free flow of capital, a limited and efficient government, evidence-based public policy, the rule of law, and representative democracy. Throughout human history, these ideas have proven themselves to be the most dynamic, liberating and exciting. Our researchers apply these ideas to the public policy questions which matter today.

## About the authors

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JULY 2023

# AUSTRALIA'S HOUSING SHORTAGE

**International Student Intake  
Exacerbating Nationwide  
Housing Supply Shortfall**

**Morgan Begg**  
*Director of Research*

**Dr Kevin You**  
*Research Fellow*



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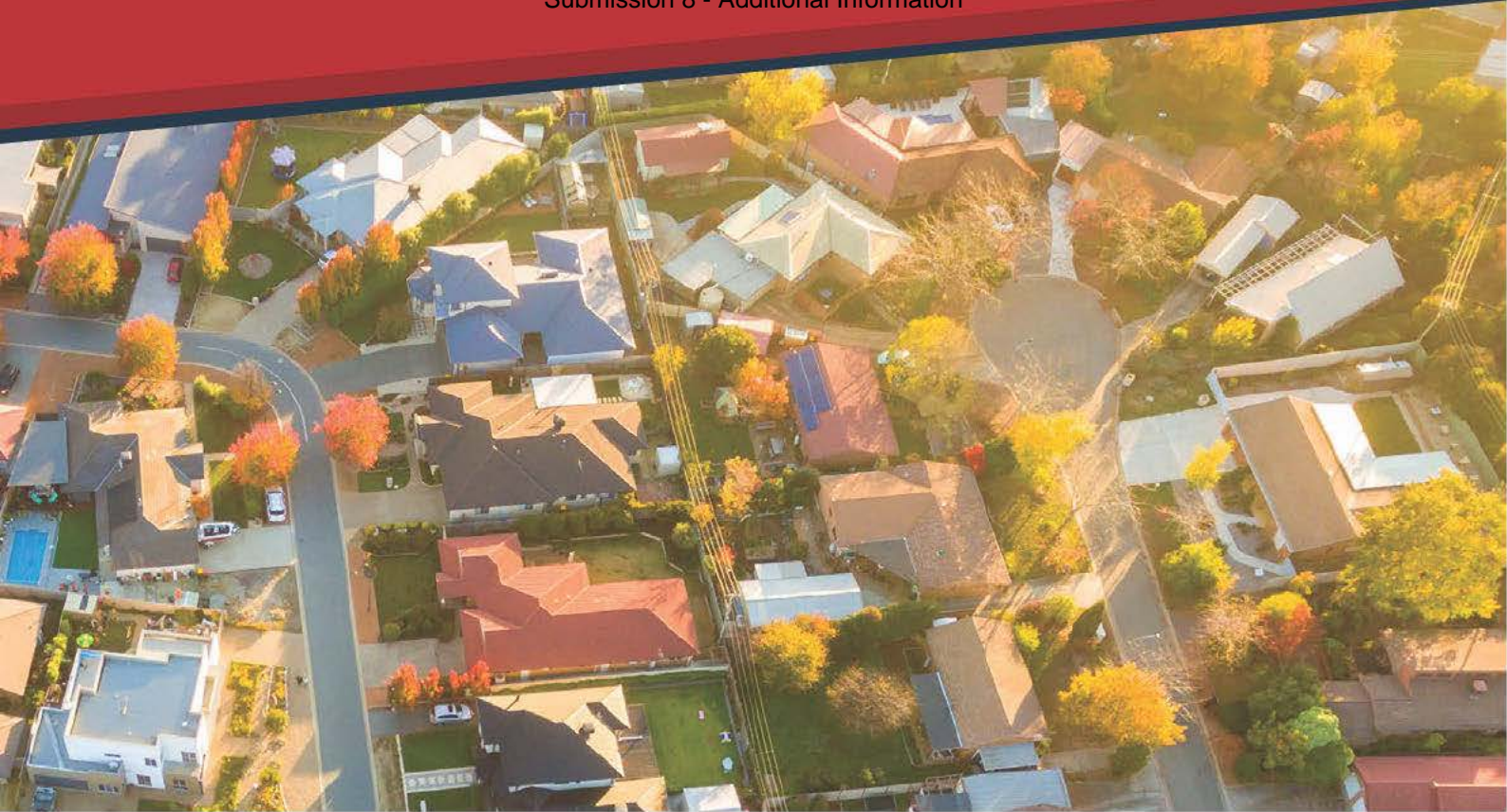
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Unprecedented international student arrivals to 2028	3
Impact of international student arrivals on housing supply	6
Compensating for the covid-19 decline	7
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## Key findings

