



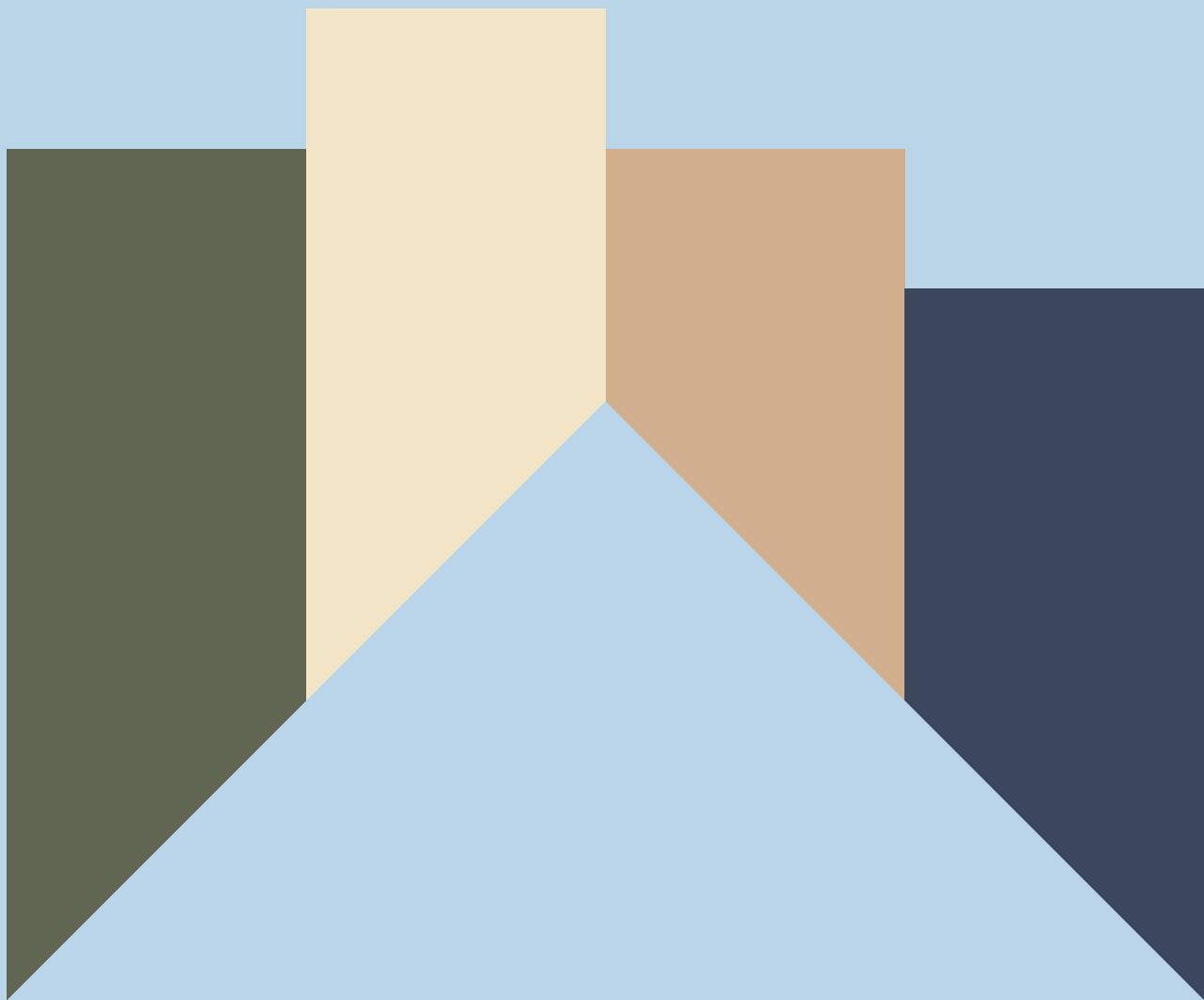
Australian Government

National Housing Supply
and Affordability Council

NATIONAL
HOUSING
SUPPLY AND
AFFORDABILITY
COUNCIL

State of the Housing System

2025



State of the Housing System

2025



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Data finalisation

This report was finalised on 17 April 2025 and includes data released up to and including 16 April 2025.

Acknowledgement of Country

The National Housing Supply and Affordability Council acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

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Foreword

The Australian housing system continues to experience immense pressure. For many Australians, right across the country, securing a home that is affordable, fit for purpose and secure remains challenging, if not impossible. This is a source of significant stress for individuals and households.

A healthy housing system matters for the entire nation.

Access to fit-for-purpose and secure housing is a human rights issue, and one that is essential for an inclusive and prosperous society. As the Australian Human Rights Commission says, 'The right to housing is more than simply a right to shelter. It is a right to have somewhere to live that is adequate'.

Failure to provide access to adequate housing is linked to adverse social, health and wellbeing, educational and justice outcomes.

Alan Kohler, writing in the *Quarterly Essay*, contended that Australia is being divided into those who own a house and those who do not, and between families that have housing wealth to pass on to their children and those that do not. This has profound implications for geographic and generational inequity that is deepening.

In *State of the Housing System 2025*, the National Housing Supply and Affordability Council (NHSAC or 'the Council') presents a sobering view of Australia's housing system. The deterioration of housing affordability and low levels of new housing supply in 2024 are particularly stark reminders that Australia is still very much in a housing crisis that has been decades in the making.

However, there are signs of slight improvement in parts of the housing system. Growth in housing prices and advertised rents slowed over 2024 and construction costs have stabilised. This is promising news. Additionally, the supply of social and affordable housing is accelerating, reflecting an increase in government investment and initiatives that encourage private sector investment.

These efforts must continue. Even with the recent increase in economic uncertainty, housing must remain a priority. A significant uplift is needed to support Australians who depend on social and affordable housing for shelter and as a foundation for building their lives and participating in their communities.

The Council acknowledges the work that is underway across the housing spectrum to improve housing outcomes. Navigating the housing crisis was always going to require effort from every part of the housing ecosystem. We must maintain our collective focus on consistent and coordinated effort.

The Council's vision for Australia's housing system is clear. Households of all incomes and in all locations should have access to affordable, fit-for-purpose and secure housing.

Australia needs a better housing system – one that can provide Australians with the homes they need. This means a housing system that can provide home ownership and rental options to all households, meet the diverse housing needs of the community, and ensure the safety and wellbeing of all Australians.

In this report, the Council outlines 5 key policy areas to prioritise, along with recommendations designed to help move Australia towards a healthier housing system. These are included in Chapter 7, *Towards a better housing system*.

On behalf of the Council, I express our thanks to stakeholders for their input through roundtable discussions and bilateral meetings. Those consulted included the Australian, state and territory governments and their agencies; planning, residential construction and development peak bodies and entities; the community housing sector; stakeholders with expertise and experience in First Nations housing issues; research institutions and the academic community.

I also extend my gratitude to my fellow Council members, and the Office of the Council for providing continued support to all members of the Council and for their tireless work in producing this report. Thank you for your dedication.

On behalf of the Council, I am pleased to submit this report.

A handwritten signature in black ink that reads "Susan Lloyd-Hurwitz". The script is cursive and fluid, with the first name "Susan" being the most prominent.

Ms Susan Lloyd-Hurwitz
Chair, National Housing Supply and Affordability Council

Report overview

Key findings

- Dwelling prices and rents rose in 2024, but at a slower rate than in 2023. Nationally, dwelling prices rose by 4.9 per cent over 2024, and by a further 0.7 per cent over the first 3 months of 2025. Advertised rents rose by 4.8 per cent over 2024, and by a further 1.7 per cent over the first 3 months of 2025.
- The rise in dwelling prices and rents outpaced the rise in median household income. Consequently, housing affordability deteriorated, though at a slower rate than in 2023. 50 per cent of median household income was needed to meet repayments for the average new mortgage, while 33 per cent was needed to meet rental costs for the average new lease. The average time required to save for a home deposit increased to 10.6 years, and the ratio of dwelling prices to median household income rose to 8.0.
- Affordability is expected to broadly stabilise, and in some cases improve a little, over the next 4 years. Growth in CPI rents is expected to continue to slow, falling below 4 per cent in 2027. The vacancy rate is expected to rise but to remain below 2.5 per cent, implying rental conditions will remain difficult for tenants. The ratio of dwelling prices to income is expected to fall slightly, to 7.7, but to remain high.
- The supply of new housing is near its lowest level in a decade. 177,000 dwellings were completed in 2024, falling significantly short of underlying demand for housing, which was estimated at around 223,000 for the same period. This shortfall added to already significant unmet demand in the system.
- New demand for housing is moderating. New underlying demand – which reflects demographic factors such as population growth and the age structure of the population – is expected to slow to 205,000 households in the 2024–25 financial year and to stabilise at around 175,000 households per year from 2025–26.
- The supply of social and affordable housing is expected to accelerate, reflecting an increase in government investment. 2,600 new public dwellings were completed in 2024, and governments are targeting delivery of 55,000 new social and affordable housing dwellings over the Housing Accord period (from July 2024 to June 2029).
- 938,000 dwellings are forecast to be completed during the Housing Accord period, which falls short of the 1.2 million target. Scenario analysis indicates that even under optimistic economic scenarios, the target will not be achieved. No state or territory is forecast to meet the share of the target implied by its population. When factoring in demolitions, the net new supply is expected to total 825,000 over the Housing Accord period, which is 79,000 dwellings fewer than expected new underlying demand.
- The Council assesses that the Housing Accord target remains suitable, as it highlights the magnitude of the challenge facing the community, communicates government policy intentions, provides guidance to system participants, and facilitates accountability and performance assessment.
- Detached housing is expected to constitute just under two-thirds of new supply over the Housing Accord period. The supply of medium- and higher-density dwellings is forecast to remain low relative to the previous decade, as poor project feasibility weighs on supply and the low levels of approvals currently in the system interacts with the long lead time for higher-density projects to limit supply over the forecast horizon.

- Cyclical constraints to supply – elevated material costs, labour shortages and high financing costs – are easing but remain a headwind to supply.
- Structural constraints are the principal barrier to supply. These include an inadequate pipeline of skilled workers; scarce, fragmented and costly land suitable for development; low rates of productivity and innovation in the construction sector; restrictive and complex land use and planning approval systems in some jurisdictions; market frictions and financial incentives that limit the optimal use of the existing housing stock; and a fragmented housing policy and regulatory ecosystem that adds to costs, timeframes and risks.
- Significant systemic reform, government support measures and industry innovation are needed to improve housing supply and affordability outcomes.

Executive summary

Housing affordability deteriorated in 2024

Housing affordability¹ continued to deteriorate in 2024. The share of income that the median-income household needed to service the average new mortgage rose to 50 per cent, while for renters the share of income needed to pay rent for the median new lease rose to 33 per cent. For aspiring home owners, the average number of years required to save for a deposit rose to a near-record high of 10.6 years, and the ratio of dwelling prices to income rose to 8.0. The share of homes for sale that a median-income household could afford declined to 14 per cent – its lowest level on record.

The decline in affordability reflected the fact that housing costs rose quicker than household income. Nationally, dwelling prices rose by 4.9 per cent over 2024 and by a further 0.7 per cent over the first 3 months of 2025. Advertised rents rose by 4.8 per cent over 2024 and a further 1.7 per cent over the first 3 months of 2025. In contrast, mean household income rose by 4.3 per cent over the year to September quarter 2024.

The deterioration in affordability occurred across most capital cities and regional areas over the year. Mortgage affordability worsened in all capital cities and regions except for Victoria, Tasmania, the Australian Capital Territory and the Northern Territory. Rental affordability for new leases worsened in all capital cities and regions except for regional Northern Territory.

More than half of lower-income renter households – defined as households in the 2 lowest quintiles of the income distribution – were in rental stress in 2023, the latest year for which data is available. Many renters faced ongoing rental stress, with 60 per cent of those in rental stress experiencing 2 or more consecutive years of rental stress. Rental affordability pressures were also prevalent among First Nations households, with 36 per cent of First Nations recipients of Commonwealth Rent Assistance reporting rental stress in June 2024.

The demand for non-market housing and housing support payments remained elevated. Waitlists for public housing remained close to record-high levels at 169,000 households. The number of greatest-needs households on the waitlists rose to a new record high. The number of clients accessing specialist homelessness services rose to 280,000 and the number of people experiencing persistent homelessness rose to almost 38,000.

The use of government support for housing increased. There were more than 1.3 million recipients of Commonwealth Rent Assistance in 2023–24, and 43,800 households – or one-third of all first home buyers – accessed the Australian Government’s Home Guarantee Scheme.

New supply was less than demand in 2024

The deterioration in affordability in 2024 in large part reflected the fact that housing costs rose as new housing demand exceeded new housing supply. The supply of new homes was around its lowest point in about a decade in 2024, with 177,000 dwellings completed. After accounting for demolitions, the Council estimates that 155,000 dwellings were added to the housing stock (the net new supply) in the year to December 2024.

1 Measured as the share of household income spent on housing costs.

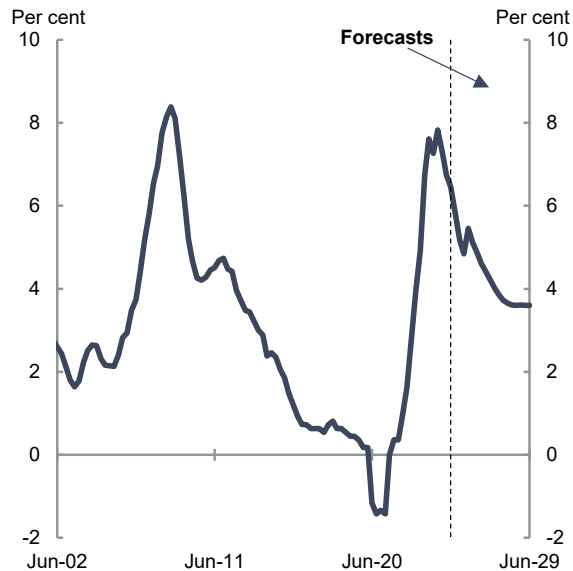
The supply of higher-density housing was particularly weak, with only 65,000 new higher-density dwellings built in 2024. This figure is well below the peak of 106,000 completed in the year to September 2017. In contrast, the supply of detached housing has shown more resilience, with approximately 111,000 new detached houses completed in 2024, which is similar to average levels before the COVID-19 Pandemic (the Pandemic).

Net new housing supply fell significantly short of new underlying demand. Based on population growth and the demographic profile of the nation, the Council estimates there was new underlying demand for around 223,000 dwellings in 2024. This figure is 68,000 more than the increase in housing supply after accounting for demolitions. This shortfall adds to the already significant backlog of unmet demand in the housing system.

Affordability is expected to stabilise over the next few years

Affordability is expected to broadly stabilise, and in some cases improve a little, over the next few years. CPI rents are forecast to continue to slow over next 4 financial years and to be growing at a rate of less than 4 per cent by 2027 (see Chart O.1). The vacancy rate is expected to rise but remain below 2.5 per cent – the level consistent with a balanced market – which implies rental conditions will remain tight and unfavourable for tenants. The price of dwellings is forecast to rise in nominal terms, but at a slightly lower rate than forecast income growth, which implies that there will be a small decline in the ratio of dwelling prices to household income, from 8.0 to a still high 7.7 (see Chart O.2).

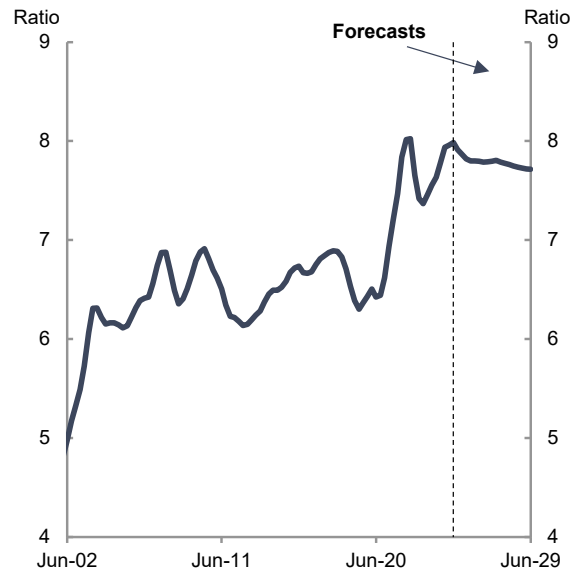
Chart O.1 Forecast nominal rent growth



Note: The numbers shown represent through-the-year (tty) growth. The forecast acceleration in rents in late 2025 reflects base effects associated with the increases in Commonwealth Rent Assistance that came into effect in September 2024.

Source: ABS Consumer Price Index 2025; NHSAC 2025

Chart O.2 Forecast dwelling price to income ratio



Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025; NHSAC 2025

The supply of social and affordable housing is expected to accelerate in the period ahead, supporting affordability for tenants who can access these tenures. The Australian Government is targeting support for an additional 55,000 social and affordable homes during the Housing Accord period. Public announcements from state and territory governments indicate their commitment to directly fund the provision of at least 25,000 additional social and affordable homes during this period.

Around 938,000 dwellings are expected to be completed during the Housing Accord period

Over the Housing Accord period that commenced on 1 July 2024, the Council forecasts that gross new housing supply will be 938,000 under baseline macroeconomic conditions and current policy settings (see Chart O.3), or around 188,000 per year on average.² This implies a shortfall of 262,000 relative to the 1.2 million Housing Accord target, which is a little more than the 256,900 shortfall forecast in *State of the Housing System 2024*.

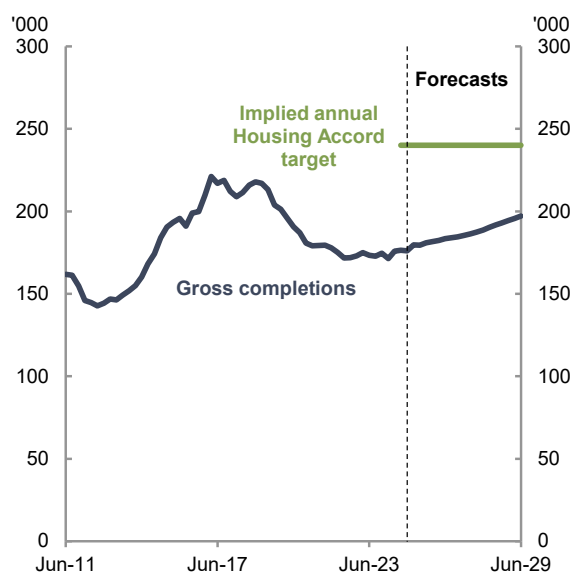
The downgrade in the supply forecast reflects a range of factors, including an upward revision to interest rate assumptions and weaker-than-expected dwelling approvals over the past 12 months.

Detached houses are expected to dominate new housing supply, constituting nearly two-thirds of new supply over the Housing Accord period (see Chart O.4). This supply of detached houses is expected to reach a three-decade high by the end of the 5-year forecast horizon, underpinned by the stabilisation of construction costs and an easing of household financing constraints as interest rates decline.

In contrast, the Council expects that new supply of higher-density housing will remain low relative to the previous decade throughout the forecast period (see Chart O.4), as poor project feasibility weighs on new supply and the low levels of approvals currently in the system interact with the long lead time for higher-density projects to limit new supply over the forecast period.

2 The Council's forecasts incorporate government policy measures that affect the macroeconomic outlook, directly support the provision of social and affordable housing, or are already an established feature of the housing system (and have therefore affected recent housing supply outcomes). Recently enacted policies are excluded. Box 5.1 provides more detail on the Council's forecasting methodology.

