

*Submission*

**Submission to the House  
of Representatives  
Standing Committee on  
Environment and  
Heritage**

**Inquiry into Sustainable Cities 2025**

**Australian Housing  
and Urban Research Institute**

October 2003



## **ACKNOWLEDGEMENTS**

The housing and urban policy research evidence base developed by AHURI is produced with funding from the Australian Government and the Australian States and Territories. AHURI Ltd gratefully acknowledges the financial and other support it has received from the Australian Government and the State and Territory governments, without which this work would not have been possible.

## **PURPOSE OF THIS SUBMISSION**

This submission reports findings from the housing policy research evidence base developed by the Australian Housing and Urban Research Institute (AHURI). The available research evidence, relevant to the Terms of Reference of the Inquiry, relates to the major demographic determinants of future urban settlement patterns in Australian cities and regions.

## **SUMMARY OF KEY POINTS**

- Demand for new dwellings in Australia is projected to remain high until 2011, particularly in the outer regions of the major capital cities, driven by smaller household sizes and an ageing population.
- Projected housing demand across Australia is approximately 128,000 dwellings a year between 2002 and 2011. This compares to 148,000 dwellings per year in recent boom years and suggests that the housing industry will not experience a severe bust following this boom.
- Social trends, such as the move towards smaller households, and the demographic reality of an ageing population, will continue to drive demand for new housing and will contribute to keeping demand high.
- Almost half a million dwellings are projected to be required in the outer areas of Australia's five largest cities between 2002 and 2011, creating a potential challenge for planning authorities.
- Coastal regions on the east coast, as well as Barwon in Victoria, Adelaide's hinterland and the South West and Kimberley regions of Western Australia are all projected to experience continued high growth.
- Population is expected to fall in 23 regions around Australia, mainly rural areas isolated from the major cities. But housing demand is expected to fall in only six of these 23 regions.

# THE AUSTRALIAN HOUSING AND URBAN RESEARCH INSTITUTE

The Australian Housing and Urban Research Institute – AHURI – is the national policy research institute responsible for the conduct of research on housing and urban policy matters. AHURI aims to inform policy development by government, industry and the community sector, and to stimulate debate on these issues in the broader community. Funded primarily by the Australian Government and all State and Territory Governments, the Institute has fifteen university partners that cluster into seven Research Centres across Australia. A small management company, AHURI Limited, is responsible for the day-to-day management of the Institute.

Since its re-establishment in 2000, AHURI has undertaken more than 100 research projects on a wide range of housing policy matters. The findings from this research programme are available free from the AHURI website: <http://www.ahuri.edu.au>.

Continuing AHURI research projects relevant to the terms of reference of the Inquiry are listed at Appendix A.

AHURI *Research Agenda 2004* (AHURI 2003) sets out current priority policy research areas that have been identified by the Australian Government and State and Territory governments, the community and non-government sector, and expert academics in relevant fields. Three key programs of research underway relate to:

- Housing Assistance and Non-Shelter Outcomes
- 21<sup>st</sup> Century Housing Careers and Australia's Housing Future
- Housing Affordability for Lower-Income Australians.

In 2004 a new suite of projects will commence addressing the following themes:

- housing assistance programmes
- housing futures
- programme integration and housing assistance
- urban management and infrastructure
- transforming communities

- indigenous housing
- homelessness and marginal housing
- the housing system.

The re-establishment of AHURI by Australian governments in 2000 has been important in redressing many years of under-investment in housing and urban policy research. In collaboration with its government stakeholders AHURI has concentrated development of the policy research evidence base, primarily, on issues associated with housing assistance for low-income Australians.

The House of Representatives Standing Committee on Environment and Heritage Inquiry into Sustainable Cities 2025 has highlighted the nexus between housing and sustainable patterns of urban development. The questions raised by the Discussion Paper *Sustainable Cities 2025: A Blueprint for the Future* point to an opportunity for industry, universities and government to invest in an ongoing program of research that will develop the evidence base for effective policy making in this field.