- **Last financial year, the federal government oversaw the largest ever net intake of international students**, of more than 250,000 people, which was more than twice the previous high of 122,000 in the financial year ending 2009.
- Last financial year, on average across Australia, **new international students took up 70 per cent of the net new housing units supplied to the market**, leaving just 30 per cent for the rest of the nation, including other new migrants. The vast majority of students live in rental accommodation, and their entry into the rental market has been a major contributing factor to rental shortages and rapidly rising rental costs.
- Despite this, **the government is expected to bring in a further 187,000 net new international students this financial year**, with no apparent plan for where they will be housed, or how to absorb the extra pressure on infrastructure such as roads and public transport.
- This financial year, it is expected that international students will, on average across the nation, take up close to 55 per cent of net new housing supply.
- **From 2025 to 2028, it is expected that international students will take up approximately one-quarter of Australia's net new housing supply**, baking in housing shortages and rising rental prices.
- It was claimed that the increase to net international student intake compensates for the reduction in international student arrivals due to COVID-19. Yet the intake for the last, and expected intake for this, financial year **will result in more than 85,000 net arrivals above and beyond what would have been required to offset the COVID-19 decline**.





## Introduction

Research by the Institute of Public Affairs (IPA) finds that over the six years to 2028, Australia is set to face a net housing supply shortfall of 252,800 units.<sup>1</sup> A key contributor to this housing crisis is the Commonwealth Government's inability to rein in the influx of migrants subsequent to the lifting of international borders after the COVID -19 pandemic. A net of 1.755 million new immigrants are set to call Australia home between 2023 and 2028.

The *Australian Financial Review* has attributed this steep rise in migration to 'a rebound in the number of people living in Australia on student visas'.<sup>2</sup> This was subsequently acknowledged in the May 2023-24 Budget:

The reopening of international borders has seen a rapid recovery in the stock of international students, skilled temporary visa holders and working holiday makers in 2022-23. Second and third-year students who were studying online during the pandemic have been returning, in addition to those arriving in Australia to begin their studies.<sup>3</sup>

Almost two-thirds of the more than 400,000 net new migrants in the financial year ending 2023 have arrived in Australia on student visas. Another two thirds of the subsequent year's net migration intake will be made up of international students.

Many international students come to Australia for the primary purpose of working and seeking permanent residency rather than getting an education. Indeed, part-time work opportunities and a pathway to permanent settlement are the major selling points of educational and immigration agents, as well as tertiary education institutions, seeking to attract international students.

This research report studies the impact that the present volume of international student arrivals has, and will continue to have, on Australia's housing shortage. The consequences of the unprecedented influx of international students are not just felt by Australians but also the international students themselves, whose educational experience suffers as a result of issues associated with a lack of housing availability, especially in Australia's capital cities.

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- 1 Daniel Wild, Kevin You and Morgan Begg, *Mass Migration Induced Housing Shortage* (Institute of Public Affairs Research Report, June 2023).
  - 2 Michael Read, 'Migration to hit a record 400k this year amid a surge in students', *Australian Financial Review* (28 April 2023) <<https://www.afr.com/policy/economy/migration-to-hit-a-record-400k-this-year-amid-a-surge-in-students-20230428-p5d3zw>>.
  - 3 Commonwealth of Australia, *Budget 2023-24: Budget Strategy and Outlook: Budget Paper No. 1* (Treasury, Canberra, May 2023).



# Unprecedented international student arrivals to 2028

The Commonwealth Government began admitting fee-paying overseas students in 1986, prior to which only scholarship holders were permitted to study in Australia as international students.<sup>4</sup> Since then, student enrolment has risen rapidly. In 1987, there were 1,019 fee-paying international students enrolled in Australia's higher education institutions.<sup>5</sup> By 1993 this number had risen to 35,282 students.<sup>6</sup>

Between January and April 2023, there were 590,566 international students participating in 648,700 courses across the country.<sup>7</sup> Students from China and India alone make up close to 40 per cent of all international students in Australia.