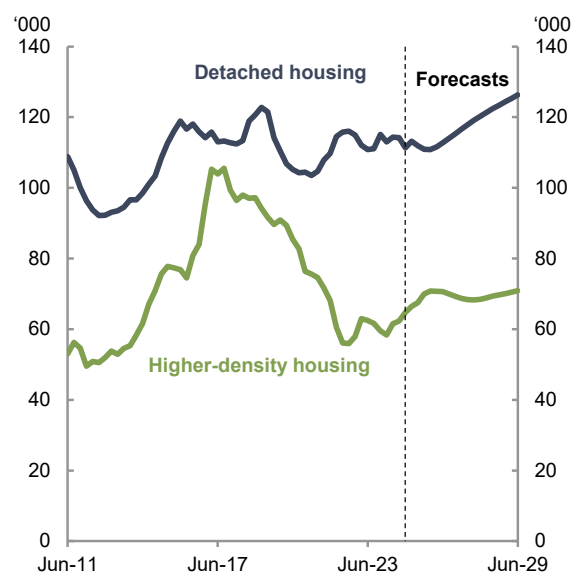
Chart O.3 Gross new housing supply



Note: The numbers shown are rolling annual totals. The implied annual Housing Accord target represents the Housing Accord target of 1.2 million completions distributed evenly over the 5-year Housing Accord period.

Source: ABS Building Activity 2025; NHSAC 2025

Chart O.4 Gross new housing supply, by dwelling type



Note: The numbers shown are rolling annual totals.

Source: ABS Building Activity 2025; NHSAC 2025

All states and territories are projected to fall short of their implied share of the Housing Accord target (see Table O.1). Of the larger states – for which the forecasts are considered more reliable – Victoria is forecast to reach around 98 per cent, Queensland 79 per cent and New South Wales 65 per cent of their implied targets.

Table O.1 Gross new housing supply by state and territory

State/territory	Gross new housing supply, 2019–20 to 2023–24	Gross new housing supply, 2024–25 to 2028–29 (forecast)	Implied share of 1.2 million Housing Accord target*	Gross new supply forecast, ratio to share of target* (%)
New South Wales	251,000	246,000	376,000	65
Victoria	306,000	300,000	306,000	98
Queensland	166,000	194,000	246,000	79
Western Australia	75,000	105,000	129,000	81
South Australia	54,000	59,000	84,000	71
Tasmania	16,000	13,000	26,000	51
ACT	24,000	16,000	21,000	78
Northern Territory	3,000	4,000	11,000	31
Australia	896,000	938,000	1,200,000	78

* The Council has apportioned the Housing Accord target to each state and territory by using their share of the national population in December 2022 (these were the latest population figures available when the 1.2 million Housing Accord target was agreed in August 2023). Of the available options for calculating jurisdictions' share of the target, the Council has chosen this method because it is transparent and stable over time. Alternative approaches could be based on projected population growth over the Housing Accord period. The calculated target shares do not reflect formal agreement between the Australian and state and territory governments.

Note: The sums of figures across states and territories may not align with national totals due to rounding.

Source: NHSAC 2025, ABS National, state and territory population 2023 and ABS Building Activity 2025

Housing supply will be insufficient to meet new underlying demand over the Housing Accord period

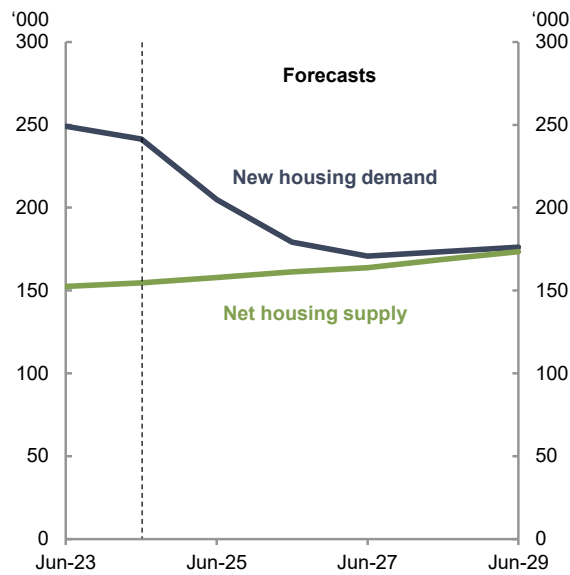
After accounting for the expected demolition of around 113,000 dwellings, net new housing supply is projected to be 825,000 over the Housing Accord period, or just over 165,000 dwellings per year on average.³

In comparison, new underlying housing demand is forecast to be 904,000 households over the Housing Accord period. This reflects the still elevated demand of 205,000 in the 2024–25 financial year (with the surge in net overseas migration after the Pandemic still affecting the housing system), followed by a normalisation of demand to around 175,000 per year from 2025–26 (see Chart O.5).

3 Net housing supply figures should not be compared with the 1.2 million National Housing Accord target, which is measured in terms of gross supply. The use of gross supply for the target allows progress to be easily tracked using the well-established dwelling completions data series released quarterly by the Australian Bureau of Statistics (ABS). Net new housing supply is an estimated series, but is a better measure of the overall number of dwellings entering the housing system, which more directly influences rents, prices and affordability measures.

These projections of net supply and underlying demand imply a net shortfall of around 79,000 dwellings over the Housing Accord period. Most of this shortfall is in the first 2 financial years, with the imbalance narrowing to around 7,000 in 2026–27 and around 3,000 by the end of the 5-year projection horizon (see Chart O.6). Some of this unmet demand will be absorbed by a lower vacancy rate. Some will result in a greater reliance on suboptimal types of shelter not captured by traditional measures of the housing stock, such as caravan parks, hotels and emergency shelters. A portion will contribute to the growing homeless population. Most of the unmet demand will be absorbed by households not forming as they otherwise would have, resulting in larger households and more overcrowding.

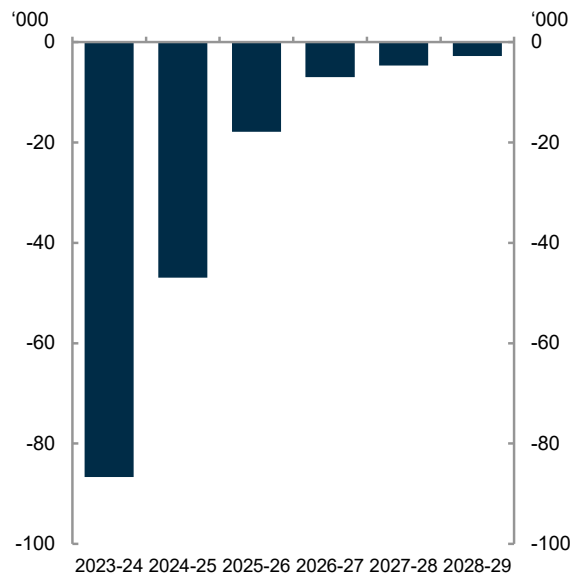
Chart O.5 Annual net new housing supply and new housing demand



Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.

Source: NHSAC 2025; Centre for Population 2024

Chart O.6 Net new housing supply minus new housing demand



Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.

Source: NHSAC 2025; Centre for Population 2024

Weak supply reflects the fact that the cost of supplying new dwellings exceeds expected sale prices

The Council's analysis and industry liaison indicate that the single biggest constraint on supply currently is that many housing projects are not commercially viable given current land, financing and development costs relative to expected sale prices.

Higher-density housing projects, in particular, face a significant feasibility gap, as price growth for higher-density homes has been more muted than for detached dwellings. Additionally, financing costs have risen by much more for higher-density dwellings, as they require larger loans for longer durations than detached houses.

Looking ahead, there are tentative signs that conditions for residential construction are improving, which will address feasibility constraints for some projects.

Material price growth has normalised, with prices rising by only 1.6 per cent over the year to December 2024, significantly lower than the 14 per cent rise seen over the year to December 2022, and lower than the annual average growth of 2 per cent between 2010 to 2020.

There are signs that labour shortages have eased. Measures of labour availability improved, and industry liaison suggested that labour was easier to source.

Nonetheless, these cyclical factors will remain a headwind to supply over the near term. Labour shortages persist for some key trades, and labour availability forecasts indicate an overall deficit of labour supply relative to demand will persist. Although material costs are no longer rising sharply, they are expected to remain high relative to pre-Pandemic levels. Additionally, while interest rates are forecast to fall, they are expected to remain above the levels of the past 10 years. This means financing costs for builders, developers, households and investors will remain elevated. The recent increase in global economic uncertainty adds further risk around the outlook for both material costs and interest rates, which will be affected by developments in global supply chains, inflation, capital flows and exchange rates.

Structural constraints are the principal barrier to more supply

Although cyclical factors have exacerbated existing constraints on new housing supply in recent years, over the long term the main reason for Australia's poor housing affordability is the housing system's persistent, through-the-cycle inability to supply sufficient housing that meets the population's needs.

Many structural features of the supply system limit the sector's capacity to produce sufficient dwellings at reasonable prices.

Labour supply consistently falls short of what is required, reflecting persistent competition for labour from other sectors. Factors that limit the labour pool available to the sector are the training and migration systems' inability to supply sufficient workers with the right skills, high labour exit rates and low levels of workforce diversity. The fragmented and shallow labour pool means that some cities and regions can suffer acute labour shortages that render new housing supply unfeasible at even very high prices.

Dwelling construction productivity has not improved in over 3 decades. The highly fragmented nature of the industry limits economies of scale. Investment in research and development is low, and uptake of digital tools such as data analytics for forecasting, supply chain management, project planning, and other efficiency enhancing processes is limited.

Land for housing is limited and costly. The volume of new residential land sales is near decade lows and prices have risen sharply. The median price per square metre of residential land rose by 9.3 per cent over the year to September 2024. Well-located and appropriately zoned infill land is sometimes not suitable for development – for example, due to the fragmentation of holdings or the lack, or high cost, of enabling infrastructure.

Complex land use and planning approval systems further constrain supply. Planning processes vary markedly across states and territories and the more than 500 local governments that provide the planning consent authority for development. Capacity, capability and coordination vary significantly across local governments.

Market frictions and financial incentives limit the population's optimal use of housing stock. On the night of the 2021 Census, there were almost 4 million households that had 2 or more spare bedrooms. Much of this unused housing capacity reveals households' housing consumption preferences, such as for home offices or holiday homes, or unavoidable frictions in the housing market such as households transitioning between properties. It is unlikely that this situation will change under most realistic policy settings. However, it also highlights structural barriers in the housing system, including taxation settings, that limit the optimal distribution of housing across the population as household circumstances change.

Social housing as a share of the total dwelling stock has been declining for over 3 decades – falling from around 6 per cent in 1991 to around 4 per cent in 2021. This reflects low investment rates and the sale and demolition of existing public housing units. Growth in community housing has only partly offset the decline in public housing. Demand for social housing also continues to exceed supply.

Finally, the housing policy system is fragmented and disjointed, and housing outcomes are often subordinate relative to other policy objectives. The Australian, state and territory, and local governments all play substantial policy roles in the housing system. Within different levels of government, multiple departments and agencies are responsible for different parts of the system, including planning, transport, social services, treasury, education and skills, infrastructure and regional development.

Significant systemic reform, government support measures and industry innovation are needed to improve housing supply and affordability

Australia needs a better housing system. The Council's vision for the housing system is that housing is affordable, fit for purpose and secure for households of all incomes and in all locations. However, this is not a straightforward or quick task. Decades of insufficient attention have resulted in the present undersupply of housing and low affordability. Achieving this vision will require significant systemic reform and ongoing investment from government and industry. It will also require leadership and accountability.

Achieving the Council's vision and goals will require government and industry efforts in 5 key policy areas.

1. **Increasing investment in social and affordable housing, and reviewing regulatory frameworks for the social and affordable housing sector.** Social and affordable housing is essential infrastructure that plays a vital role in reducing homelessness and the incidence of poverty. It boosts social and economic inclusion and fosters diverse and vibrant communities. Significant investment is needed to increase the stock of social and affordable housing and rebuild public trust and confidence in the sector.
2. **Improving construction sector capacity and productivity.** The impact of varying regulations across jurisdictions, along with a fragmented industry structure, low innovation levels and limited economies of scale, have constrained productivity growth in the sector. Chronic labour shortages in the sector must be addressed so that the market can respond more effectively to evolving trends and future shocks.
3. **Applying best practice principles to planning systems and ensuring developable land is made available.** To meet Australians' needs now and into the future, it is critical to continue work on reforming planning systems – including via the National Planning Reform Blueprint – and to ensure that adequate land is available for development.
4. **Supporting better outcomes for renters.** Renters represent a significant and increasing share of Australia's households. It is essential that the housing system works for them by providing access to affordable and secure rental housing.
5. **Ensuring the tax system supports housing supply and affordability.** Tax settings have a wide-ranging impact on the housing system, affecting demand, supply and affordability. Tax reform requires strong evidence and political courage, but there is a strong case for reform to ensure fair access to the benefits of home ownership and to support the efficient use and exchange of the housing stock.

Progress towards systemic reform has begun. However, a further step change in reform effort and investment is required beyond current policies and programs to truly change the trajectory of housing supply and affordability in Australia on a persistent basis.

Policy recommendations

Recommendations	Horizon
Priority 1. Increasing investment in social and affordable housing through proven mechanisms, and reviewing regulatory frameworks for the social and affordable housing sector	
1.1a Governments, and the private and not-for-profit sectors, should commit to consistent investment in social and affordable housing to restore the proportion of social housing to 6 per cent of the housing stock over the medium term.	Medium to long term
1.1b Governments should commit to a long-term target for social and affordable housing – to be as high as 10 per cent of the housing stock – that minimises housing stress for low-income households.	
1.2 The Australian and state governments should work together to implement a low, uniform inclusionary zoning target across jurisdictions.	Medium term
1.3 Governments should financially support First Nations housing organisations to provide more social and affordable housing for First Nations households.	Medium to long term
1.4 Governments should review the National Regulatory System for Community Housing (NRSCH), with the long term goal of developing a national best practice regulatory framework for providers of social and affordable housing.	Medium term
Priority 2. Improving construction sector capacity and productivity	
2.1 Governments should investigate the feasibility of modern methods of construction and address regulatory and other barriers to their uptake. If assessed as appropriate, governments should underwrite investment in modern methods of construction to unlock cheaper, more efficient construction methods and rectify decades of poor productivity.	Short to long term
2.2 Governments should address the continued shortfall in construction sector workers by boosting skills training and through skilled migration programs.	Short to long term
2.3 Industry should address labour shortages and low productivity by investing in vocational training and apprenticeships, and diversifying its workforce.	Short to long term
Priority 3. Applying best practice principles to planning systems and ensuring developable land is made available	
3.1 Governments should implement best practice planning and zoning principles consistently across the country to reduce costs and boost sector productivity and the responsiveness of new housing supply to demand.	Medium term
3.2 State, territory and local governments should revise their planning regulations to promote greater housing density in well-located areas with good access to jobs, services and transport.	Short to medium term
3.3 Governments should boost the capacity of institutions to assemble and remediate land and provide enabling infrastructure.	Medium to long term

Recommendations	Horizon
Priority 4. Supporting better outcomes for renters	
4.1 Governments should boost rental supply and foster the development of a more diverse rental market by supporting institutional investment.	Short to long term
4.2 Governments should fully implement the Better Deal for Renters agreement to support renter tenure security and other rights.	Short term
Priority 5. Ensuring the tax system supports housing supply and affordability	
5.1 All interactions between the tax system and the housing system should be reviewed at the Commonwealth and state and territory levels, to work towards the goal of fair access to the benefits of home ownership, and to support the efficient use and exchange of the housing stock.	Medium term
5.2 Governments should aim to transition from stamp duty to a broad-based land tax to improve the efficient use and exchange of the existing housing stock.	Long term

Advice on the suitability of the 1.2 million National Housing Accord target

Under the National Housing Accord, the Council is required to regularly advise the parties to the Accord on the suitability of national target to build 1.2 million new well-located homes over five years (The Treasury 2023).

The Council assesses that the target remains suitable. The target is rightfully ambitious, highlighting the magnitude of the community’s challenges; communicating government policy intentions; galvanising and focusing effort across governments, industry and the community sector; and facilitating transparency, accountability and performance assessment. The target has sparked broader discussions within the industry and community about housing supply and been the catalyst for focused policy discussions.

An ambitious target should exceed business-as-usual outcomes. Based on current expected economic conditions and policy settings, the Council projects that the gross new housing supply would total 938,000 dwellings over the Housing Accord period.

Such a target should exceed expected demand to address the significant unmet demand for housing already in the system, including for people experiencing homelessness and to offset the effect of demolitions. The Council projects that new underlying demand will total 904,000 over the Housing Accord period. With 113,000 dwellings expected to be demolished, at least 1,017,000 new dwellings are required just to keep pace with new demand and demolitions.

The target of 1.2 million new well-located dwellings is consistent with these principles. It exceeds current projected supply by around 28 per cent, and projected demand plus demolitions by around 18 per cent. The target implies 240,000 completions per year, which is close to periods of peak dwelling construction in the recent past; for example, the 219,000 dwellings completed in 2016–17.

Other Organisation for Economic Co-operation and Development (OECD) countries have set ambitious targets to address housing supply shortages (see Table O.2). The United Kingdom has set an ‘ambitious milestone’ of building 1.5 million homes in England by 2029 (UK Government 2024) and Canada’s ‘Bold Strategy’ is to build 3.87 million new homes by 2031 – 2 million more homes than forecast to be built (Government of Canada 2024).

Table O.2 Housing supply targets of selected OECD countries

	Target	Timeframe	Target’s proportion of existing dwellings
Australia	1.2 million new well-located homes (The Treasury 2023)	5 years; 2024–25 to 2028–29 (The Treasury 2023)	10.6% (Australian Bureau of Statistics 2025)
Canada	3.87 million new homes (Government of Canada 2024)	7 years; 2024–31 (Government of Canada 2024)	23.8% (Statistics Canada 2023)
United Kingdom	1.5 million safe and decent new homes in England (UK Government 2024)	5 years; 2024–29 (UK Government 2024)	5.9% (UK Government 2024)

Chapter 1 The Council's vision for the housing system

Overview

This chapter breaks down the Council's vision for the housing system into 8 measurable goals.

Key points

- The Council's vision for the housing system is for housing to be affordable, fit for purpose and secure for households of all incomes and in all locations. This vision is reflected in 8 goals.
 1. The housing system delivers the homes that Australians need.
 2. Housing is safe and environmentally sustainable.
 3. There is efficient use and exchange of the existing housing stock.
 4. There is fair access to the benefits of home ownership.
 5. Renters have access to affordable and secure housing.
 6. There is sufficient social and affordable housing infrastructure to support the wellbeing of all communities.
 7. Homelessness is brief and non-recurring.
 8. The gap is closed between Aboriginal and Torres Strait Islander people's and non-Indigenous people's housing and homelessness outcomes.
- Progress towards some goals may involve trade-offs with other goals, at least in the short term.
- Chapter 7, *Towards a better housing system*, outlines the Council's policy recommendations to achieve its vision for the housing system.

The Council's vision for the housing system is for housing to be affordable, fit for purpose and secure for households of all incomes and in all locations. This means a system that can provide home ownership and rental options for all households, meet the diverse housing needs of the community, and support the safety and wellbeing of Australians.

In its first report, *State of the Housing System 2024*, the Council concluded that the current housing system falls short of this vision (National Housing Supply and Affordability Council [NHSAC] 2024). In this second report, the Council provides a more detailed outline of the goals that encapsulate its vision and discusses potential metrics for tracking progress towards these goals. Monitoring the housing system's performance against these goals will enhance the transparency and accountability of housing policy.

Advancements in some housing goals may hinder progress on others, at least in the short term (OECD 2024). These trade-offs are an inherent part of the housing system.

Achieving this vision for the housing system will take considerable time and consistent and coordinated efforts. Decades of inconsistency in housing policy and coordination has resulted in the undersupply and low affordability of housing in Australia today (NHSAC 2024). The Council outlines the policy recommendations needed to achieve its vision in Chapter 7, *Towards a better housing system*.

1.1 Goals for the Australian housing system

1.1.1 The housing system delivers the homes that Australians need

The housing system should deliver the quantity and diversity of homes that Australians need. Currently, it is not meeting this goal and is not expected to over the period of the National Housing Accord (see Chapter 5, *Housing system outlook*). Australia has one of the least responsive housing supply systems in the world (Banerjee et al. 2024), with barriers to housing supply existing across the entire production process (see Box 1.1).

As a result, housing costs have risen, housing affordability has deteriorated, and the number of people experiencing overcrowding and homelessness has increased. A more effective housing system would deliver more homes to match housing demand (NHSAC 2024). A more diverse range of housing is also needed to match dwelling type, location and price preferences of households.