# RESEARCH EVIDENCE ON THE DEMOGRAPHIC DETERMINANTS OF FUTURE URBAN SETTLEMENT PATTERNS IN AUSTRALIAN CITIES AND REGIONS

The rate of growth in the number of new households, and the geographic distribution of those households, are key determinants of the demand for the construction of new housing and thereby a key determinant of patterns of urban settlement in Australia's cities and regions.

AHURI has developed a sophisticated model that enables accurate projections of the demand for housing to be made (McDonald 2001a,b). The research used 1996 Census data to project housing demand across 71 regions of Australia to 2011, and at the national level to 2030.

Detailed findings from this project are available from the AHURI website (McDonald 2001a,b). The key findings from the project are summarised in this submission, below.

## *Australia*

For much of Australia's history, housing demand in this country has been driven by population growth. However, this is no longer the case. From the 1990s, housing demand began to be driven by growth in *households*, not population.

Household growth has been driven by social trends, such as the increasing rate of separation and divorce. Demographic trends, including an ageing population, are also contributing to smaller but more numerous households as children leave the family home to start their own households, while parents age in place. At the same time, the 1990s also saw a rapid increase in the numbers of people living in Australia on a long-term temporary basis.

- Between 2002 and 2011 an additional 1,149,000 dwellings are projected to be required in Australia. This is approximately 128,000 dwellings a year for each of the nine years to 2011.
- This compares to the years 1999-2000 to 2001-2002, considered to be boom years, where new dwelling commencements averaged 148,000 per year (ABS, 2002).

## *Sydney*

Sydney is projected to account for 83% of the 529,000 growth in population in NSW and ACT for the period 2002 to 2011. Both the Outer North and Outer South of Sydney will experience population growth of around 23%. This outer ring of Sydney is also expected to experience the strongest growth in the number of households (by around one third) during that period, although numbers of households are also expected to increase in Middle and Inner Sydney.

Significantly, the composition of households in Sydney is predicted to change with a notable rise in the number of one-parent families and lone person households. For example, lone person households are projected to nearly double in just 15 years in the outer areas of Sydney. Outer Sydney is also expected to see substantial (35-39%) growth in the number of couple families without children. This is largely due to children leaving the parental home and forming new households while their parents stay in the family home.

The number of two-parent families with dependent children is also projected to grow in Sydney – unlike the rest of the state, where this household type is in decline over the period.

The growth in the number of households and the change in their composition are expected to lead to very high demand for new dwellings in some regions, with Outer Sydney South leading the way with a projected 10,000 new dwellings a year needed. It is important to understand that most dwellings in the outer regions of Sydney will continue to be occupied by the same people until at least 2011 – meaning there will be few dwellings freed up for younger families, and therefore demand for new housing will remain strong.

## *Melbourne*

Melbourne is predicted to account for 93% of the projected 396,000 Victorian population increase in the period 2002-2011 and most of Melbourne's increase in population will occur in two outer regions, Melbourne West (which includes suburbs such as Werribee, Craigieburn, Whittlesea and Melton) and Melbourne South (encompassing areas such as Pakenham, the Mornington Peninsula, Croydon and the Yarra Ranges).

The number of households is expected to grow faster than the total population. In Melbourne Inner, West and South, the total number of households is projected to grow by up to one third between 2002 and 2011.

As in Sydney, the composition of households is changing, with an increase in lone person households particularly notable in the two outer regions of Melbourne (as in Sydney). The outer regions are also projected to experience a large increase in the number of group households. Again like Sydney, Melbourne is the only part of the state in which the number of two-parent families with children is expected to grow.

The future demand for housing is likely to be considerable, due to the trends mentioned above. In the Melbourne South region alone, 90,000 dwellings would be required in the nine years from 2002 to 2011; Melbourne West would need 70,000; Melbourne East 33,000 and Inner Melbourne 26,000.