The continued increase in the number of international students has been celebrated by universities awash with tuition revenues. Universities Australia, the peak body for Australian universities, boasted:

[International] education added over \$29 billion to the economy in 2022, with international students in Australia contributing \$25.5 billion and students studying online adding a further \$3.5 billion ... Education is our largest services export and the biggest product we don't source from the ground.<sup>8</sup>

However, this figure should be treated with scepticism. A large share of international students arrive in Australia with the expectation that much of their expenses and tuition will be paid for by working in Australia, not with money earned overseas.<sup>9</sup> Moreover, the calculation of education exports is a consequence of the Australian Bureau of Statistics (ABS) treating international students as residents of their home countries for the duration of their study. As economist and writer Dr Cameron Murray notes:

Notice that for everyone *but* international students, if they are working and living in Australia the value of goods and services they consume is not an export. Only international students are treated this way, despite most of them working locally... This is the statistical trick at the heart of the education exports figure.<sup>10</sup>

4 Colin Walters, 'International students – returning their investment: Australia's reform program for international education' (Paper presented at the Going Global Conference, Hong Kong, 2011); Alison Moodie, 'Australia: Long history of international higher education', *University World News* (6 March 2011) <<https://www.universityworldnews.com/post.php?story=20110305121304874>>.

5 No earlier data were available prior to 1987.

6 Australian Bureau of Statistics, 'Participation in Education: Overseas Students in higher education' (Australian Social Trends 1995, released 20 June 1995) <<https://www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aeca25706c00834efa/de4fd4d0af435ad4ca2570ec007521f0!OpenDocument>>.

7 Department of Education (Cth), *International Student Data: Monthly Summary*. Note that there are more enrolments than students since a student can study in more than one course in one calendar year. Many students enrol in English language and their main courses of study simultaneously.

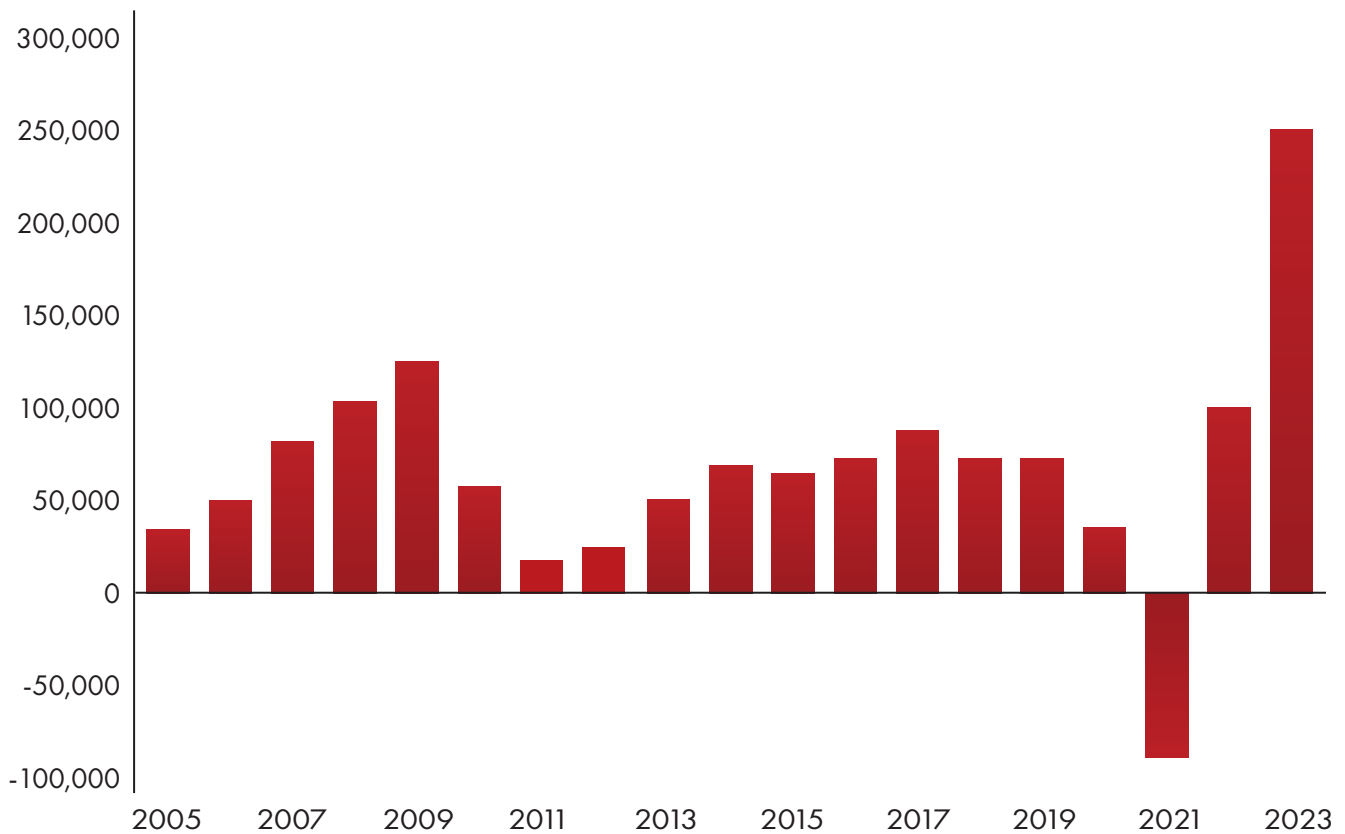
8 Catriona Jackson, 'International Education Adds \$29 Billion to the Economy', *Universities Australia* (28 February 2023) <<https://www.universitiesaustralia.edu.au/media-item/international-education-adds-29-billion-to-the-economy/>>.