To measure progress towards this goal, the Council suggests monitoring the sufficiency of housing supply by annually measuring the difference between net housing completions (the number of new homes built minus demolitions) and new underlying demand (the number of households that would likely have been formed based on demographic trends).

The annual level of net housing completions should exceed the number of newly formed households at the national level for a period of time to address the existing housing shortage and alleviate affordability pressures over time. The measure could be further disaggregated to assess the balance of new housing demand and supply at state and sub-state levels, where housing imbalances may be more acute, and to inform housing strategies and performance measurement frameworks.

Net housing completions fell short of newly formed households by around 68,000 in 2024. Under current macroeconomic and demographic conditions and policy parameters, the Council does not expect supply to exceed demand at any point during the Housing Accord period (see Chapter 5, *Housing system outlook*). The ongoing housing shortfall will contribute to continued affordability pressures.

1.1.2 Housing is safe and environmentally sustainable

Dwellings should be built and maintained to ensure household safety and wellbeing. While all dwellings deteriorate over time without maintenance, households should not need to live in homes with ongoing major structural defects such as water leaks and cracked walls.

Defects affect some households more than others. In 2019–20, renters were almost twice as likely to live in dwellings with major structural problems compared to home owners (Australian Bureau of Statistics [ABS] 2022b). The share of households reporting structural problems is especially high for public housing (22 per cent) and First Nations households (around 1 in 3) (ABS 2022b). A proposed target for safe housing is to eliminate major structural problems in all dwellings, down from 11.5 per cent in 2019–20.

Dwellings should be environmentally sustainable to support the broader wellbeing of the community into the future. Environmentally sustainable dwellings are typically built from low-emissions materials and facilitate lower energy usage. Energy efficiency also reduces the cost of cooling and heating, making it easier for households to maintain thermal comfort. As a large portion of the housing stock is located in flood plains and bushfire-prone regions (Powell et al. 2024), mitigating the risks of natural disasters would also help make dwellings safe and environmentally sustainable.

The Nationwide House Energy Rating Scheme (NatHERS) rates the energy efficiency of a home out of 10, based on its design. To measure progress towards increasing the environmental sustainability of dwellings, the Council proposes tracking the average NatHERS rating for newly built homes. The Council also proposes a long-term target of all new homes meeting or exceeding the 7-star NatHERS rating. This 7-star benchmark is the minimum NatHERS rating now required under the National Construction Code, although some states and territories allow for exemptions.

Ideally, the energy performance of existing homes should also be monitored and improved, especially as new homes account for only a small share of the housing stock each year. However, at present, this data is not available, and the Council assesses that mandating a specified degree of energy performance for the existing stock of dwellings is not feasible. Ongoing and future work by governments may allow for better monitoring of energy performance.

1.1.3 There is efficient use and exchange of the existing housing stock

A well-functioning housing system should ensure that households are matched to housing that best meets their needs. Households often require different types of dwellings across different life stages, including dwellings in different locations and with different features and amenities. However, many households are unable to find dwellings that are fit for purpose. Some households live in dwellings with not enough bedrooms and experience overcrowding, especially First Nations households. As at the 2021 Census, around 311,000 households needed extra bedrooms (NHSAC 2024). Conversely, almost 4 million households had 2 or more spare bedrooms in 2021, suggesting a surplus of dwelling space for some households.

This mismatch indicates an inefficient use of the existing housing stock. Households should be able to 'right-size' without incurring unnecessary relocation costs. A key barrier to residential mobility is stamp duty and other elements of the taxation and social safety system, which result in fewer housing transactions than would otherwise take place (Garvin et al. 2024).

The Council proposes targeting a level of zero overcrowded homes in the long term as a measure of the efficient use and exchange of housing stock. Targets that address the number of unused bedrooms are not appropriate, as many households choose to maintain spare bedrooms for lifestyle or other reasons, and measuring this preference is difficult. While overcrowding is an incomplete measure, zero overcrowding would at least mean that all households were able to find dwellings with a minimum number of bedrooms to suitably accommodate everyone in the household.

1.1.4 There is fair access to the benefits of home ownership

All households should be able to access the benefits of home ownership. The financial benefits of home ownership typically significantly exceed those of renting. Home ownership provides an additional form of financial security in retirement. Tax settings favour the use of the family home to build wealth over other assets. In contrast, renters generally do not have access to these benefits, resulting in poorer retirement outcomes for retiree renters (Coates et al. 2025; NHSAC 2024). Non-financial benefits of home ownership also include greater tenure security, stability and control (Productivity Commission 2004).

Owning one's home will remain the preferred tenure choice for most Australians. However, a lack of affordable housing has prevented many households from becoming home owners and accessing the financial benefits associated with home ownership. The share of households that are either outright owners or have a mortgage has trended down over time, from around 70 per cent in the 1960s to 66 per cent in 2021 (Reserve Bank of Australia [RBA] 2015; ABS 2022c). For households with members aged under 50 years old, the home-ownership rate has fallen at an even faster pace over the past several decades (NHSAC 2024), despite surveys suggesting demand for home ownership remains high.

The Council proposes a target of no further decline in the home-ownership rate from the 2021 Census rate of 66 per cent. The Council also notes other arrangements can deliver the benefits of home ownership, such as housing co-operatives and shared equity arrangements.

1.1.5 Renters have access to affordable and secure housing

Affordable and secure housing should be available to all households in the private rental market. The share of households that rent has increased from 25 per cent in 1981 to 31 per cent in 2021 (ABS 1983, 2023). The rising incidence of renting has been partly driven by a growing shortage of affordable owner-occupier housing, which has forced many households to become or remain renters. More households are starting families as renters, and entering retirement as renters too (Sathanapally et al. 2025). Only half of current renters expect to own a home in their lifetime (Australian Housing and Urban Research Institute [AHURI] 2024).

As rental affordability has deteriorated sharply during the post-Pandemic period (see Chapter 4, *Housing affordability*), access to affordable housing for renters has become increasingly urgent. Around 20 per cent of lower-income renters spent over half of their income on rent in 2023, meaning they had little left to cover other essential living expenses (see Chapter 4, *Housing affordability*). Rental stress among lower-income renters is associated with greater material deprivation and lower wellbeing (see Chapter 4, *Housing affordability*). Long waitlists for public housing also reflect a shortage of rental housing (see Chapter 3, *Conditions in non-market housing and housing assistance*).

Although the share of longer-term renter households has risen, the rental system has not developed commensurately to support the needs of renters (Baker et al. 2024). Most leases continue to be made on a short-term basis. Australians continue to report some of the highest rates of rental mobility in the OECD, likely reflecting weak tenure security (OECD 2024), with forced rental mobility being associated with poor wellbeing outcomes (Ong Viforl et al. 2022). However, reforms being implemented by Australian governments as part of the Better Deal for Renters are promising developments in improving security of tenure for renters.

Better rental affordability and security of tenure would improve renter households' wellbeing. A proposed target for achieving this goal is for the national vacancy rate to remain a little above 2.5 per cent on average, which is higher than the national vacancy rate of 1.8 per cent recorded in December 2024. Modelling by the Council indicates that a vacancy rate of around 2.5 per cent is consistent with a balanced market. Achieving this target would be consistent with stronger renter bargaining power during lease negotiations, which could contribute to more affordable and secure rental conditions. It would also reduce the likelihood of landlords evicting tenants. However, it should be noted that an excessively high vacancy rate may deter investors from providing rental housing.

1.1.6 There is sufficient social and affordable housing infrastructure to support the wellbeing of all communities

Social and affordable housing is essential infrastructure that supports community wellbeing (NHSAC 2024). Social housing reduces homelessness and poverty rates; supports economic and social participation; and fosters more cohesive, diverse and sustainable communities. Affordable housing allows lower-income workers to live in the communities in which they work.

Currently, there is an insufficient quantity of social and affordable housing. This is clearly evidenced by the continued rise in Australians experiencing homelessness and growing social housing waiting lists (see Chapter 3, *Conditions in non-market housing and housing assistance*). Social housing has declined as a share of the housing stock over the past 4 decades, from around 6 per cent in the 1980s to around 4 per cent in 2021. Data on the quantity of affordable housing is not available, although it is likely to have risen slightly in recent years.

The Council proposes setting a target for the social housing share of housing stock to return to 6 per cent in the medium term. It is worth noting that the target of 6 per cent will not necessarily satiate the unmet demand for social housing, with some estimates of housing need ranging higher (see Chapter 7, *Towards a better housing system*).

In the long term, the Council would like to see the share of social and affordable housing rise further to consistently meet unmet demand. The Council is undertaking analysis to understand how many households should be supported through social housing, affordable housing or housing assistance payments (such as Commonwealth Rent Assistance).

1.1.7 Homelessness is brief and non-recurring

The housing system should be able to provide shelter to everyone, meaning that any instances of homelessness should be brief and non-recurring. Homelessness is a complex and multifaceted problem that represents the most extreme form of housing stress (NHSAC 2024). Around 122,000 people experienced homelessness in 2021, a rise from 116,000 people in 2016 (ABS 2023a). Since 2021 (the last year of available data on homelessness levels), demand for homelessness services has continued to increase (see Chapter 3, *Conditions in non-market housing and housing assistance*).

To progress towards the goal of homelessness being brief and non-recurring, the Council proposes setting a target of zero homelessness. Although this goal is unlikely to be achieved in practice, policies that aim to achieve this target can help ensure homelessness is brief and non-recurring. Other goals that target an increase in new housing supply and affordability can also significantly contribute towards the goal of achieving zero homelessness.

1.1.8 The gap is closed between Aboriginal and Torres Strait Islander people's and non-Indigenous people's housing and homelessness outcomes

First Nations people experience the housing system in different ways to non-Indigenous Australians (see Chapter 6, *First Nations Housing*). The Council recognises this, and recognises that gaps in housing outcomes, including overcrowding, homelessness and home ownership rates, are especially significant. Improving outcomes and working towards eliminating the gap between First Nations and non-Indigenous Australians is an essential component of First Nations policy objectives.

The National Agreement on Closing the Gap is an agreement between all levels of government and Aboriginal and Torres Strait Islander representatives to undertake a fundamentally new way of developing and implementing policies and programs to help improve the lives of Aboriginal and Torres Strait Islander communities (National Agreement on Closing the Gap 2020). Housing outcomes form part of this agreement. Outcome 9 states Aboriginal and Torres Strait Islander people will have access to secure, appropriate, affordable housing that is aligned with their priorities and needs.

For this goal, the Council proposes setting targets for First Nations home ownership and homelessness rates being on par with the rest of Australia. In 2021, home ownership rates were 66 per cent for the population, compared to 42 per cent for First Nations households; although consideration should also be given to the different age structures of the two populations, with around 50 per cent of First Nations people aged 24 or under (ABS 2022d). At the same time, First Nations people had a much higher rate of homelessness, at 307 per 10,000 people. Another goal is meeting the Closing the Gap target 9a by 2031 to reduce overcrowding (see Chapter 6, *First Nations housing*). As the Closing the Gap target 9b on essential services is currently not measured, the Council also advocates for more data to be collected.






Box 1.1 The housing production process

Housing construction is just one stage of the broader housing production process. The process, outlined in Table 1.1, has many stages and can span many years.

The agents involved include all levels of government, planners, developers, builders and bankers. All these institutions must work together to improve the efficiency of the supply system.






The Council assessed the current conditions and settings of each stage of the production process. Table 1.1. presents the Council's expert judgement on the impact of each stage on housing supply.

Table 1.1 The housing production process

Process	Brief description	Impact on housing supply
 Strategic land-use planning	Drafting outline plans that identify preferred areas for different forms of housing at the metropolitan, regional, district and neighbourhood levels.	Neutral – Most jurisdictions make ample strategic provision for housing land.
 Setting statutory enablers	Translating the outline plans into statutory instruments, under which development rights for housing may be awarded to the proponent. May include density provisions, performance standards and prescriptive rules regarding height, site coverage, open space, water-sensitive development, heritage, car parking and urban design.	Adverse – Statutory planning provisions are often complex and inconsistent within and across jurisdictions. Performance-based statutory drafting with clear deemed-to-comply provisions is relatively rare.
 Assembling sites for housing	Acquiring and consolidating parcels of land suitable for housing development that are compliant with statutory planning requirements.	Strongly adverse – Land assembly is mostly left to individual developers and traders and is prone to holdouts and misaligned price expectations. Jurisdictions typically lack large-scale, public sector-led land assembly programs.
 Planning approval process	Securing development rights for housing projects that comply with statutory planning requirements. May involve public notification of development proposals and third-party appeals.	Strongly adverse – Poor drafting of statutory planning rules typically leaves too much room for discretion in interpretation, leading to delays and disputation in the development application (DA) process. Greater separation between planning policy making (the responsibility of elected members) and the DA process (a technical process) is required. Subsidiarity in the DA process is inconsistent within and across jurisdictions.
 Development assessment review	Development proponents or other interested parties may seek independent review if they are not satisfied with local council planning decisions.	Adverse – There are long delays in accessing reviews in some jurisdictions, reflecting resource constraints and a lack of clarity in statutory provisions, leading to lengthy cases.



Box 1.1 The housing production process (continued)

Table 1.1 The Housing production process (continued)

Process	Brief description	Impact on housing supply
 Providing supporting infrastructure	<p>Coordinating and supplying the transport, water-cycle management, open space and community infrastructure required to support planned housing development.</p> <p>Includes local infrastructure provided by local councils and higher-order infrastructure provided by state and territory authorities. Development proponents cover a share of the cost of this infrastructure.</p>	<p>Strongly adverse – Almost all jurisdictions are struggling to provide enabling trunk infrastructure like arterial roads and water/sewerage to support new greenfield housing development. Infill areas otherwise well suited to higher-density housing development can be constrained by one or 2 key infrastructure gaps or capacity limits such as in stormwater drainage.</p>
 Arranging project finance	<p>Pre-sales and debt and equity finance arrangements.</p>	<p>Adverse – Reliance on pre-sales limits speculative supply for most developers. Current cyclical market conditions weigh against project feasibility across many markets, especially higher-density infill housing.</p>
 Civil works	<p>Engineering site works prepare land for housing construction for greenfield land subdivision and larger brownfield and infill projects.</p> <p>It comprises earthworks and installation of onsite road, water, sewerage, open space and other infrastructure as per the development approval.</p> <p>Engineering designs usually require independent certification or statutory approval of compliance with national, state and territory, or local council standards.</p>	<p>Adverse – Labour, plant and materials availability has been affected by supply chain interruptions and competition from large scale infrastructure programs.</p>
 Building approvals for housing	<p>Housing construction must be separately certified for compliance with relevant national codes, which may include state or territory variations.</p>	<p>Neutral – Most jurisdictions operate contestable markets in certifying compliance with building codes.</p>
 Housing construction	<p>Larger multi-unit projects typically involve substantial onsite infrastructure (for example cranes), prefabricated components and extensive work health and safety practices.</p> <p>Detached dwellings and smaller multi-unit projects are generally constructed by small-to-medium builders that extensively use subcontractors.</p>	<p>Strongly adverse – Housing construction under currently dominant build models suffers from skill shortages. Productivity in the construction sector is poor. There has been limited market uptake of modern construction methods, including prefabrication of dwellings or components, due to scale limits.</p>

Box 1.1 The housing production process (continued)

Table 1.1 The Housing production process (continued)

Process	Brief description	Impact on housing supply
 Title registration	Newly constructed lots and/or dwellings are typically separately titled.	Positive – Most jurisdictions operate efficient digital title registration systems.
 Sales and settlement	Transfers to owner-occupiers or investors occur once they have registered their title. Builders may be subject to a statutory maintenance or fault correction period.	Positive – Most jurisdictions operate efficient digital title transfer systems.

Note: Adapted from Figure 1.2 in *State of the Housing System 2024*.

Source: NHASC 2024

Chapter 2 Housing market conditions

Overview

This chapter discusses current supply and demand conditions in the private housing market and their implications for housing prices, rents and construction activity. It focuses on the period between January 2024 and March 2025.

Key points

- Dwelling prices rose by 4.9 per cent over 2024, and by a further 0.7 per cent over the first 3 months of 2025. Over the year to March 2025, dwelling prices rose by 3.4 per cent. Price growth varied across states and territories, with large rises in Western Australia, South Australia and Queensland, smaller rises in New South Wales, Tasmania and the Northern Territory, and falls in Victoria and the Australian Capital Territory.
- Advertised rents rose by 4.8 per cent over 2024, and by a further 1.7 per cent over the first 3 months of 2025. Over the year to March 2025, advertised rents growth slowed to 3.8 per cent. The rental vacancy rate rose slightly in the December quarter 2024, but remained near record lows.
- New housing supply levels remained low, especially for higher-density dwellings. Low levels of dwelling approvals indicate that new housing supply will continue to be weak in the near term.
- Although construction cost growth was relatively contained in 2024, cost levels remain elevated. Labour shortages, high financing costs and limited land availability were the main contributors to cost pressures.
- Demand for housing moderated in 2024, reflecting slowing – although still elevated – population growth and reduced household borrowing capacity.

2.1 Growth in housing prices and rents eased in 2024, but remains strong in some states

2.1.1 Housing prices

Dwelling prices rose by 4.9 per cent over 2024, and by a further 0.7 per cent over the first 3 months of 2025. This was a marked slowing in the pace of price growth relative to 2023, when prices rose by 8.5 per cent nationally. Over the 12 months ending March 2025, housing prices rose by 3.4 per cent nationally (see charts 2.1 and 2.2).

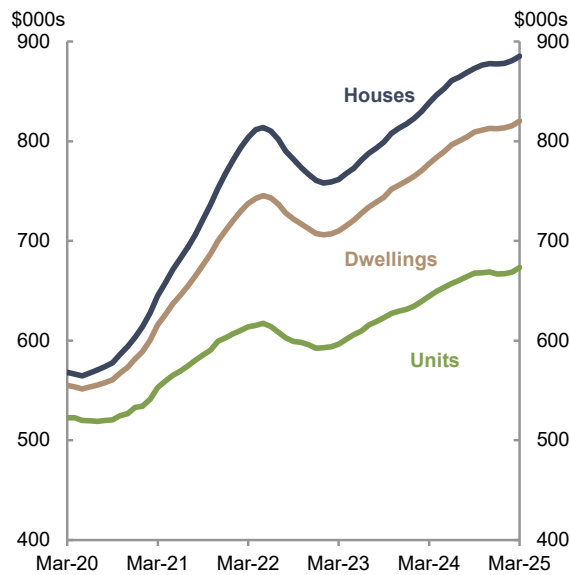
Houses and units⁴ both recorded slowing price growth over the year to March 2025. House prices increased by 3.7 per cent, while unit prices increased by 2.4 per cent (see charts 2.1 and 2.2).

The slowdown in housing price growth over the year to March 2025 broadly reflected an easing in underlying demand for housing associated with the decline in population growth since 2023 (see section 2.4, *Demand for housing*).

Effective demand for housing was also constrained over the period, reflecting elevated interest rates, cost-of-living pressures and moderate income growth, placing additional downward pressure on housing price growth. More recently, however, effective demand for housing was supported by a 25-basis-point reduction in the cash rate in February 2025, which contributed to a rebound in housing price growth in early 2025 (see Chart 2.1) (CoreLogic 2025).

Nonetheless, housing price growth continues to be supported by weak supply, which again fell short of underlying demand. 177,000 dwellings were completed in 2024, falling significantly short of underlying demand for housing, which was estimated at around 223,000 for the same period (see section 2.2 *Dwelling construction activity*).

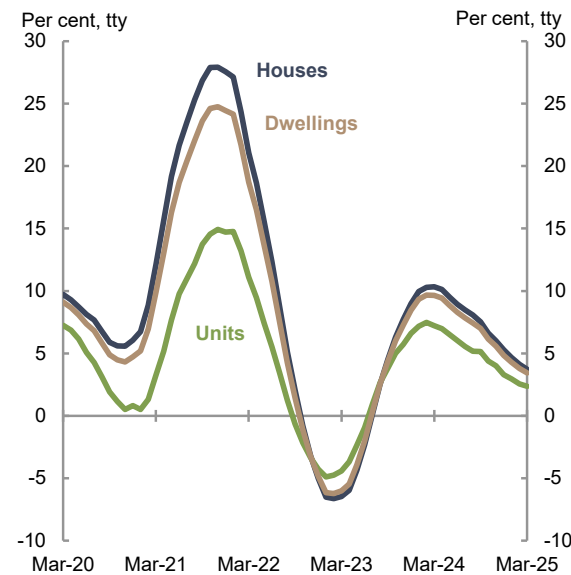
Chart 2.1 Median housing prices, by dwelling type



Note: Median value is the middle-estimate value of all residential properties derived through the hedonic regression methodology that underlies the CoreLogic Hedonic Home Value Index.