### *Other capital cities*

The pattern of growth and household composition evident in Sydney and Melbourne, is also evident in projections for Brisbane and Perth. In the outer areas of these two cities there will be a demand for an additional 10,000 dwellings a year. As in the other major cities, most of the outer suburban demand will be for separate houses.

Adelaide, Darwin and Hobart are slightly different to the other cities.

Net migration is expected to be close to zero for both South Australia and Adelaide, but the period to 2011 would see transfers of population within the state. People are projected to move out of Outer Adelaide and into Middle Adelaide and the Adelaide hinterland (known in the report as peri-metro Adelaide and encompassing areas such as the Barossa, Mount Barker and Victor Harbour).

In Darwin, household composition in the 1990s was weighted towards group households and couples with children. However, as with other areas, it is the older household types – lone persons and couples without children – that are expected to increase most rapidly over the period. Demand for housing grows as household growth outstrips population growth in the projection period, but what is particularly notable is that demand for public housing is expected to grow by 50%.

By contrast, Hobart, along with most of the rest of Tasmania, is expected to experience a fall in population of around 18,000 between 2002 and 2011. Substantial falls are projected in the number of two-parent families and one parent families, while the number of lone person households will rise considerably. Despite this, there will be an increase in housing demand throughout the state – although the increase is likely to be small in most cases.



**Table 1: Estimated additional demand for dwellings, 2002-2011 ('000s)**

<b>State or Territory</b>	<b>Total</b>	<b>Separate houses</b>	<b>Other dwellings</b>	<b>Private dwellings</b>	<b>Public dwellings</b>
NSW & ACT	335	216	119	310	25
Victoria	265	183	82	255	10
Queensland	306	214	92	293	13
South Australia	51	28	23	42	9
Western Australia	171	126	45	160	11
Tasmania	6	2	4	5.4	0.6
Nth. Territory	15	9	6	12	3
Australia	1,149	778	371	1,077.4	71.6

Source: McDonald 2001b, Table 10.1, p30.

### *Regional areas*

The strong movement away from small towns in regional Australia that was evident in the 1990s is projected to continue in the period up to 2011. Declines in population are predicted in a number of regional areas across Australia, but very few regional areas are expected to see a fall in the number of households. Those that do are likely to be the most isolated from regional centres and major capital cities.

The exceptions are the regions along the east coast of Australia, and areas such as Barwon in Victoria, the Adelaide hinterland (encompassing areas such as the Barossa, Mount Barker and Victor Harbour), and the South West and Kimberley regions in Western Australia – which are all projected to experience a continuation of the high growth of the 1990s. In Queensland, the Gold Coast is projected to continue strong growth, both in population and in housing demand, as is Caboolture (which includes areas such as Noosa, Maroochydore, Nambour, Buderim, Caloundra and Bribie Island).

### *Long-term projections of housing demand in Australia to 2030*

Extending the assumptions of the 2011 projections out to 2030, Australia sees a 37% increase in population (1996-2030) and a 61% increase in the number of households. Average household size falls from 2.64 to 2.25 persons by 2030. The number of households comprising only one person increases dramatically – by 249% – under these assumptions, while the number of ‘traditional’ households (couples with children) is projected to remain about the same (a 4% increase).

## *Research Methodology*

The projections use an innovative methodology developed specifically for AHURI and based on previous work by McDonald and Kippen (1998), which projects all individuals according to their Household Classification Type (HCT). The HCTs used in this project are a modified version of those used in the McDonald and Kippen work and enable individuals to be assigned to one of five categories – couples with co-resident children, one-parent families, couples with no co-resident children, lone persons and groups households. The project then used transition probabilities to estimate changes in HCT categories as people age. This method picks up changes that have already occurred to a particular age cohort when projecting the data. For a fuller explanation of the methodology used, please refer to the final report of this project (McDonald 2001b).