9 Leith van Onselen, 'International Education was never a genuine export', *MacroBusiness* (13 April 2023) <<https://www.macrobusiness.com.au/2023/04/international-education-was-never-a-genuine-export/>>. For instance, Census data from the ABS reveals that 78 per cent of students from India, 81 per cent from the Philippines, 87 per cent from Nepal and 88 per cent from Colombia undertook paid employment to support themselves.

10 Cameron Murray, 'Australia's \$40 billion of education exports is a statistical trick', *Fresh Economic Thinking* (12 June 2023) <<https://www.fresheconomicthinking.com/p/australias-40-billion-of-education>>. See also Salvatore Babones, *The China Student Boom and the Risks it Poses to Australian Universities* (Centre for Independent Studies, Analysis Paper No 5, August 2019).

We have charted below, in Chart 1, the fluctuation in net international student intake since the financial year ending 2005.<sup>11</sup> It shows an increase to 2009, followed by a sharp two-year decline as a result of the global financial crisis, and then a gradual recovery between 2011 and the start of the covid-19 pandemic. Since then, net intake has risen sharply.

**CHART 1: Net international student intake**



Source: ABS, IPA

Our analysis of ABS data reveals that the financial year ending June 2023 saw the largest net international student intake on record, with a total of 253,940 new students settling in Australia.<sup>12</sup> This is the equivalent of 101,576 new households.

The average household in Australia – whether it be accommodated in an apartment, a detached house or any other type of housing – is made up of approximately 2.5 individuals. A household can consist of one or more people that live in the same housing unit, such as a nuclear family, a single person living alone or, indeed, a group of international students sharing an apartment.

In the financial year ending 2024, net student intake is estimated to reduce slightly from 2023, but will remain at an elevated level of 186,828 individuals, or the equivalent of 74,731 households.

<sup>11</sup> Net intake of international students is defined as student visa arrivals minus student visa departures.

<sup>12</sup> Australian Bureau of Statistics, 'Overseas Arrivals and Departures, Australia: Statistics on international travel arriving in and departing from Australia' (14 June 2023) <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>>.

This estimate is based on an average of the net student intake as a share of Australia’s population increase in the two years following the pandemic (i.e., at just over 41 per cent) and Australia’s expected population increase over the course of the year (i.e., at 454,300 people).<sup>13</sup>

Between the financial years ending 2025 and 2028, the net annual intake of international students is expected to stabilise to pre-pandemic levels. In the 15 years prior to the pandemic, between 2005 and 2019 (inclusive), net international student intake averaged approximately 18 per cent of overall population growth in Australia. We estimate that population growth between 2025 and 2028 to total 1,830,250 – or 457,563 per year.<sup>14</sup> The share of international students will therefore be 330,246 people or 82,561 people per year.

**TABLE 1: Estimated net international student intake to 2028**

FINANCIAL YEAR ENDING	NET STUDENT INTAKE	EQUIVALENT HOUSEHOLD
2023	253,940	101,576
2024	186,828	74,731
2025	82,561	33,024
2026	82,561	33,024
2027	82,561	33,024
2028	82,561	33,024

Source: IPA

Between the financial years ending 2023 and 2028, we expect 771,012 net new international students to settle in Australia, which will be the equivalent of 308,405 households.