Source: CoreLogic 2025

Chart 2.2 Housing price growth, by dwelling type

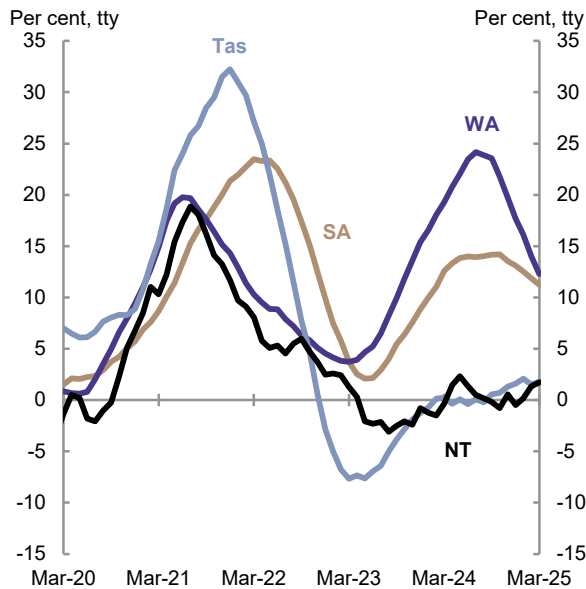


Source: CoreLogic 2025

4 This report draws on CoreLogic and ABS housing data. For CoreLogic data, 'houses' refer to properties on a Torrens title (including detached dwellings, semi-detached dwellings, terraces and duplexes), and 'units' refer to properties on a strata title (including townhouses, villas and apartments). For ABS data, 'detached houses' refer to freestanding single dwellings, and 'higher-density dwellings' refer to all non-freestanding dwellings (including semi-detached houses, duplexes, flats, apartments and high-rises).

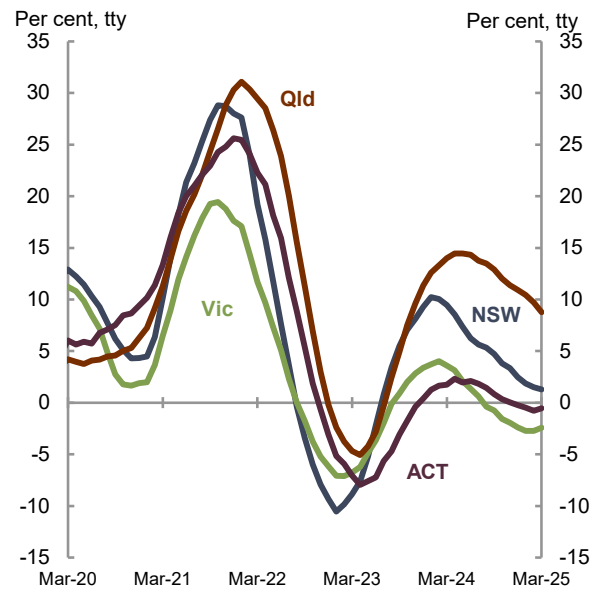
Housing price growth varied markedly across jurisdictions over the year to March 2025. In Western Australia, Queensland and South Australia, housing prices rose by more than 8 per cent (see charts 2.3 and 2.4), in part reflecting relative affordability compared to other states and ongoing solid population growth (see section 2.4.1 *Population*).

Chart 2.3 Housing price growth, by state



Source: CoreLogic 2025

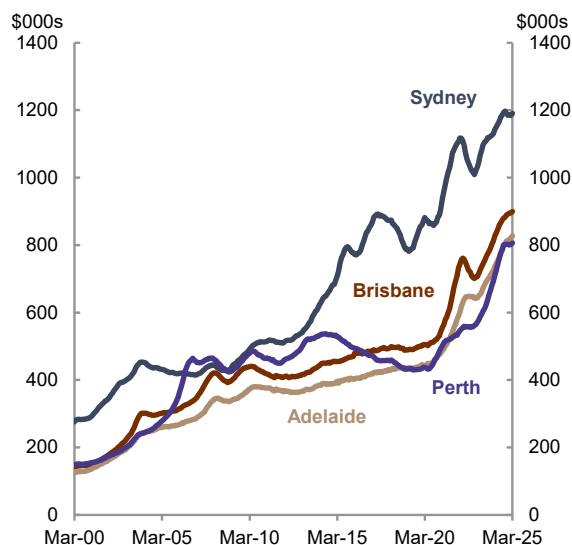
Chart 2.4 Housing price growth, by state



Source: CoreLogic 2025

Elsewhere, housing price growth was low in New South Wales, Tasmania and the Northern Territory, while prices fell in the Australian Capital Territory and Victoria (see charts 2.3 and 2.4). Along with affordability constraints, Victoria and the Australian Capital Territory have seen a considerable rise in housing supply in recent years, placing downward pressure on prices (see section 2.2.2, *New housing supply, by state and territory*). In Tasmania and the Northern Territory, weak population growth has been a key factor in constraining prices (see section 2.4.1, *Population*). In level terms, Sydney remains the most expensive capital city nationally by a large margin, while Darwin remains the least expensive (see charts 2.5 and 2.6).

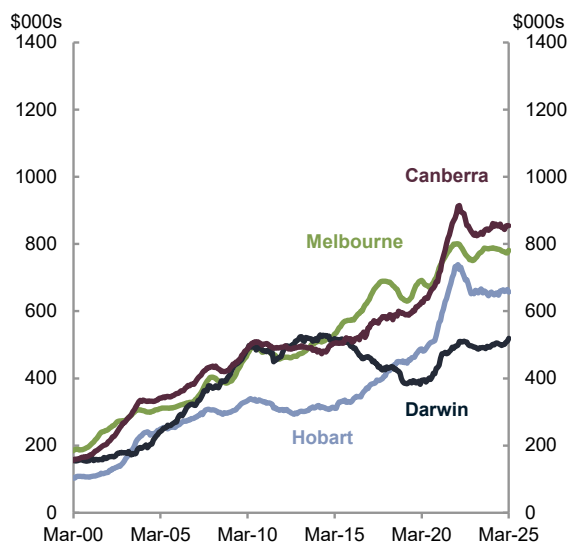
Chart 2.5 Housing prices, by capital city



Note: Median value is the middle-estimate value of all residential properties derived through the hedonic regression methodology that underlies the CoreLogic Hedonic Home Value Index.

Source: CoreLogic 2025

Chart 2.6 Housing prices, by capital city

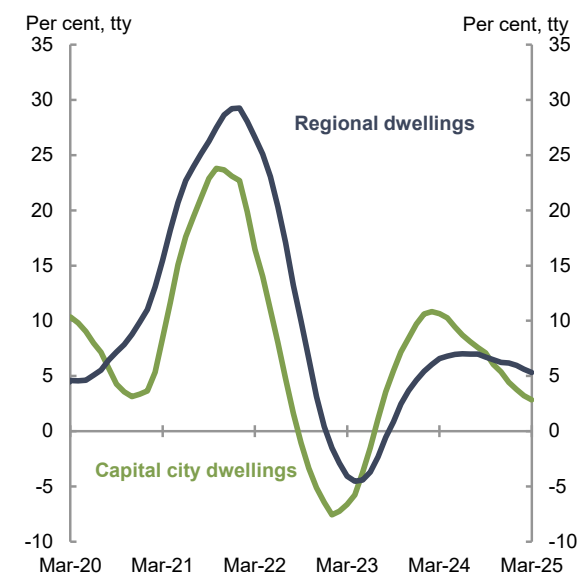


Note: Median value is the middle-estimate value of all residential properties derived through the hedonic regression methodology that underlies the CoreLogic Hedonic Home Value Index.

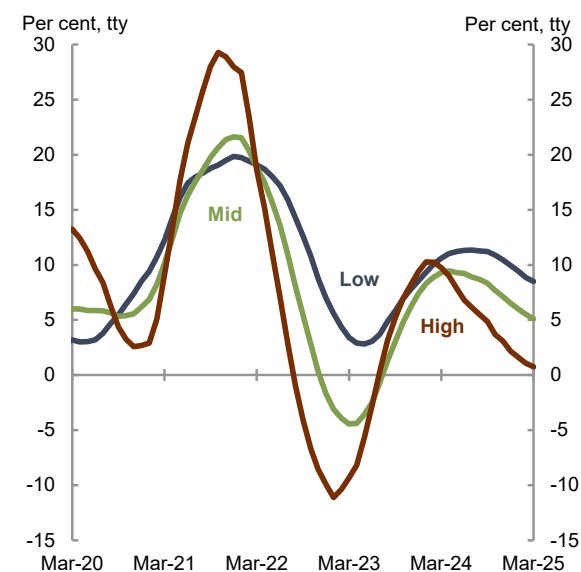
Source: CoreLogic 2025

Housing price growth in regional areas outpaced that in capital cities over the year to March 2025. Regional prices rose by 5.3 per cent, while capital city prices rose by 2.8 per cent (see Chart 2.7). Slower price growth in capital cities may partly reflect the slowing rate of net overseas migration over the past year, as new migrants tend to reside in capital cities (see section 2.4.1, *Population*).

Housing price growth varied across market price segments over the year to March 2025 (see Chart 2.8). Lower quartile dwelling values saw the fastest price growth, rising by 8.5 per cent. By contrast, upper quartile dwelling values rose by just 0.8 per cent over the year. Stronger price growth for lower quartile dwellings may reflect a shift in demand towards this segment, consistent with declining affordability and high interest rates (CoreLogic 2024).

Chart 2.7 Housing price growth, by region

Source: CoreLogic 2025

Chart 2.8 Housing price growth, by price segment

Note: 'Low', 'Mid' and 'High' refer to the lower, middle, and upper-value hedonic quartiles, respectively.

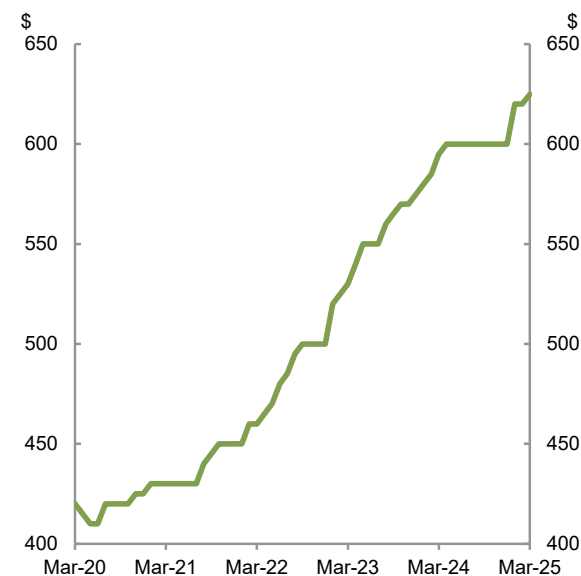
Source: CoreLogic 2025

2.1.2 Rents and vacancy rates

While rents rose to a new record high in the first quarter of 2025, the rate of growth slowed (see charts 2.9 and 2.10). Advertised rents, which refer to rents for currently listed rental properties, rose by 4.8 per cent over 2024, and a further 1.7 per cent over the first quarter of 2025. Over the 12 months to March 2025, advertised rents rose by 3.8 per cent, easing from a rise of 8.3 per cent over the year to March 2024.

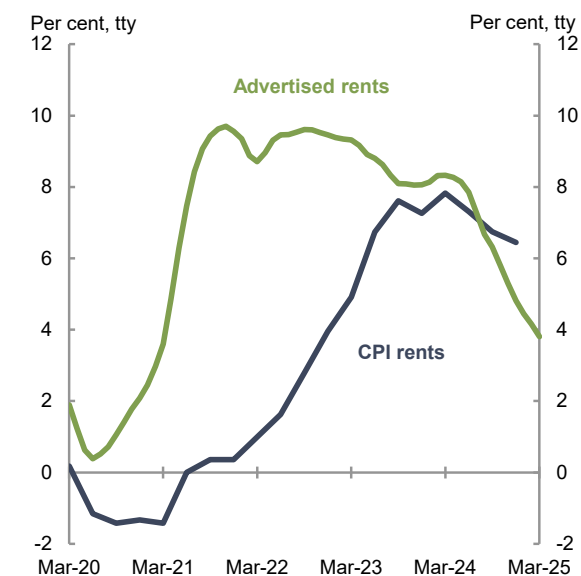
Growth in Consumer Price Index (CPI) rents, which measures rental costs paid by existing tenants, has also eased, rising by 6.4 per cent over 2024 (see Chart 2.10). Lower growth in advertised rents should continue to pass through to lower growth in CPI rents over time. Increases in Commonwealth Rent Assistance (CRA) in 2023 and 2024 have also weighed on CPI rents (see section 3.5, *Housing assistance for renters and home buyers is expanding*). Without CRA, CPI rents would have risen by 7.8 per cent over 2024 (ABS 2025d).

Slowing rent growth has been driven by an easing in population growth over the past year, which has weighed on demand for rentals (see section 2.4.1, *Population*). At the same time, the supply of available rentals has risen due to strong investor borrowing activity in most jurisdictions (Moore and Lieu 2025).

Chart 2.9 Median advertised weekly rents

Note: The national median weekly rent, over a rolling 3-month period.

Source: CoreLogic 2025

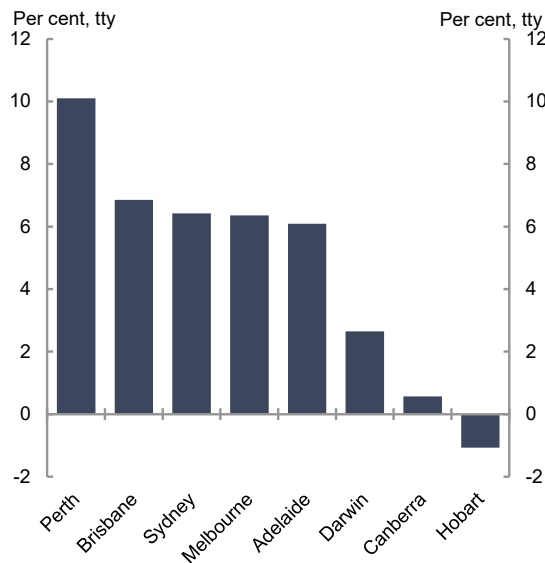
Chart 2.10 Advertised rents growth and CPI rents growth

Note: The CPI measures out-of-pocket rental costs and is therefore impacted by changes in rental subsidies.

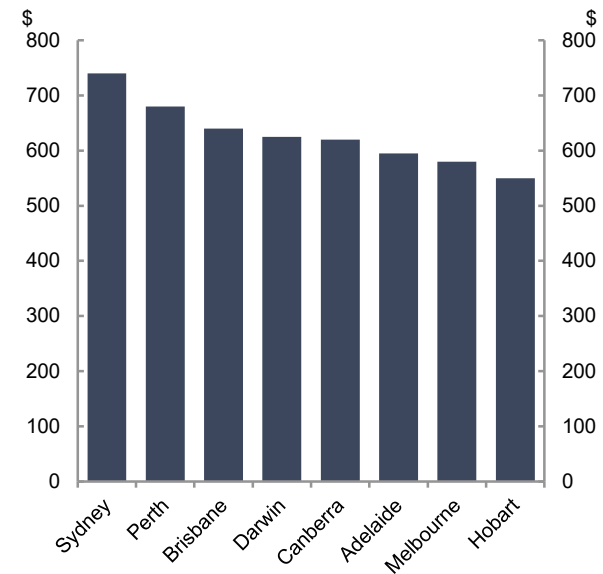
Source: ABS Consumer Price Index 2025; CoreLogic 2025

Advertised rents rose at a slower pace in capital cities (up 3.1 per cent) than in regional areas (up 5.6 per cent) over the year to March 2025. Slower rent growth in capital cities partly reflects the slowing rate of net overseas migration, as new migrants tend to reside in capital cities (see section 2.4.1, *Population*).

Across the capital cities, Perth saw the largest rise in CPI rents over 2024 (see Chart 2.11). As with housing prices, strong population growth in Western Australia has driven demand for rentals (see section 2.4.1, *Population*). The rental market has been extremely tight, with Perth recording its lowest vacancy rate on record in 2024, although its vacancy rate has since risen (see Chart 2.13). In contrast, CPI rents fell in Hobart over 2024, while rental growth was weak in Darwin and Canberra (see Chart 2.11). In level terms, among the capital cities, advertised rents were most expensive in Sydney, and least expensive in Hobart (Chart 2.12).

Chart 2.11 Annual growth in CPI rents, by capital city, December 2024

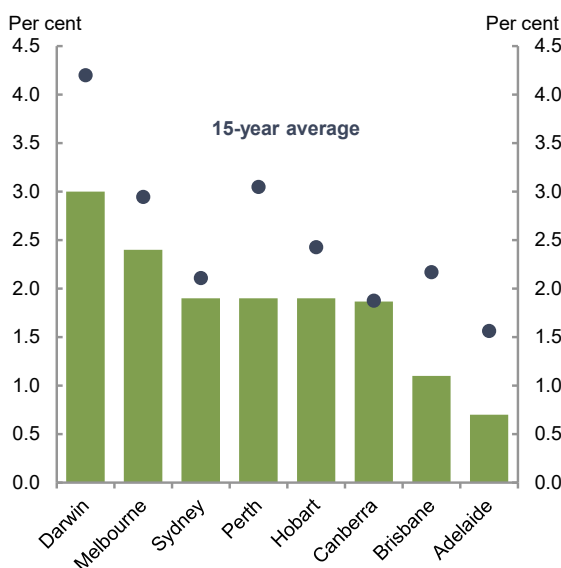
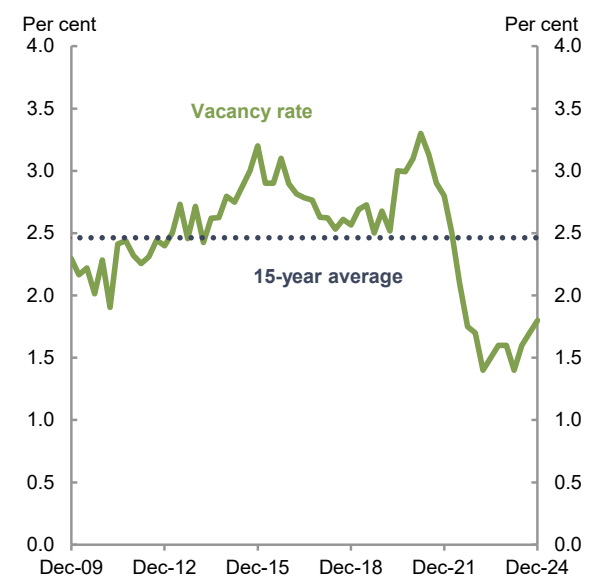
Source: ABS Consumer Price Index 2025

Chart 2.12 Median advertised weekly rents, by capital city, March 2025

Note: The national median rent over a rolling 3-month period.

Source: CoreLogic 2025

Overall, rental markets remain tight, with vacancy rates across most capital cities remaining below long-run average levels (see Chart 2.13). However, there are signs that pressures are easing, with the national vacancy rate rising slightly from recent record lows to 1.8 per cent in December 2024 (see Chart 2.14). Over the medium term, slowing population growth and an increase in new housing supply should support a continued rise in vacancy rates and ease rent growth (see Chapter 5, *Housing system outlook*).