## *Caveats*

The projections are based on the 1996 Census data. Published tables from the 2001 Census enable a limited comparison of the projections of housing demand against the number of occupied private dwellings. In all States and territories, excluding the ACT, the projections were within one per cent of the 2001 dwelling supply. In the ACT the projections were 97.8% of the 2001 supply.

The projections give one (major) side to the story – the demand side. No supply-side determinants – land availability, prices, investment patterns etc. – are built into these projections. As a consequence, they occasionally provide unlikely results (such as predictions of strong demand for separate housing in inner urban areas where land availability is limited). This has the benefit, however, of highlighting where and how supply and demand will not match.

The project provides long-term projections (up to 2030) of housing demand at an Australia-wide level. The 2030 projections are not made for regional areas as the authors believe that over a thirty year period there is likely to be such variation in circumstances that the assumptions could not be expected to hold.

It should also be noted that, for some states/regions projections are based on trends evident in relatively small populations. Actual outcomes can therefore change quite dramatically with relatively small changes in the trends.

## REFERENCES

AHURI (2003) *Research Agenda 2004*, AHURI, Melbourne

[http://www.ahuri.edu.au/attachments/agenda\\_2004.pdf](http://www.ahuri.edu.au/attachments/agenda_2004.pdf)

McDonald, P. (2001a) *Medium and long term projections of housing demand in Australia: positioning paper*, AHURI, Melbourne

[http://www.ahuri.edu.au/attachments/pp\\_projections.pdf](http://www.ahuri.edu.au/attachments/pp_projections.pdf)

McDonald, P. (2001b) *Medium and long term projections of housing demand in Australia: final narrative report*, AHURI, Melbourne

[http://www.ahuri.edu.au/attachments/10014\\_final\\_medlongtermprojections.pdf](http://www.ahuri.edu.au/attachments/10014_final_medlongtermprojections.pdf)

McDonald, P. and Kippen, R. (1998) *Household Trends and Projections: Victoria 1986-2011*, Demography Program, Australian National University, Canberra

## APPENDIX A

*Continuing AHURI research relevant to the Inquiry*

Project	
70137	<p data-bbox="395 434 1406 533"><b>Affordability and sustainability outcomes of 'greenfield' suburban development and master planned communities - a case study approach using triple bottom line assessment</b></p> <p data-bbox="395 551 1458 649">Uses existing residential development case studies to develop a methodology for assessing the sustainability (economic, social and environmental) of different types of housing and urban development.</p> <p data-bbox="395 667 1230 696"><a href="http://www.ahuri.edu.au/publish/page.cfm?contentID=30&amp;projectid=45">http://www.ahuri.edu.au/publish/page.cfm?contentID=30&amp;projectid=45</a></p>
50224	<p data-bbox="395 763 1018 792"><b>Housing and community in the compact city</b></p> <p data-bbox="395 810 1458 909">Investigates the process by which households with limited resources are excluded from high amenity areas and gravitate to areas offering relatively low housing costs.</p> <p data-bbox="395 927 1230 958"><a href="http://www.ahuri.edu.au/publish/page.cfm?contentID=30&amp;projectid=98">http://www.ahuri.edu.au/publish/page.cfm?contentID=30&amp;projectid=98</a></p>

## **AHURI Research Centres**

Sydney Research Centre  
UNSW-UWS Research Centre  
RMIT-NATSEM Research Centre  
Swinburne-Monash Research Centre  
Queensland Research Centre  
Western Australia Research Centre  
Southern Research Centre

## **Affiliates**

Northern Territory University  
National Community Housing Forum



Australian Housing and Urban Research Institute  
Level 1, 114 Flinders Street, Melbourne Victoria 3000  
Phone +61 3 9660 2300 Fax +61 3 9663 5488  
Email [information@ahuri.edu.au](mailto:information@ahuri.edu.au) Web [www.ahuri.edu.au](http://www.ahuri.edu.au)