<sup>13</sup> Centre for Population, ‘Budget 2023-24: Population projections, Australia, 2022-23 to 2033-34’ (Centre for Population Projections, 17 May 2023) <<https://population.gov.au/data-and-forecasts/projections>>.

<sup>14</sup> We have opted to base this estimate on the IPA’s adjustment of modelling data from the National Housing Finance and Investment Corporation as opposed to directly on the Centre for Population’s prediction because the Centre’s longer term population forecast has not been reliable, as demonstrated in the considerable revision in net migrant intake numbers given to Treasury. The Centre’s forecast for the financial year ending 2024, however, is comparable to the IPA’s 2024 estimate.

# Impact of international student arrivals on housing supply

In the years immediately prior to the pandemic, the share of new housing units claimed by international students averaged approximately 17 per cent. This is set to more than double to more than 36 per cent between 2023 and 2028 on the back of a continuing decline in housing supply and an increasing number of international students arriving in Australia.

**TABLE 2: International students' share of new housing units 15**

FINANCIAL YEAR ENDING	NEW NET HOUSING UNIT SUPPLY	NET ANNUAL STUDENT INTAKE	EQUIVALENT HOUSEHOLD	NEW STUDENTS TO NEW HOUSING PERCENTAGE
2023	148,500	253,940	101,576	68%
2024	138,200	186,828	74,731	54%
2025	127,500	82,561	33,024	26%
2026	134,600	82,561	33,024	25%
2027	155,700	82,561	33,024	21%
2028	162,400	82,561	33,024	20%

Source: IPA, NHFIC

The pressure put on the housing market following the surge in international student intake subsequent to borders re-opening has more than surpassed the supply recovery relief provided by the reduction in student intake in the midst of the pandemic.

Housing supply has declined, and is expected to continue to decline, from a high of almost 200,000 units annually, prior to the pandemic, to a low of 127,500 in 2025 before picking up again in a belated response to increased demand. The decline in supply has been attributed to a number of factors, including the inflation-induced rise in interest rates, the increasing cost of building materials, the increasing cost and scarcity of labour, and delays due to weather conditions and red tape.<sup>16</sup>

Moreover, the upsurge in housing demand attributable to the return of international students was unforeseen, with the Commonwealth Government having to make substantial revisions to its modelling between the October 2022 mini budget and May 2023 budget.

<sup>15</sup> The new net dwelling supply estimates were derived from Wild, You and Begg, *Mass Migration Induced Housing Shortage* (Institute of Public Affairs Research Report, June 2023). For the purpose of this report, each calendar year's dwelling supply estimate is assigned to the financial year that ends on 30 June of that calendar year.

<sup>16</sup> NHFIC, *State of the Nation's Housing 2022-23* (National Housing Finance and Investment Corporation Report, April 2023).





Net overseas migration in the financial year ending 2022 was 23 per cent higher than expected in the October budget. Intake for the financial year ending 2023 was 70 per cent higher than anticipated. Intake for the following year is expected to be 34 per cent higher than anticipated. And the steady state migration intake going forward will be approximately 10 per cent higher than anticipated. This constitutes a demand shock, for which the already struggling supply side of the housing market has failed to prepare.

The supply crisis has taken a toll not just on Australians but also on international students themselves. In May, ABC News broke a story about an international student experiencing insomnia and severe anxiety directly as a result of the stress associated with finding permanent accommodation upon arrival in Australia. Another student was forced to live in a hotel for almost a year before settling into a four-bedroom home with eight other migrants.<sup>17</sup> These are not isolated incidences.

At the start of the new financial year, *News.com.au* exposed a concerning trend of 'hot-bedding' among international students, whereby two or more strangers split the rent of a bedroom and rotate the use of a bed based on their study and work schedules.<sup>18</sup>

The consistent message from recent international students is that the housing crisis they encountered upon arrival in Australia was not at all what they had expected. Many were enticed by the promise of a better life in Australia by their agents and educational institutions – and they would have had second thoughts had they known they would face the prospect of homelessness upon arrival.

According to census data released in March 2023, there were already 122,494 homeless people in Australia on census night.<sup>19</sup> Given the continuing housing crisis, fuelled by the uncontrolled influx of migration and international student intake, this figure is likely to have increased since then.

<sup>17</sup> Annika Burgess and Kelly Wu, 'International students faced with housing and cost-of-living stress say they were misled about Australia', ABC News (19 May 2023) <<https://www.abc.net.au/news/2023-05-19/international-students-migrant-housing-crisis-living-costs/102355508>>.