Chart 2.13 Rental vacancy rate, by capital city, December 2024Note: The weighted average capital city vacancy rate.
Source: Real Estate Institute of Australia (REIA) 2025**Chart 2.14 Rental vacancy rate, weighted average of capital cities**Note: The weighted average capital city vacancy rate.
Source: REIA 2025

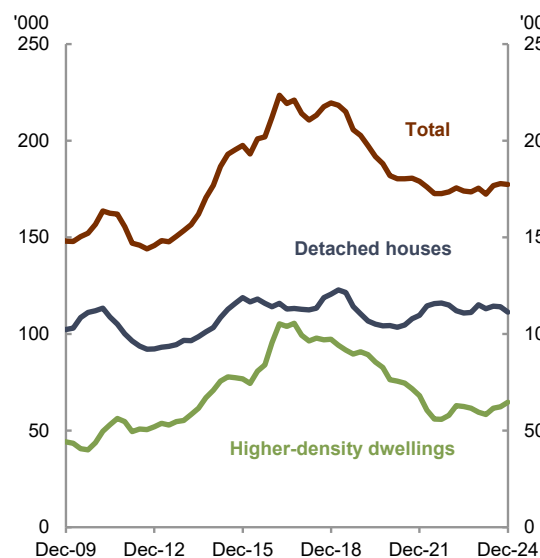
2.2 Dwelling construction activity remains weak

2.2.1 New housing supply, by dwelling type

Housing construction activity remained weak in 2024, with 177,000 dwellings completed in the year. While slightly higher than in 2023, completions in 2024 remained near their lowest level in more than a decade, and well below their financial-year peak of 219,000 in 2016–17 (see Chart 2.15).

Low rates of higher-density dwelling completions have been the main reason for the overall weakness in new housing supply. Only 65,000 higher-density dwellings were completed in 2024, around 40 per cent below the peak of 106,000 completions in the year to September 2017 (see Chart 2.15). In contrast, detached house completions remain consistent with historical levels, at around 111,000 completions in 2024.

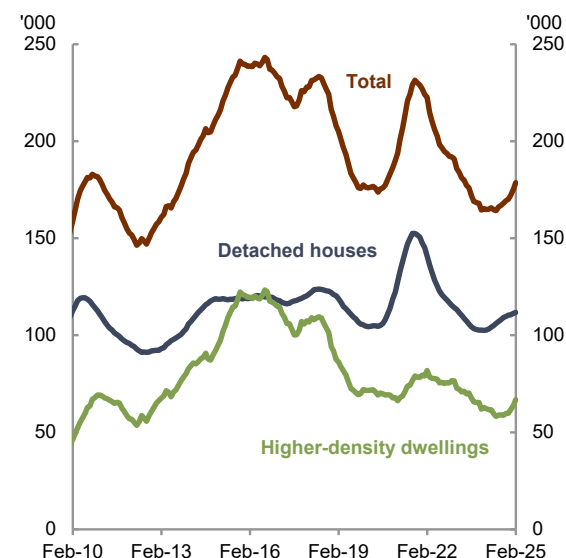
Chart 2.15 Dwelling completions, by type



Note: Annual rolling sum of dwelling completions in the private and public sectors.

Source: ABS Building Activity 2025

Chart 2.16 Dwelling approvals, by type



Note: The annual rolling sum of dwelling approvals in the private and public sectors.

Source: ABS Building Approvals 2025

Renovation activity remained robust over 2024, declining slightly from its Pandemic-related peak in 2021. Although renovations do not directly add to housing supply, they are a large component of residential construction, accounting for around 40 per cent of activity (ABS 2024a).

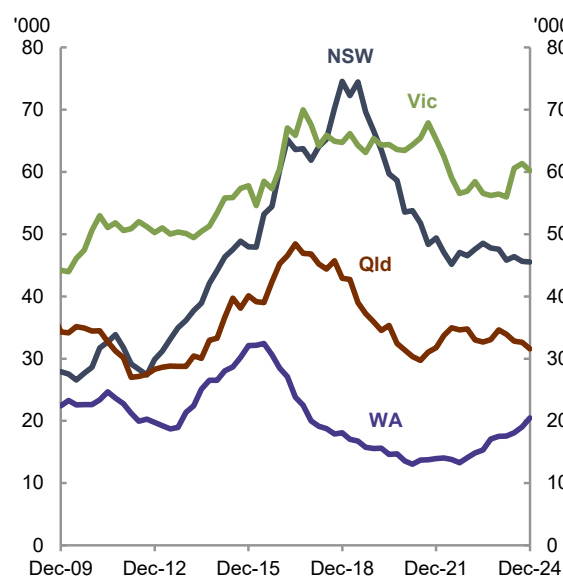
In recent years, elevated construction costs and tight household financing conditions have constrained the supply of new housing, particularly higher-density dwellings (see section 2.3.1, *Construction costs, by dwelling type*). These factors have reduced the feasibility of projects as developers have not been able to recover standard profit margins (see section 2.3.8, *Project feasibility*).

These same factors have weighed on dwelling approvals. As a result, new housing supply is expected to remain weak in the near term (see Chapter 5, *Housing system outlook*). Dwelling approvals rose by 8.4 per cent to around 179,000 in the year to February 2025, driven by both higher-density dwellings and detached houses. Higher-density dwelling approvals were around 67,000 in the year to February 2025, which is almost 50 per cent below their peak of 123,000 recorded in the year to August 2016 (Chart 2.16). Nevertheless, higher-density dwelling approvals have picked up over the past year. Detached house approvals also picked up to around 112,000 over the same period, but remain below their Pandemic-related peak recorded in September 2021, and slightly below long-term average levels.

2.2.2 New housing supply, by state and territory

The rate of new housing supply has varied across the states and territories (see charts 2.17 and 2.18), reflecting different economic and demographic conditions across the country. Most notably, Western Australia saw a 17 per cent rise in annual dwelling completions in 2024, building on the 24 per cent rise in the prior year. Nevertheless, completions in Western Australia remain around their long-run average, reflecting the state's recovery from the building downturn that followed the end of the mining boom. Victoria (up 7 per cent) and South Australia (up 11 per cent) also reported a solid rise in completions in 2024.

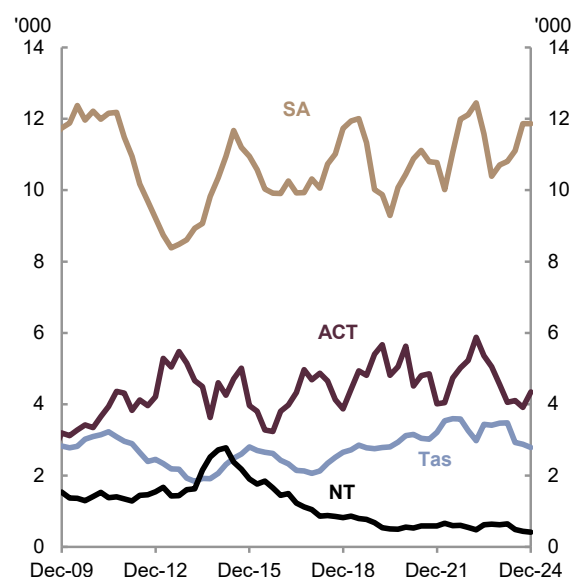
Chart 2.17 Dwelling completions, by state



Note: Annual rolling sum of dwelling completions in the private and public sectors.

Source: ABS Building Activity 2025

Chart 2.18 Dwelling completions, by state

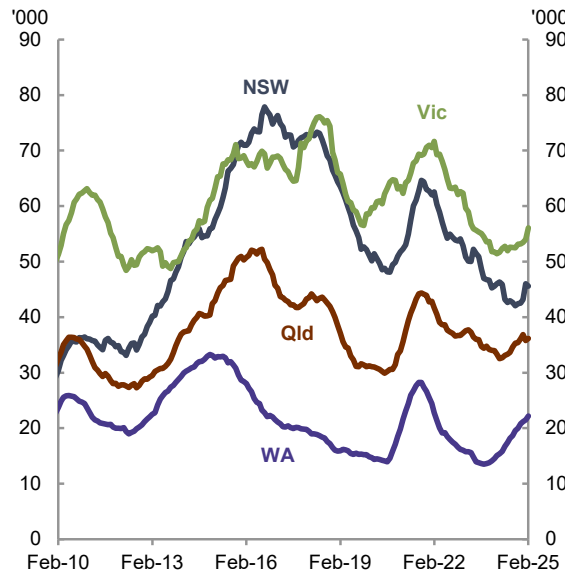


Note: Annual rolling sum of dwelling completions in the private and public sectors.

Source: ABS Building Activity 2025

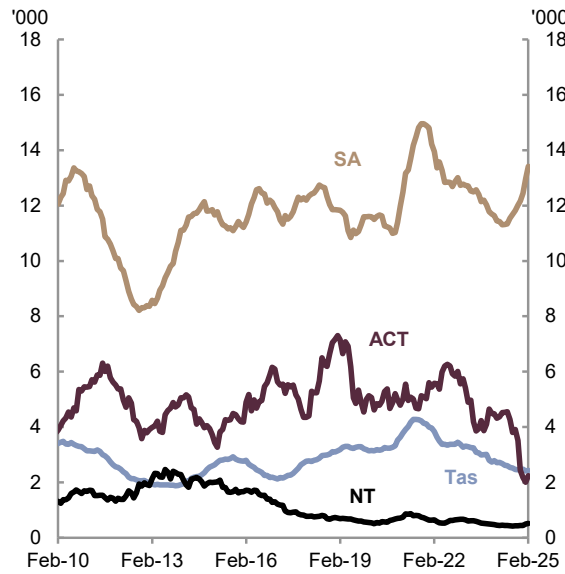
Dwelling approvals are the key leading indicator for dwelling completions. Western Australia and South Australia reported the largest percentage increase in dwelling approvals over the year to February 2025 (see charts 2.19 and 2.20). Dwelling approvals also increased in Victoria, Queensland and the Northern Territory. In contrast, annual dwelling approvals declined in the Australian Capital Territory, Tasmania and New South Wales.

Chart 2.19 Dwelling approvals, by state



Note: Annual rolling sum of dwelling approvals in the private and public sectors.
Source: ABS Building Approvals 2025

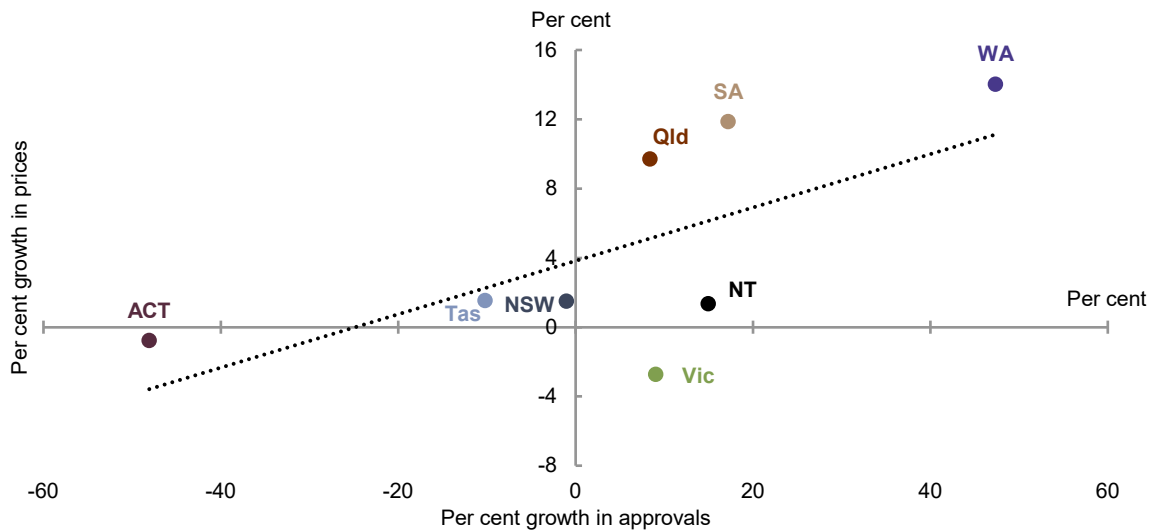
Chart 2.20 Dwelling approvals, by state



Note: Annual rolling sum of dwelling approvals in the private and public sectors. Original data used for NT and ACT.
Source: ABS Building Approvals 2025

Growth in dwelling approvals has tended to be positively associated with growth in housing prices across the states and territories (see Chart 2.21). In particular, Western Australia, South Australia and Queensland reported strong growth in both dwelling approvals and housing prices in the year to February 2025.

Chart 2.21 Growth in housing prices and dwelling approvals, by state



Note: The through-the-year growth in annual dwelling approvals and housing prices to February 2025.
Source: CoreLogic 2025; ABS Building Approvals 2025b

2.3 Adverse supply-side conditions are limiting housing construction activity

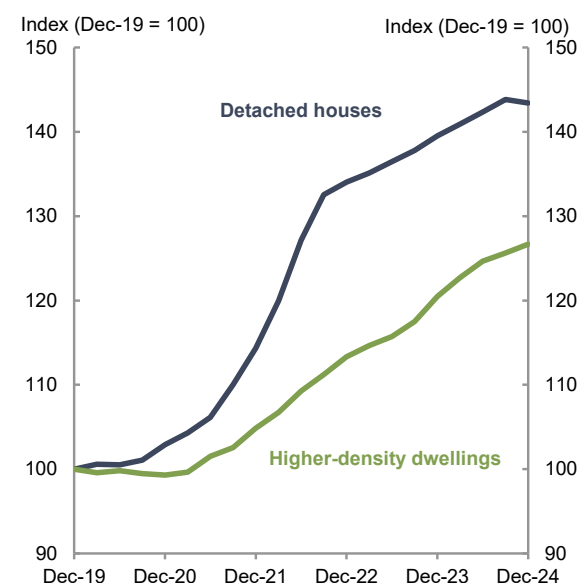
2.3.1 Construction costs, by dwelling type

Dwelling construction costs continued to rise over 2024, although at a slower pace than in 2021 and 2022 (see charts 2.22 and 2.23). These costs reflect a range of factors, including the costs of inputs (materials, capital and labour) and the efficiency with which they are used. Slower growth in construction costs broadly reflects slower growth in the cost of many of these inputs.

Construction output costs for detached houses, which include material costs, labour costs and profit margins, rose by 2.8 per cent over 2024. This represents a significant deceleration from their Pandemic-related peak of 20.5 per cent growth over the year to September 2022 (see Chart 2.23). Lower demand for house construction and greater promotion activity to attract customers have contributed to lower growth in output prices for detached house construction over the past year (ABS 2025k).

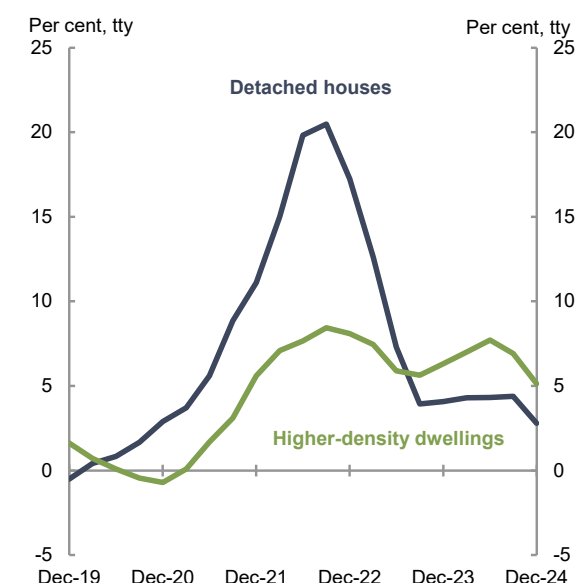
Construction costs for higher-density dwellings rose by 5.1 per cent over 2024 (see Chart 2.23). The rise in construction costs partly reflects competition for labour from non-residential infrastructure projects (see section 2.3.4, *Labour*). Overall, the cumulative increase in construction costs for higher-density dwellings has been much lower than for detached housing in recent years (see Chart 2.22).

Chart 2.22 Construction costs, by dwelling type



Source: ABS Producer Price Indexes 2025

Chart 2.23 Construction cost growth, by dwelling type

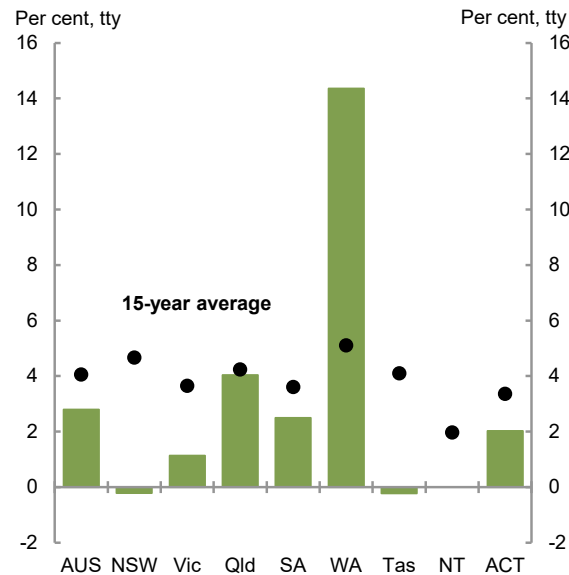


Source: ABS Producer Price Indexes 2025

2.3.2 Construction costs, by state and territory

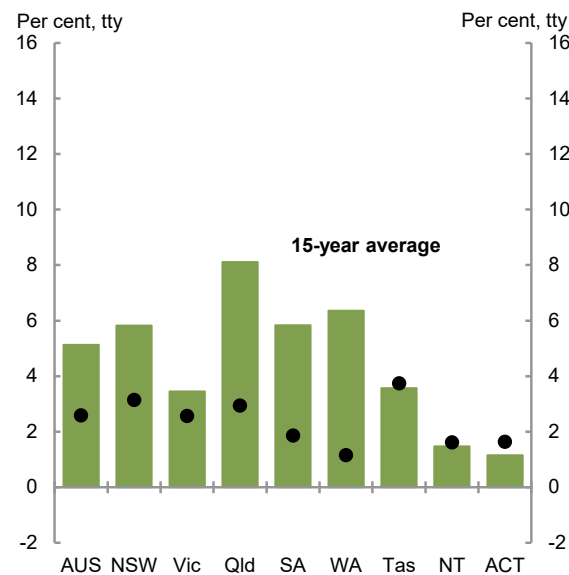
The moderation in detached house construction costs at a national level in 2024 masked some variation among states and territories. Most notably, Western Australia recorded a significant rise of 14.4 per cent over the year, which is more than 5 times the national growth rate (see Chart 2.24). This was driven by relatively high demand for house construction in the state, along with upward pressure on labour costs due to competition for labour within the resources sector (Crowe et al. 2024). Capacity constraints have also been enduring in Western Australia (Housing Industry Forecasting Group [HIFG] 2024). By contrast, construction cost growth for higher-density dwellings was less varied across states and above long-run averages for most states in 2024 (see Chart 2.25).

Chart 2.24 Detached housing construction prices, by state



Note: The through-the-year growth rate to December 2024.
Source: ABS Producer Price Indexes 2025

Chart 2.25 Higher-density dwellings construction prices, by state

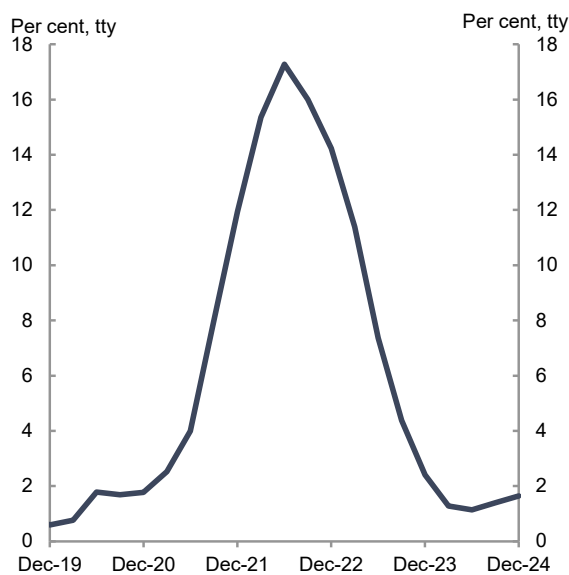


Note: The through-the-year growth rate to December 2024.
Source: ABS Producer Price Indexes 2025

2.3.3 Materials

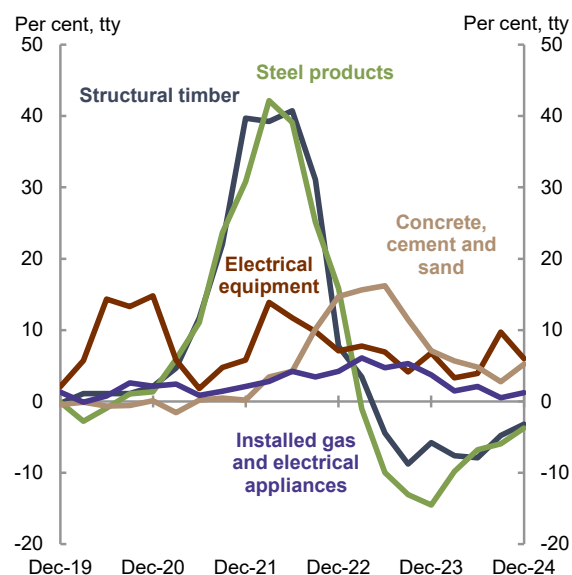
Materials are a key component in the construction of dwellings. Growth in material costs slowed to 1.6 per cent over 2024 (see Chart 2.26). This followed a sharp fall in the rate of material cost growth in 2023, as disruptions associated with the Pandemic dissipated (ABS 2024c).

