Media Release

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AUSTRALIANS REMAIN THE BIGGEST LOSERS WITH SAD STATE OF HOUSING SUPPLY: NHFIC

REIA has welcomed NHFIC's report giving an analysis into housing demand and supply across Australia further highlighting the dire situation on the imbalance in the supply and demand of housing, and the consequences including rents.

"The release of this report is very timely given that a day does not pass without housing being discussed by governments and the public," said REIA President Hayden Groves.

"The gap between supply and household formation has widened since last year's report. NHFIC now expects the cumulative gap between new household formation and new supply will be around -106,300 dwellings over the 2023 to 2027 period.

"In particular, NHFIC expects a shortage of apartments and multi-density dwellings for rent over the medium-term. Net additions of apartments and medium-density dwellings such as town houses are projected to be around 57,000 a year (on average) over the five years to 2026-27, around 40% less than the levels seen in the late 2010s.

"NHFIC notes that the rapid return of overseas migration together with a supply pipeline constrained by decade-high construction costs and significant increases in interest rates is exacerbating an already tight rental market. NHFIC analysis shows housing affordability and supply are likely to remain challenging for some time.

"What is needed in this situation is a long-term plan in increasing supply rather than many knee jerk reactions the consequences of which haven't been analysed by the many proponents. These include counter-productive ideas like the abolition of negative gearing and rent freezes," said Mr Groves.

Mr Groves said there is ample research that shows that negative gearing is not driving excessive, unproductive and speculative investment in housing but instead is adding to much-needed housing supply.

"Similarly, the analysis shows that abolishing negative gearing would reduce the supply of rental accommodation and push up rents even more.

"The Henry Review, released in 2010, recognised that the current tax arrangements placed downward pressure on rents. In 2019 SQM Research, in analysing the then Labor Opposition's policy to abolish negative gearing and change the CGT arrangements, showed that market rents would rise by between 7% to 12% over the period 2020 to 2022.

"The experiment by the Hawke Government to abolish negative gearing for property in 1985 was short-lived only to have it reinstated in 1987. During that period rents increased by 57.5% in Sydney, by 38.2% in Perth and by 32.0% in Brisbane.

"Freezing rents will similarly lead to a reduction in the supply of rental accommodation and consequent increases in rent as investors flee the market.

"What is needed are evidential measures to increase housing supply, not reduce it," concluded Mr Groves.

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