<sup>18</sup> Georgina Noack, "'Hot-bedding' grows in popularity among international students in desperate move to beat rising rent', *News.com.au* (1 July 2023) <<https://www.news.com.au/finance/real-estate/renting/hotbedding-grows-in-popularity-among-international-students-in-desperate-move-to-beat-rising-rent/news-story/40d9255bb3489c3056360bd10b9f83c7>>.

<sup>19</sup> Australian Bureau of Statistics, 'Nearly 1 in 200 people homeless on Census night in 2021' (22 March 2023) <<https://www.abs.gov.au/media-centre/media-releases/nearly-1-200-people-homeless-census-night-2021>>.

## Compensating for the covid-19 decline

Claims have been made that the dramatic expansion to Australia's net international student intake is, in part, designed to offset the decline which occurred during covid-19. Yet, this claim is not supported by an analysis of the official figures.

Specifically, in the five years prior to the pandemic, net student intake averaged 76,524 per year. In the financial year ending 2020 that intake dropped to 30,750, and to negative 80,310 in 2021.

Had the intake across those two years been consistent with the pre-covid average, the total intake would have been 153,048.

The pandemic-induced student deficit over those two years was therefore 153,048, plus the total deficit during that period of 49,560, for a total of 202,608.

Yet, in the 2023 financial year, the government is estimated to have allowed a net of 253,940 international students to enter Australia – and is expected to allow a further 186,828 students this financial year, for a total of 440,768 students.

If the government had kept the intake of international students at the pre-covid average of 76,524, the intake for the financial years ending 2023 and 2024 would be 153,048.

The total number of net student arrivals in the current and previous financial years, which would have compensated for the pandemic related decline, in order to maintain the pre-covid average intake, is therefore 355,656 net new students.<sup>20</sup>

Given the expectation of a net intake of 440,768 students over this period, the notion that the influx of students in the last two financial years is merely to compensate for the covid-19 decline is unjustified.

By the end of this financial year, it is expected that there will be an excess of 85,112 international students over and above the net intake had the pandemic not taken place.<sup>21</sup> This is the equivalent to 34,045 new households or approximately 34 per cent of the housing supply shortfall over the course of the period.

In other words, 34 per cent of the housing supply shortfall in Australia over 2023 and 2024 is the equivalent to the excess of the net international student intake above and beyond pre-pandemic levels.

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<sup>20</sup> This number being equal to the two-year steady state average of 153,048 plus the 202,608 pandemic-induced decline in net student intake.

<sup>21</sup> i.e., if net intake remained and continued to be at pre-pandemic volume.



## Conclusion

Australia is in the midst of a housing crisis: a crisis that has been exacerbated by the unprecedented flow of migrants through Australia's borders.

Almost three-quarters of the 400,000 net new migrants in the financial year ending 2023 have arrived in Australia on a student visa. Almost two thirds of the subsequent year's net migration intake will be made up of international students.

Out of the 1.755 million new migrants expected to stay in Australia by the year 2028, close to half will enter the country on a student visa.

This IPA research report studies the impact that the current international student intake has and will continue to have on Australia's housing shortage. The consequences of the unprecedented inflow of international students are not just felt by Australians but also the students themselves, whose educational experience suffers from the housing shortage.

- **Last financial year, the federal government oversaw the largest ever net intake of international students**, of over 250,000 people, which is more than double the previous high of 122,000 in 2009.
- Last financial year, on average across Australia, **new international students took up 70 per cent of net new housing units supplied to the market**, leaving just 30 per cent for the rest of the nation, including other new migrants. The vast majority of these students live in rental accommodation, and their entry into the rental market has been a major contributing factor to rental shortages and rapidly rising rental costs.
- Despite this, **the government is expected to bring in a further 187,000 net new international students this financial year**, with no apparent plan of where they will be housed, or how to absorb the extra pressure placed on infrastructure such as roads and public transport.
- This financial year, on average across the nation, it is expected that international students will take up close to 55 per cent of net new housing supply.
- **And from 2025 to 2028, it is expected that international students will take up approximately one-quarter of Australia's net new housing supply**, baring in housing shortages and rising rental prices.
- It was claimed that the increase to net international student intake compensates for the reduction in international student arrivals due to covid-19. Yet the intake for the last financial year and the expected intake for this financial year **would result in more than 85,000 net arrivals above and beyond what would have been required to offset the covid-19 decline.**

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