Growth in material input prices varied by component (see Chart 2.27). Steel product prices declined by 3.7 per cent over 2024, reflecting reduced global demand, particularly from China (McSweeney et al. 2024). Likewise, structural timber prices fell by 3.2 per cent, reflecting a slowdown in housing construction activity (McSweeney et al. 2024). In contrast, electrical equipment prices rose the fastest among the sub-components over the year (up 6.0 per cent) (ABS 2025k). Concrete, cement and sand prices also rose over the year (up 5.2 per cent) due to strong demand from non-residential construction (ABS 2025k). Installed gas and electrical appliances prices remained relatively steady, rising by 1.2 per cent over the year.

Chart 2.26 Material costs for house construction

Note: The weighted average growth over the 6 state capital cities.

Source: ABS Producer Price Indexes 2025

Chart 2.27 Material costs for house construction, by selected components

Note: The subset inputs to the house construction price index.

Source: ABS Producer Price Indexes 2025

2.3.4 Labour

Like materials, labour is a critical component of the dwelling construction process. In 2024, the residential construction sector continued to report labour shortages, with demand for skilled trades outpacing supply across the sector. However, there are signs that some labour supply conditions have improved.

Labour shortages have been driven by low rates of worker entries, high rates of worker exits and strong competition in the broader construction sector. Master Builders Australia (MBA) estimates the building and construction industry has a natural attrition rate of about 8 per cent, or 110,000 workers per year (MBA 2024). While the overall building and construction workforce grew by 3.9 per cent in the year to May 2024, worker exits led to a contraction in 2019, 2020 and 2021 (MBA 2024).

The Housing Industry Australia (HIA) Trades Availability Index, which measures the industry's perception of the availability of skilled trades, remained negative and below its long-run average in 2024 (see Chart 2.28). Labour shortages were most severe for bricklayers, tilers, roofers and carpenters, as measured by the number of quarters in which these trades have been in shortage (see Chart 2.29). Nevertheless, the HIA Trades Availability Index rose slightly in 2024, indicating a reduction in the shortage of skilled trades.

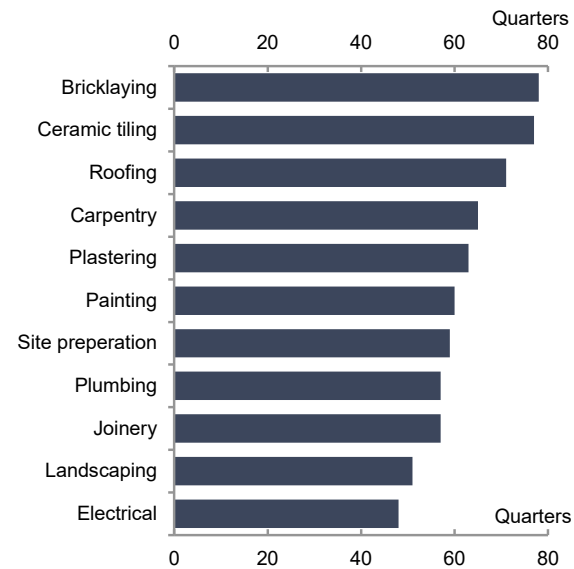
Chart 2.28 HIA Trades Availability Index



Note: The Trades Availability Index measures the industry’s perception of the availability of skilled trades.

Source: HIA 2025b

Chart 2.29 Duration of labour shortage



Note: The number of quarters in which the Trades Availability Index has identified a labour shortage in each occupation.

Source: HIA All Hands on Deck Report 2024

Recruitment difficulty in the construction sector has also begun to ease (see Chart 2.30). The share of recruiting employers who had difficulty hiring employees in the construction sector has returned to a similar rate to the overall economy. Nonetheless, recruitment in the construction sector was more difficult in regional areas than in the capital cities (see Chart 2.31).

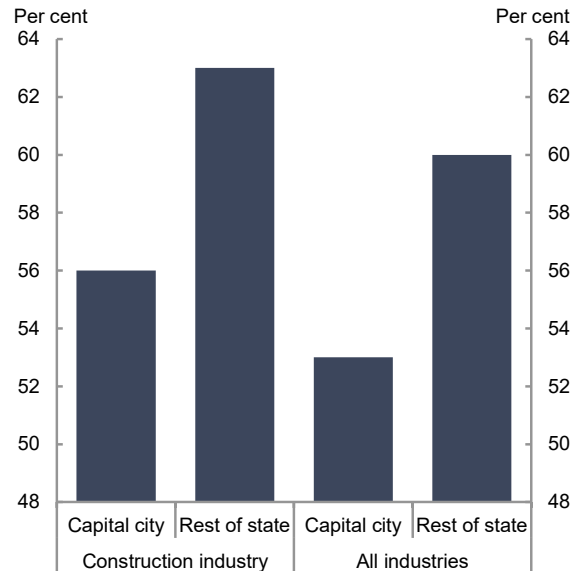
Chart 2.30 Recruitment difficulty, by industry



Note: The share of recruiting employers that report difficulty recruiting.

Source: Jobs and Skills Australia 2025

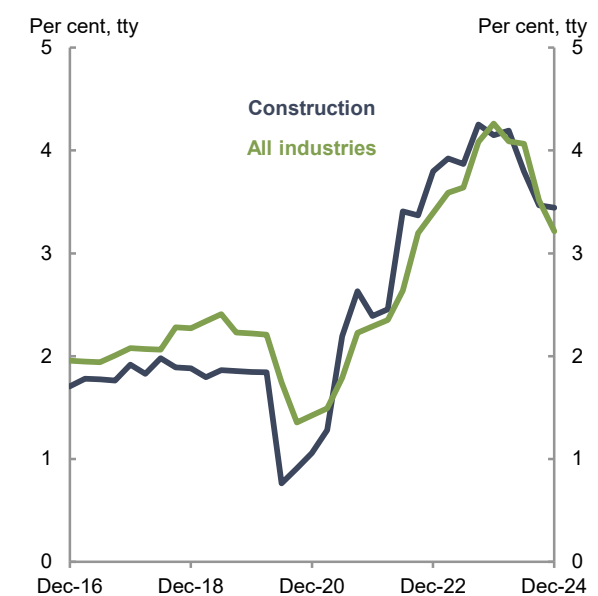
Chart 2.31 Recruitment difficulty, by region type, 2023–24



Source: Jobs and Skills Australia 2024

Consistent with the recent improvement in labour shortages, construction sector wages growth has slowed. Construction sector wages rose by 3.4 per cent over the year to December 2024, after peaking at 4.3 per cent over the year to September 2023 (see Chart 2.32). Construction sector wage growth remains in line with average wage growth across the economy, having grown at a slightly faster rate in the preceding 2 years. Despite decelerating slightly, construction sector wage growth remains above its 15-year annual average rate of 2.7 per cent, reflecting tight labour market conditions across both the industry and the overall economy.

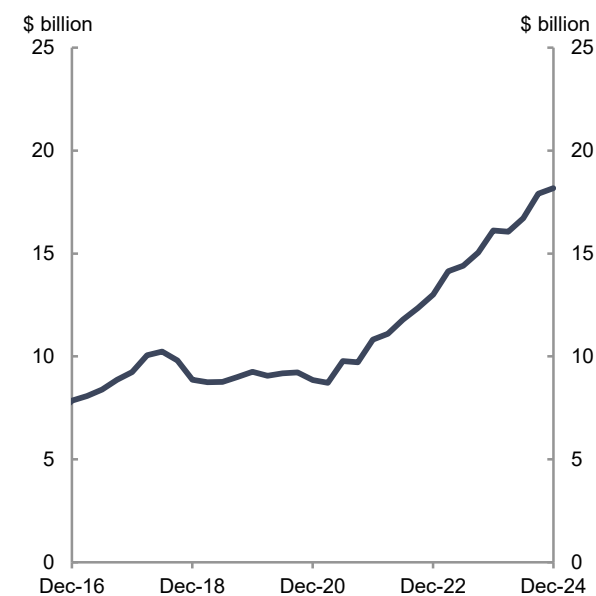
Chart 2.32 Wage growth



Note: Rolling annual growth rate; total hourly rates of pay excluding bonuses, private and public sectors.

Source: ABS Wage Price Index 2025

Chart 2.33 Public sector engineering construction work done



Note: Engineering construction activity, value of work done for the public sector.

Source: ABS Engineering Construction Activity 2025

Competition with other construction sectors

Industry feedback suggests that the current labour shortage in the residential construction sector partly reflects competition for skills from non-residential construction projects, including in the civil construction sector. Many construction worker skills are transferable across a wide range of projects, enabling skilled construction workers to move between jobs to respond to demand (Housing Industry Association [HIA] 2024a).

The value of engineering construction work done for the public sector, which includes construction of infrastructure such as roads, railways and bridges, has risen sharply in recent years – from \$10.8 billion in December 2021 to \$18.2 billion in December 2024 (see Chart 2.33). The broader pipeline of major public infrastructure work across Australia is projected to increase in the near term, and is expected to total \$213 billion between 2023–24 to 2027–28 (Infrastructure Australia 2024). While the size of the pipeline has been downgraded from previous projections, it still represents a large volume of infrastructure construction projects to be undertaken alongside increased home building activity, resulting in greater aggregate demand for construction workers.

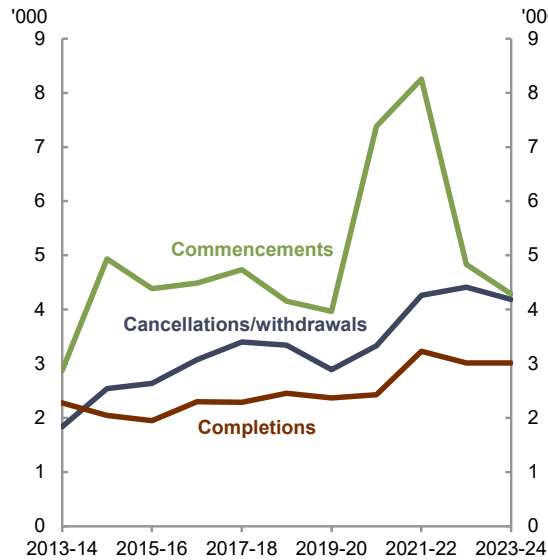
The large pipeline of public infrastructure work has increased demand for construction workers amid the current shortage of labour in the sector (Infrastructure Australia 2024). Industry stakeholders have indicated construction workers and sub-contractors often prefer government infrastructure projects over residential construction, given the former’s relative stability, ease of business and lower risks. Coupled with this is the wage premium experienced by construction workers in the public engineering construction sector over the residential construction sector (NHSAC 2024).

Training and skills

The shortage of construction workers has been exacerbated by the decline in new apprentices in the building industry. Apprenticeship and traineeship commencements declined by 4.2 per cent over the 2024 financial year, while apprenticeship completions remained flat (Chart 2.34). Retention rates for construction apprentices have also remained low, which has been attributed to low pay and cost-of-living pressures, as well as negative workplace experiences, including bullying (Department of Employment and Workplace Relations [DEWR] 2024). Around 27 per cent of construction apprentices had experienced workplace bullying, with 20 per cent reporting it as ‘severe’ (Ross et al. 2020).

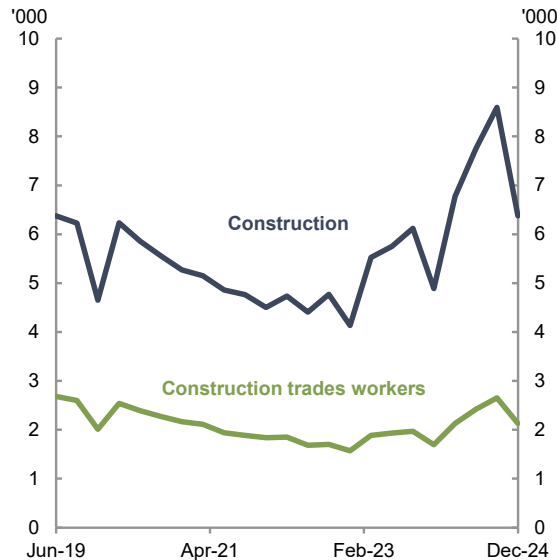
Stakeholders have indicated that facilitating new labour entries through skills and training is a critical long-term solution to reducing shortages. However, due to the significant time lag between training commencements and completions, such measures are unlikely to wholly address the more acute labour market pressures currently being faced (see Chapter 7, *Towards a better housing system*).

Chart 2.34 Building construction apprenticeships and traineeships



Source: National Centre for Vocational Education Research 2024

Chart 2.35 Temporary skilled visa holders in construction



Note: Construction trades workers include bricklayers, stonemasons, carpenters, roof tilers, wall and floor tilers, floor finishers, glaziers, painting trades workers, plasterers and joiners.

Source: Department of Home Affairs 2024a

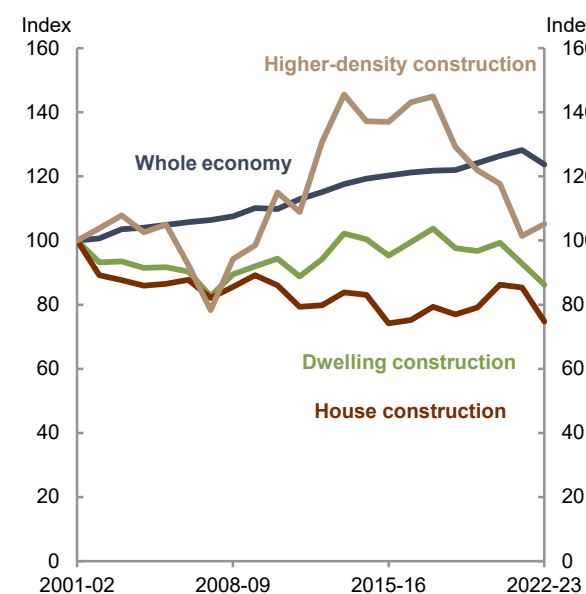
Labour shortages in the construction sector are set to continue in the near term and may be a barrier to reaching the National Housing Accord target of 1.2 million new homes over the 5 years to 2028–29 (Infrastructure Australia 2024; HIA 2024a; MBA 2024). BuildSkills Australia has estimated that a further 90,000 workers would be needed to reach the target (BuildSkills Australia 2024c).

Some employers in the construction sector are responding to labour shortages by hiring more skilled workers from abroad. The number of temporary work (skilled) visas for the construction sector rose in the September quarter of 2024 (see Chart 2.35). However, these workers represent only a small proportion of the broader construction workforce, so longer-term solutions are needed to support the skills pipeline in the industry (see Chapter 7, *Towards a better housing system*).

2.3.5 Productivity

Housing construction productivity has significantly underperformed relative to the broader economy. Labour productivity in the housing construction industry fell by 12 per cent over the past 3 decades, compared with an increase of 49 per cent across the broader economy (Productivity Commission 2025a). This suggests that building new homes now takes more time and effort, even after accounting for the increase in home quality and size over the period. New estimates from the Productivity Commission show that productivity has varied by housing type, declining by 25 per cent for detached housing and increasing by 5 per cent for higher-density housing since 2001–02 (Chart 2.36).

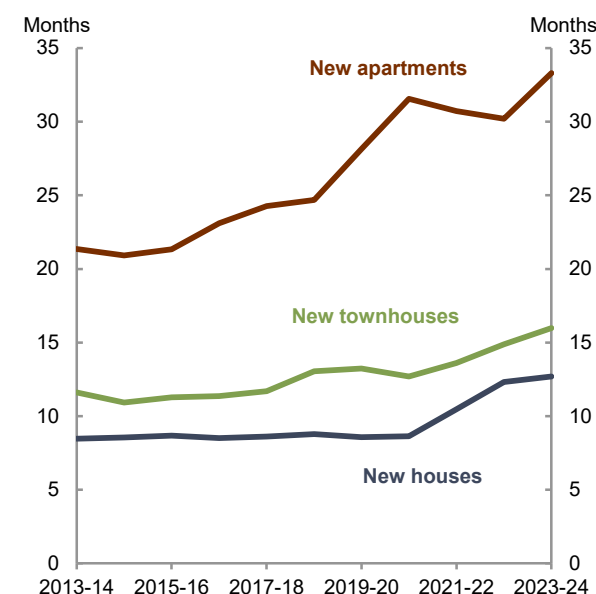
Chart 2.36 Productivity by dwelling type



Note: Index of proxy for labour productivity using gross value added (GVA) per hour.

Source: Productivity Commission 2025

Chart 2.37 Average construction time



Note: The time from approval to completion.

Source: ABS Building Activity 2025

The difference in productivity among housing types, in part, reflects differences in firm size and scale. Construction firms that are principally engaged in the construction of detached dwellings tend to be smaller on average (1.5 employees per business) than firms engaged in higher-density construction (1.9 employees per business) (Productivity Commission 2025a). As firms with fewer workers are likely to be less innovative (Industry, Innovation and Science Australia 2023), detached house construction is likely to have fewer productivity improvements than higher-density dwelling construction.

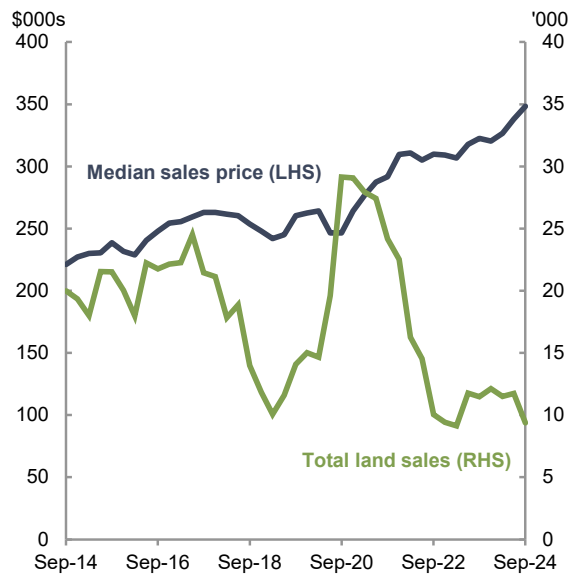
Detached house construction may also benefit less from the economies of scale and scope that are typically achieved in higher-density projects (Productivity Commission 2025a). The decline in housing construction productivity is consistent with the increase in dwelling construction times over the past decade. Since 2019–20, average construction times (from approval to completion) have increased by 3 months for detached houses, and by 5 months for higher-density dwellings (see Chart 2.37). While feedback from industry has indicated that build times have begun to ease for new projects, it will take time for this to flow through to a reduction in average build times across all new dwellings.

The decline in housing construction productivity is not a uniquely Australian phenomenon. Housing construction productivity has fallen across a range of advanced economies, such as the United States, France and the United Kingdom. In Australia, weak housing construction productivity is largely due to the growing complexity of construction processes, regulatory burdens and industry fragmentation (Productivity Commission 2025a). There are also perceived barriers to upscaling due to jurisdictional differences in building standards, planning systems and regulations. The Productivity Commission recommends that better national coordination of the construction process could improve housing construction productivity (see section 7.3, *Applying best practice principles to planning systems and making more land available*).

2.3.6 Land supply

The volume of residential land sales remained close to decade lows in 2024 (HIA and CoreLogic 2025). There were 9,364 recorded land sales in the September quarter of 2024 – a fall of 18.4 per cent over the year (see Chart 2.38). Residential land sales data reflects all lot sales zoned ‘residential’, including both greenfield and brownfield sites irrespective of whether the purchaser is a household or developer. This decline was driven by the capital cities, which saw land sales fall by 27.3 per cent over the year (HIA and CoreLogic 2025). In contrast, regional areas saw an increase in land sales of 5.4 per cent over the same period (HIA and CoreLogic 2025).

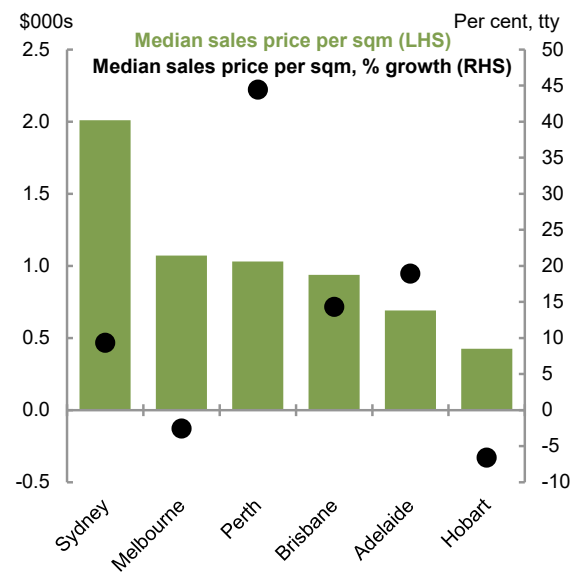
Chart 2.38 Residential land sales, by price and volume, total of all states



Note: Based on the most recent decade of quarterly sales activity data recorded across Australia’s 6 state capitals and non-capital regions, excluding the Northern Territory and the Australian Capital Territory.

Source: Housing Industry Association and CoreLogic 2025

Chart 2.39 Residential land sales price per square metre, September 2024



A shortage of residential land has led to higher prices. The median price per square metre of residential land sold nationally was \$884 in the September quarter of 2024 – an increase of 9.3 per cent compared to the previous year (HIA and CoreLogic 2025). Reflecting their respective differences in land supply, capital cities saw a 9.2 per cent increase in median residential land prices, while land in regional areas saw a modest 2 per cent rise (HIA and CoreLogic 2025).

While land prices rose in most capital cities over the year to September 2024, the fastest growth was seen in Perth (see Chart 2.39). The median price per square metre of residential land in Perth rose to \$1,030 in September 2024, to be 40 per cent higher over the year. Brisbane, Adelaide and Sydney also saw strong price growth (between 10 per cent and 20 per cent) despite higher land sales volumes. Land prices were flat in Melbourne and fell in Hobart, with land sales remaining stable relative to the previous 12 months.

2.3.7 Construction finance conditions

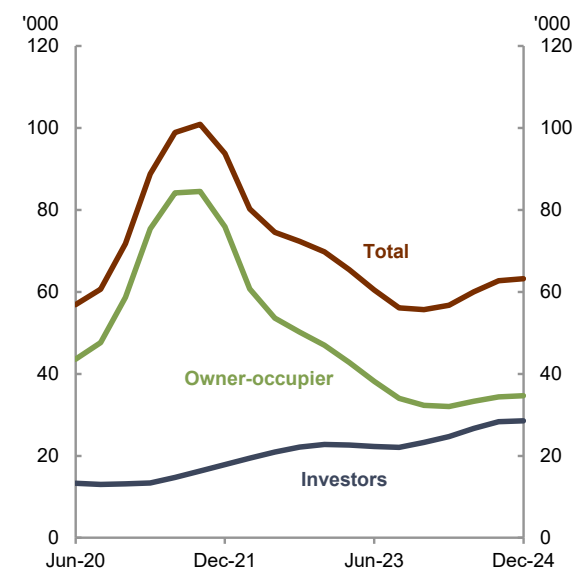
Elevated interest rates (see Chart 2.40) weighed on activity across the residential construction sector in 2024, lowering investor debt servicing capacity, borrowing limits and risk appetite. Industry reports have noted that some developers are having difficulty securing debt financing, leading to a shift towards non-bank lenders (Herbert Smith Freehills 2024). This may be partly due to some lenders conservatively interpreting an Australian Prudential Regulation Authority (APRA) letter⁵ from 2017 on industry practice regarding pre-sales coverage of committed debt amounts (Helmke 2025). APRA updated its guidance at the request of the Treasurer in February 2025, stipulating that it does not expect 100 per cent pre-sales as a condition for securing construction finance – although it still expects banks to consider the extent of pre-sales as part of prudent credit risk management (APRA 2025).

5 The letter stated construction finance for new higher-density housing development should depend on all properties being pre-sold (APRA 2017).

Chart 2.40 Business borrowing rates, by category

Note: The series break at September 2019 is due to changes in business size definitions. Interest rates prior to the series break are a weighted average rate on credit outstanding for large loans and fixed for 3 years for small loans, while interest rates post the series break are total outstanding variable loans.

Source: RBA Business Lending Rates 2025

Chart 2.41 New loan commitments for housing construction

Note: The rolling annual number of new loan approvals to owner-occupier and investor households to secure pre-sale dwellings.

Source: ABS Lending Indicators 2025

Tighter financing conditions have affected the funding sources for small-scale construction projects. New loan commitments to owner-occupiers to construct dwellings are very low. Historically, these buyers have financed most new housing construction (see Chart 2.41 and section 2.4.4, *Household credit conditions*). However, investors have been financing a growing number of new loan commitments for housing construction (see Chart 2.41), partly reflecting growth in housing prices (CoreLogic 2024), which has increased equity for existing owners to invest in additional properties.

Tight financing conditions are particularly problematic for higher-density projects, as developers are typically required to pre-sell a certain number of units to households to secure project financing from banks (RBA 2019). Over the past year, affordability constraints for potential buyers softened demand, contributing to longer wait times to reach pre-sale requirements. This added to project costs and hampered the financial feasibility for developers and builders (see section 2.3.8, *Project feasibility*).

2.3.8 Project feasibility

Rising financing and construction costs reduced the financial feasibility of new residential construction projects in 2024, limiting the number of dwelling approvals, commencements and completions – particularly for higher-density dwellings (see section 2.2.1, *New housing supply, by dwelling type*).

This continues a trend identified in a recent report by the Centre for International Economics (The CIE) for the NSW Productivity and Equality Commission, which highlighted the decline in feasibility for mid-rise apartments. It found developers were unable to recover standard profitability margins across all mainland capital cities in 2023 (The CIE 2024). The largest observed financial feasibility gap for mid-rise apartments was in Perth, followed by Adelaide, Melbourne, Brisbane and Sydney (see Chart 2.42).

Chart 2.42 Feasibility of mid-rise apartments, by capital city, 2023

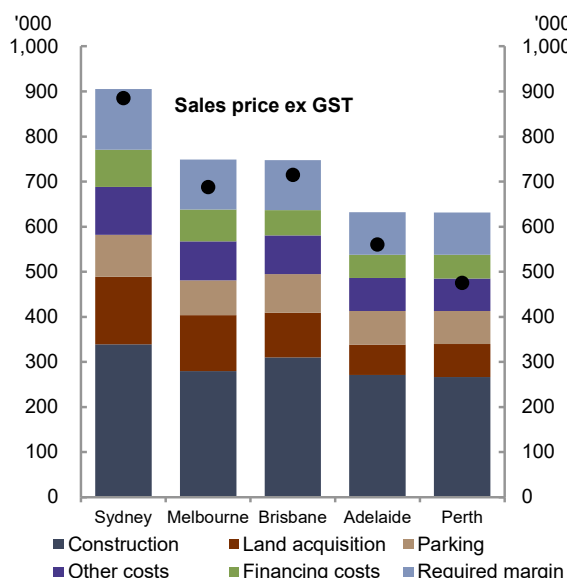
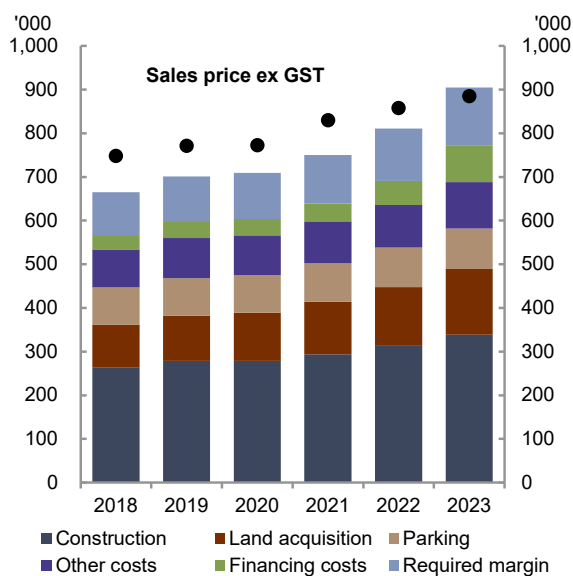


Chart 2.43 Feasibility of mid-rise apartments in Sydney



Note: A required profit margin of 18 per cent is assumed for feasibility, which is at the lower end of typical estimates across different feasibility analyses (The CIE 2024). A methodological overview can be found on page 9 of the CIE *Cost and feasibility estimates for supplying new residential dwellings in NSW* report (The CIE 2024). Other costs consist of site preparation and demolition costs, professional fees, state and other government contributions, local government infrastructure charges, land tax and stamp duty, sales and marketing costs.

Source: The CIE 2024

The CIE report further investigated the feasibility of mid-rise apartment projects in Sydney, finding that, on average, 2023 project costs exceeded sales prices for the first time in recent years (see Chart 2.43). This decline was primarily due to higher land, construction and financing costs, with similar factors likely impacting feasibility in other states.

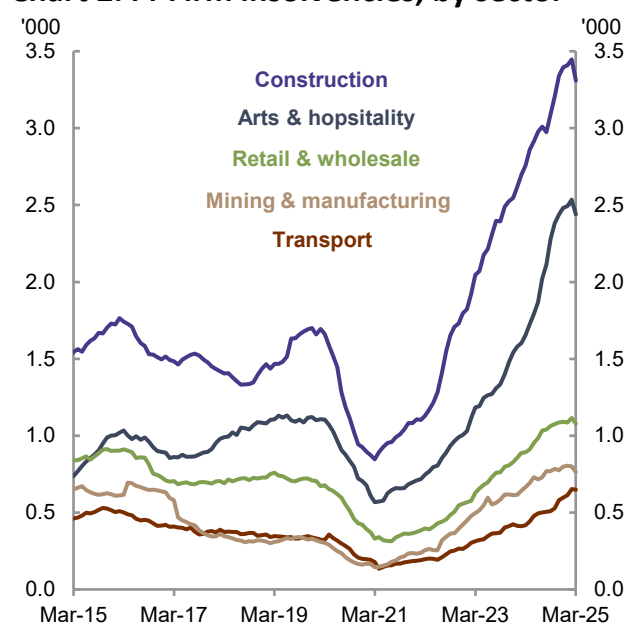
While feasibility has generally deteriorated, the high-end of the market has likely been less impacted. Premium dwellings in high-value areas generally remain feasible, as buyers of these dwellings are less affected by affordability limits, allowing developers to meet pre-sale requirements (The CIE 2024).

2.3.9 Insolvencies

Insolvencies in the construction industry remain significantly elevated relative to both the overall economy and historical averages (see Chart 2.44). In the 2023–24 financial year, construction companies accounted for more than one in 4 of the record 11,000 corporate insolvencies (Australian Securities and Investments Commission [ASIC] 2024), reflecting a 34 per cent increase from the previous financial year.

Increased insolvencies are attributable to higher input costs and elevated build times, as well as an end to stimulus measures that supported the industry during the Pandemic (RBA 2025b). While most insolvencies are likely not caused by deliberate intent, illegal ‘phoenixing’ – where a new company is created to continue the business of a company that has deliberately been liquidated to avoid tax and other liabilities – has been identified as an issue for the sector (HIA 2024a).

Chart 2.44 Firm insolvencies, by sector



Source: ASIC Insolvency statistics 2025

2.4 Demand for housing remains elevated, but has eased over the past year

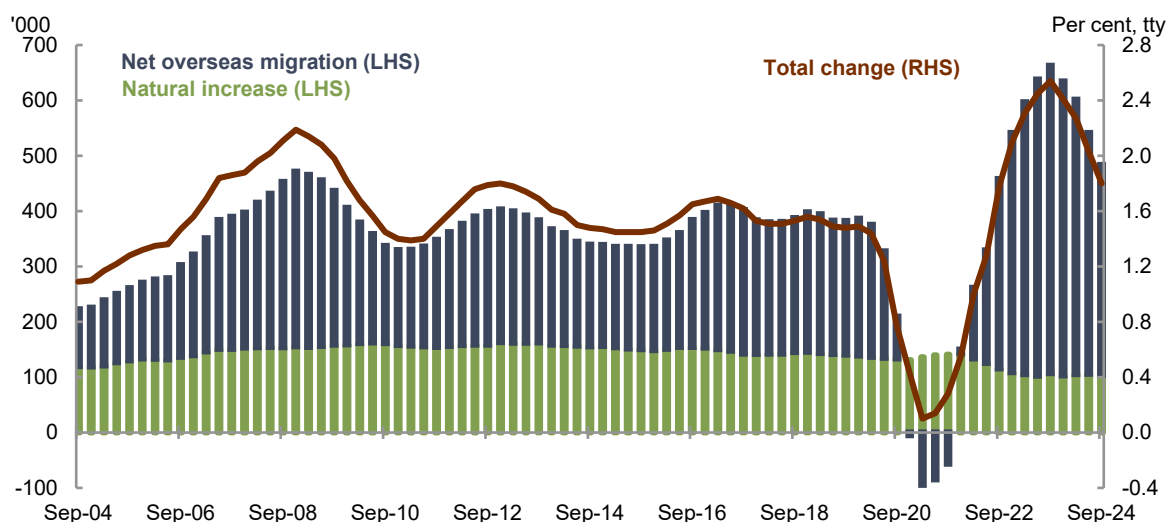
‘New underlying demand’ is the primary measure of housing demand used in this report. It is a demographic measure of demand that reflects factors such as population growth and the age structure of the population. Underlying demand remained strong in 2024, although it eased from recent elevated levels, alongside an easing in population growth and a small increase in average household size (see sections 2.4.1, *Population*, and 2.4.2, *Average household size*).

Economic factors such as household income and credit conditions also affect housing demand, particularly for market housing. Incorporating these factors into demand produces a measure known as ‘effective demand’. In recent years, effective demand has been constrained by elevated inflation and interest rates, which has reduced real income and borrowing capacity (see sections 2.4.3, *Household income*, and 2.4.4, *Credit conditions*). However, the increase in income growth over 2024 and an expected further decline in interest rates in 2025 may support effective demand in the near term.

2.4.1 Population

Population growth slowed to 1.8 per cent over the year to September 2024, down from the peak of 2.5 per cent over the year to September 2023, which was driven by the reopening of national borders in 2022 (see Chart 2.45). However, population growth remained higher than its pre-Pandemic average of 1.6 per cent.

Chart 2.45 National population growth



Note: The rolling annual sum.

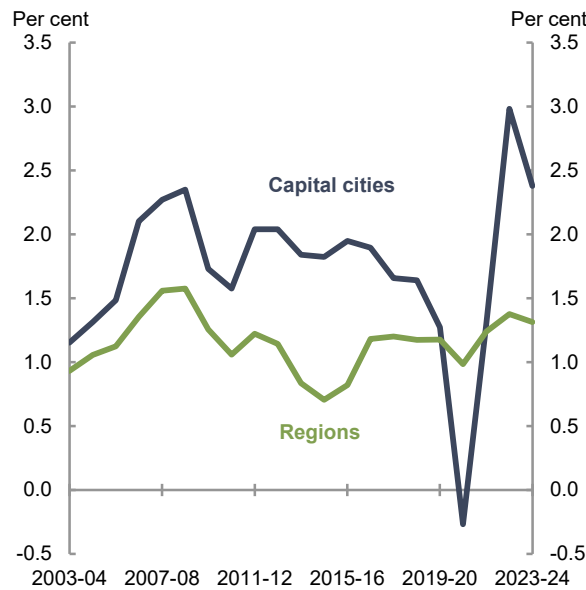
Source: ABS National, state and territory population 2025

The moderation in population growth reflected an easing in net overseas migration. Annual net overseas migration was 380,000 over the year to September 2024, down from its peak of 556,000 over the year to September 2023 but still higher than its long-run pre-Pandemic average (see Chart 2.45).

Capital cities continued to record faster population growth than regional areas in 2023–24 (see Chart 2.46). While population growth remained high in capital cities, growth eased from its post-Pandemic peak in 2022–23. Population growth also eased slightly in the regional areas, although it has remained relatively steady compared to capital cities. Regional areas are less affected by overseas migration, as migrants tend to initially reside in capital cities (Centre for Population 2024). However, net internal migration from capital cities continues to support population growth in regional areas (see Chart 2.47).

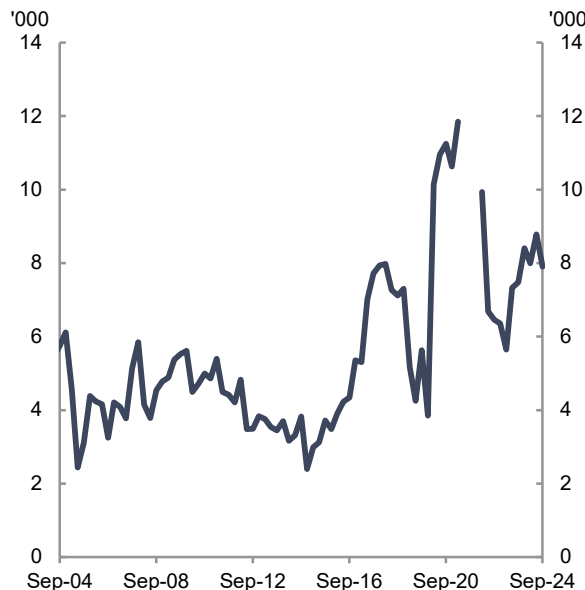
Population growth varied across states and territories over the year to September 2024 (see Chart 2.48). The largest states continued to record above-average growth, led by Western Australia, which recorded still-elevated levels of net internal and overseas migration. Strong economic conditions and job vacancies have drawn job seekers to Western Australia (WA Government 2024). By contrast, population growth was generally weaker in the smaller states and territories. Tasmania, the Northern Territory and the Australian Capital Territory all recorded below-average population growth, partly due to net interstate movements out of these states and territories (ABS 2025j).

Chart 2.46 Population growth, by capital cities and regions



Note: Annual population growth as at June 30 each year.
Source: ABS Regional population 2025

Chart 2.47 Net internal migration from capitals to regions, quarterly change



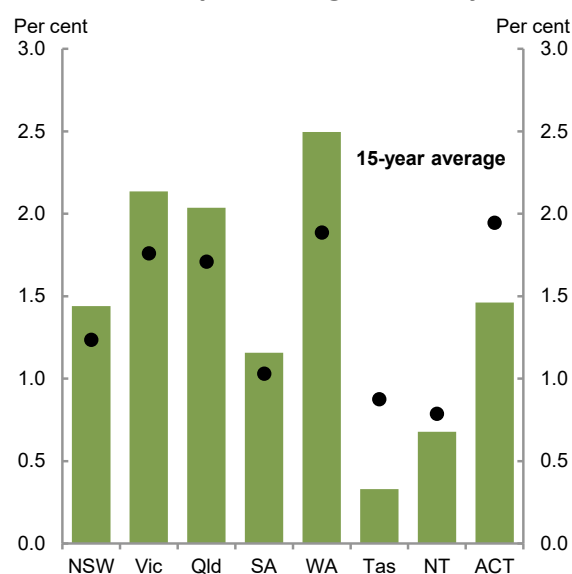
Note: ABS Regional internal migration estimates were not published between Q2 and Q4 in 2021.
Source: ABS National, state and territory population 2025

2.4.2 Average household size

Average household size is a key determinant of underlying housing demand. All else equal, an increase in the average household size for a given population reduces underlying demand.

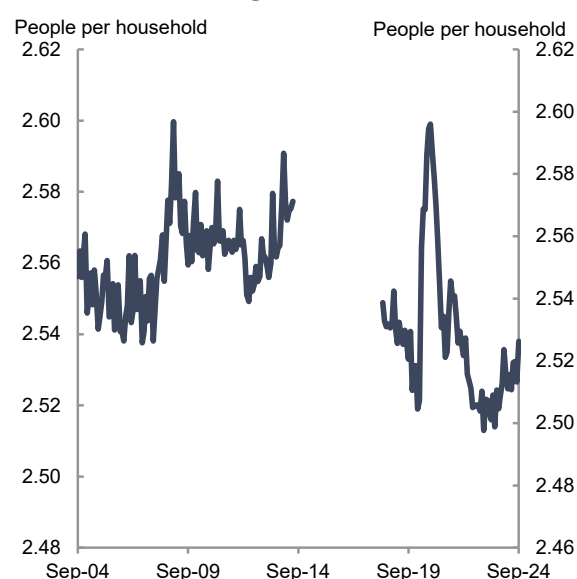
Australia's average household size rose from a historic low of 2.51 persons per household in February 2023 to 2.54 persons per household in September 2024 (see Chart 2.49). This change primarily reflects an increase in the average number of adults per household, which has been rising since 2022 (ABS 2025j). This suggests many adults have formed larger households, possibly in response to increased affordability constraints (RBA 2025d).

Chart 2.48 Population growth, by state



Note: The through the year growth to September 2024.
Source: ABS National, state and territory population 2025

Chart 2.49 Average household size

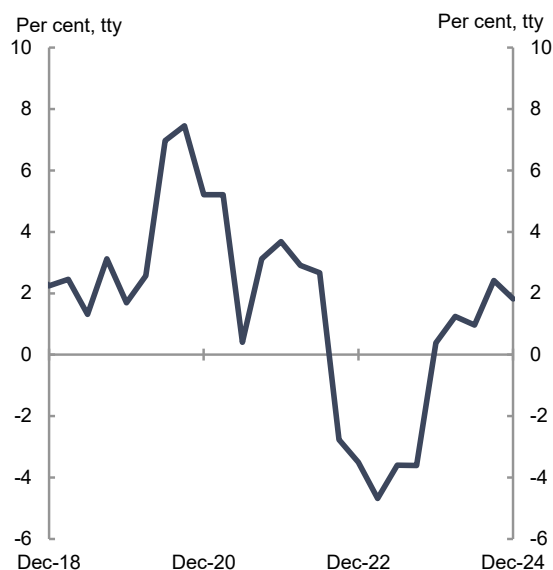


Note: Estimates unavailable between July 2014 and June 2018 due to processing errors in the ABS Labour Force statistics.
Source: ABS Labour Force 2025; ABS National, state and territory population 2024; Treasury

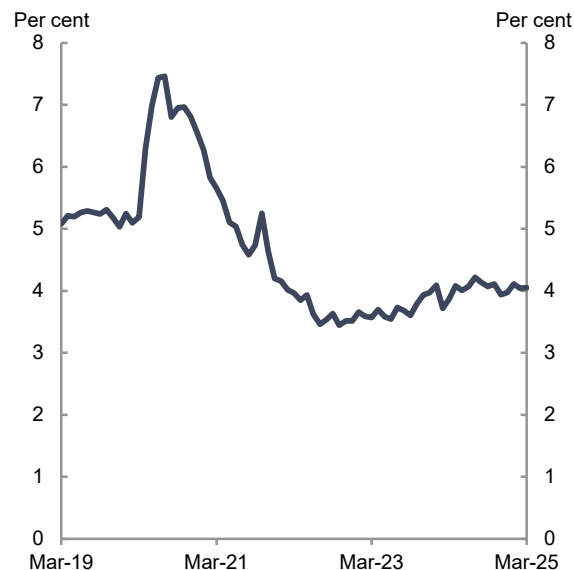
2.4.3 Household income

Real household disposable income rose by 1.8 per cent over 2024, following a period of negative growth over much of 2023 (see Chart 2.50). Higher real income suggests an improvement in households' ability to meet rent and mortgage servicing costs, boosting effective demand.

A strong labour market and an easing of inflation over the past year have supported the rise in real household incomes. Throughout 2024 and early 2025, the labour market remained tight, with the unemployment rate at around 4.1 per cent in March 2025 (see Chart 2.51). The strong labour market has supported wages growth (RBA 2025d). At the same time, inflation has declined substantially from its peak in 2022, as higher interest rates have moderated demand (RBA 2025d).

Chart 2.50 Real household income

Note: Real total household disposable gross income.
Source: ABS National Accounts 2025; Treasury 2025

Chart 2.51 Unemployment rate

Source: ABS Labour Force 2025

2.4.4 Household credit conditions

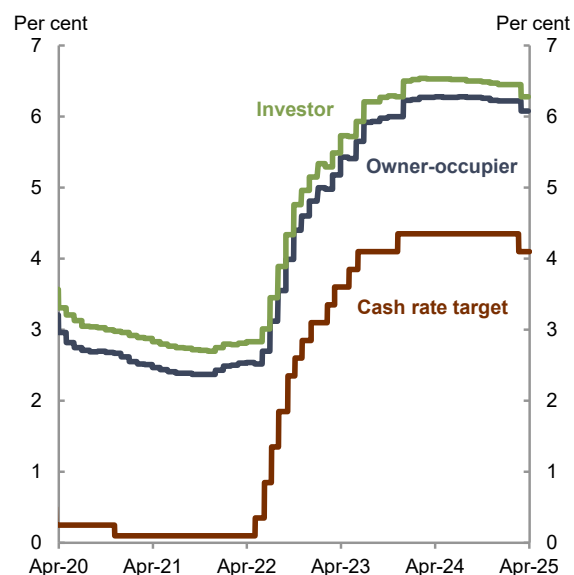
Higher interest rates reduce effective demand for housing by reducing the borrowing capacity of households and increasing the relative attractiveness of deferring consumption. Mortgage rates remained elevated through 2024, following the RBA's increase of 425 basis points to the cash rate between May 2022 and November 2023 (see Chart 2.52). In February 2025, the RBA started an easing cycle, with a decrease of 25 basis points to the cash rate. Interest rates are expected to fall further in 2025, which will improve the borrowing capacity of prospective borrowers.

Despite constrained borrowing capacity, new lending for housing increased over the past year, mainly supported by increased investor activity (see Chart 2.53). The annual number of new loan commitments for housing grew by 11.2 per cent over 2024, driven by a 21.5 per cent increase in new investor loans. By contrast, the annual number of new loan commitments for owner-occupiers (including first home buyers) grew more modestly (up 5.8 per cent). The growth in new lending, despite high interest rates, may reflect ongoing demand for housing from solid population growth and limited new supply, which have supported housing prices (RBA 2024b).

Investors were potentially attracted to the market due to the stabilisation of interest rates and perceived opportunities for capital gains and high rental yields (CoreLogic 2024). While rental yields remained flat over 2023 and 2024 (CoreLogic 2025), the market remains historically tight and rent growth still exceeds historical average levels (see section 2.1.2, *Rents and vacancy rates*).

New lending to owner-occupier first home buyers remained relatively flat over 2024 (see Chart 2.53). The deterioration in mortgage serviceability and the increase in the number of years needed to save for a deposit are likely to continue weighing on this cohort (see Chapter 4, *Housing affordability*). Worsening affordability has also contributed to increased uptake of first home buyer support from governments (see Chapter 3, *Conditions in non-market housing and housing assistance*).

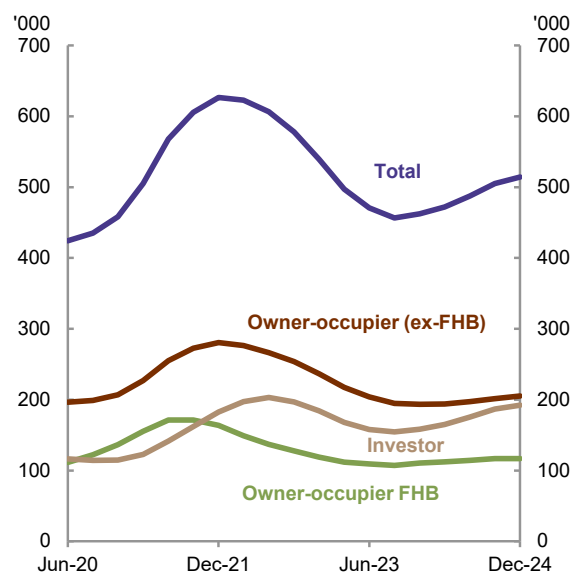
Chart 2.52 Interest rates on new home loans



Note: The weighted averages of interest rates reported by lenders for new loans funded in the month.

Source: RBA Housing Lending Rates 2025

Chart 2.53 New loan commitments



Note: The rolling annual number of new loan commitments. Loan commitments to investors and owner-occupiers consist of total housing excluding refinancing. 'FHB' stands for first home buyer.

Source: ABS Lending Indicators 2025

Chapter 3 Conditions in non-market housing and housing assistance

Overview

This chapter describes conditions in non-market housing. Non-market housing includes social housing, affordable housing and specialist homelessness services. The chapter also explores the funding of non-market housing as well as the challenges in assessing the availability of affordable housing. The scale of government assistance to renters and home buyers to access market housing is also examined.

Key points

- Demand for specialist homelessness services remained elevated in 2023–24, with many individuals needing crisis and transitional housing. Specialist homelessness services were operating at or above capacity, meaning some clients could not access services.
- The stock of social housing (public and community housing) increased in 2023–24, though it continued to trend downwards as a share of total dwellings. An increase in community housing drove the rise in social housing.
- Affordable housing – a distinct housing tenure type characterised by below-market rents – has emerged to meet the needs of low- to moderate-income households that cannot access social housing.
- As an emerging tenure type, conditions in affordable housing remain difficult to evaluate. Affordable housing operates through multiple programs across different levels of government, with inconsistencies in how affordable housing is defined and regulated.
- A number of government programs provided additional housing assistance in 2023–24. An expansion in rent assistance supported renters while loan guarantees, deposit assistance, concessions and shared equity schemes supported home buyers.
- Co-operatives and other alternative housing types offer housing affordability and tenure security, although only on a small scale. The conditions for these tenures are also difficult to assess.

3.1 Non-market housing is an essential element of all housing systems

The private housing market cannot provide access to housing for everyone, as there will always be households that cannot afford to purchase or rent a home at market prices. To support these households, non-market housing and housing assistance are required. More than 2 million people likely received direct or indirect housing assistance in 2023–24 (Australian Institute of Health and Welfare [AIHW] 2024, 2025).

Non-market housing encompasses a range of housing tenure types. This includes affordable housing, social housing (both public and community housing) and crisis and transitional housing provided by specialist homelessness services. Non-market housing is provided at below-market prices. Community housing providers – not-for-profit organisations that aim to provide safe, secure, affordable and appropriate rental housing – often provide non-market housing. In general, revenue

generated by non-market housing is insufficient to fund capital costs and ongoing maintenance and operating costs, creating a ‘funding gap’ (see Box 3.1). This chapter limits the analysis of non-market housing to non-market rentals.

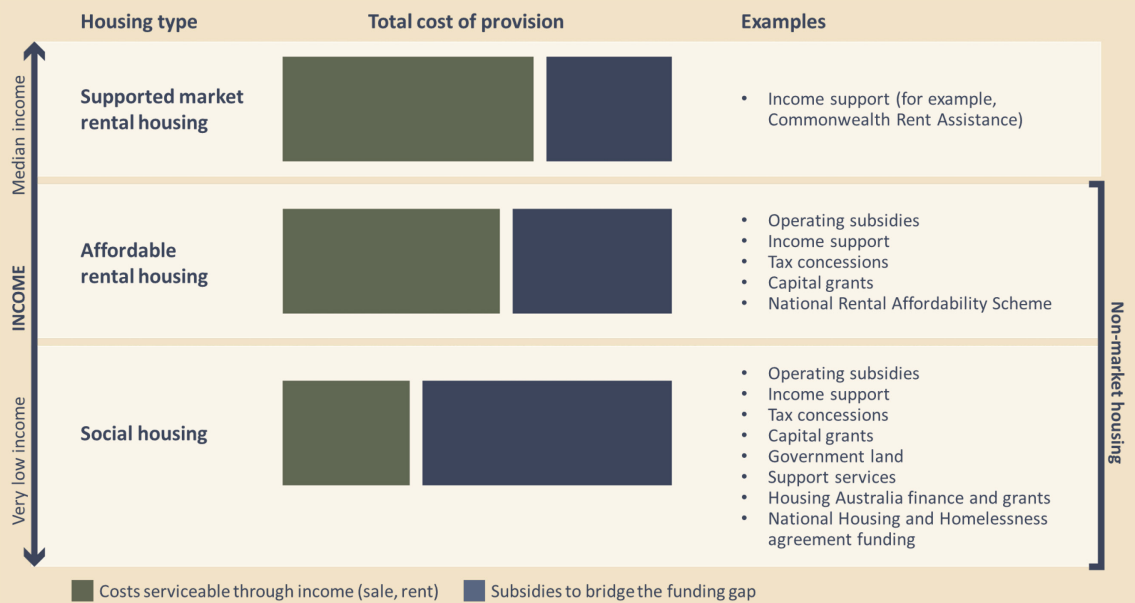
Alternative housing tenure types, such as co-operatives, aim to provide affordable housing rather than to make a profit. They make up a very small share of the housing stock (see Box 3.2). While co-operatives are unlikely to provide at-scale affordable housing in the immediate future, they reflect the diversity of the available housing tenure models.

Many households in the private housing market rely on housing assistance. This includes low-income renters and first home buyers. Rental assistance schemes (such as Commonwealth Rent Assistance (CRA)) can support low-income renters, while deposit assistance, deposit guarantees, stamp duty concessions and shared equity schemes can support first home buyers.

Box 3.1 Funding of non-market and supported market rental housing

Most forms of non-market housing require subsidies from different levels of government to bridge the gap between the cost of providing housing and the rent received from tenants. This is called the ‘funding gap’. Figure 3.1 illustrates the size of the funding gap with examples of subsidies for different housing types. The gap grows larger as tenant income falls, with very low income tenants in social housing having the largest gap.

Figure 3.1 Illustrative costs and funding gaps for different types of rental housing



Source: Adapted from the Barriers to Institutional Investment, Finance and Innovation in Housing Report, Interim National Housing Supply and Affordability Council (NHSAC) 2023

For supported market rental housing, rent is provided at a market rate by a private landlord, but direct income support is provided to the tenant by the government to help reduce their housing costs.

For non-market rental housing, rent is set below the market rate by the provider, which is generally subsidised to manage the property. Tenants in non-market housing may also receive direct income support, such as CRA. In some instances, non-market housing may not need subsidies, such as if a charity provides housing or land, or if a developer has a covenant allowing access to capital at a lower rate.

Box 3.1 Funding of non-market and supported market rental housing (continued)

The funding gap is a major barrier to the expansion of social and affordable housing

The funding gap is a major barrier to private investment in social and affordable housing. Non-government providers of social and affordable housing often require multiple subsidies from the Australian and state and territory governments to initiate and maintain projects.

Initiatives such as the Housing Australia Future Fund Facility (HAFFF) can help bridge the funding gap. The HAFFF provides disbursements from an Australian Government investment fund to deliver subsidies in the form of availability payments for up to 25 years for social and affordable housing. The HAFFF also supports some projects through upfront capital grants. The National Housing Accord Facility (NHAF) also provides availability payments and grants to deliver affordable housing, funded by annual appropriations.

State and territory governments have increasingly resorted to indirect incentives through the planning system to address the funding gap. This includes density bonuses for developments that contain a certain proportion of social and affordable dwellings.

Bridging the funding gap is integral to the continued operation and maintenance of non-market housing. However, new non-market housing developments are also limited by difficulties in accessing finance from the private sector. Bank loans are often unsuitable for community housing providers (CHPs) due to high interest rates and relatively short terms that do not match the asset life of the dwellings (typically beyond 35 years).

Financiers are also reluctant to take exposures in non-market housing. This reflects low rental yields, unfamiliarity with the sector, small pools of equity among providers, the small scale of developments, policy instability and administrative complexity (The Australian Government 2021). Government initiatives to assist in the financing of non-market housing include the Affordable Housing Bond Aggregator, which provides low-cost finance to registered CHPs for non-market housing projects. Funding is sourced from wholesale debt capital markets through the issuance of long-term social and sustainability bonds, and from a line of credit from the Australian Government. Concessional loans are also available to eligible projects under the HAFFF and NHAF to assist in upfront financing.

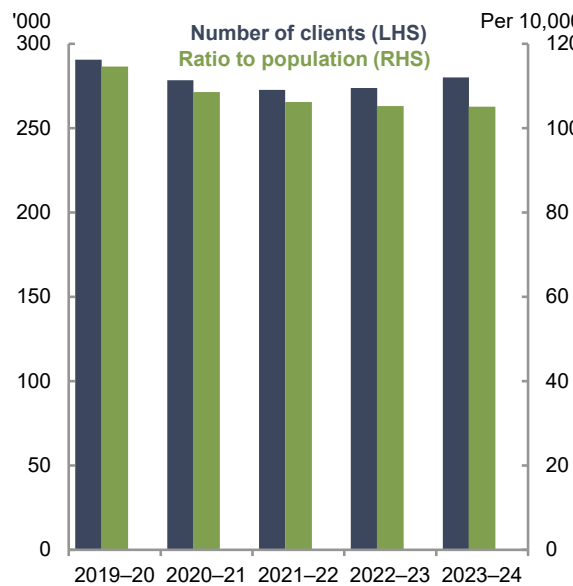
3.2 Homelessness indicators are elevated, but are also likely to understate true homelessness

Homelessness – the most extreme form of housing stress – is reported in the Census every 5 years. The 2021 Census showed that 122,000 people were experiencing homelessness – a rate of 48 people per 10,000. To evaluate more recent conditions, this section assesses annual data for the number of specialist homelessness services provided to clients.

Specialist homelessness services offer crisis and transitional housing to those who are experiencing – or who are at a high risk of experiencing – homelessness. Homelessness services also provide temporary shelter to clients who need more secure housing and support services, including homelessness prevention support.

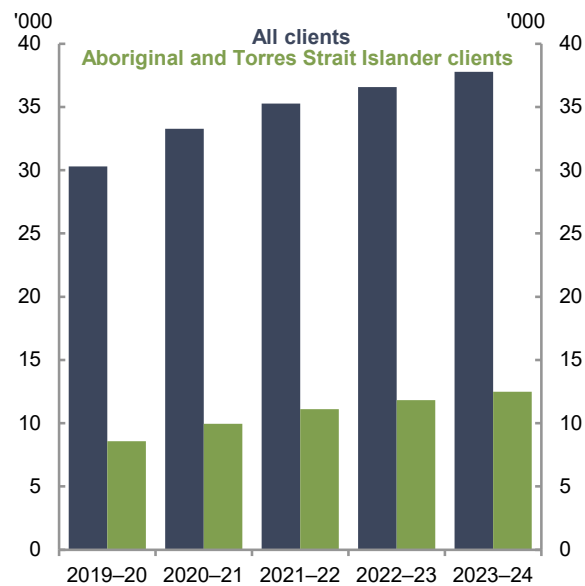
The number of clients accessing specialist homelessness services rose slightly in 2023–24 to 280,000, although as a ratio of the population, it remained steady at 105 clients per 10,000 (see Chart 3.1). While the number of clients supported as a proportion of the Australian population has fallen slightly over the past 5 years (see Chart 3.1), it is important to note that this data only captures clients who have been assisted or assessed by homelessness services. Providers of specialist homelessness services indicate that many people who require homelessness services are unable to access them due to service providers operating at capacity (Jackson and Blane 2024). For example, the number of unassisted requests for specialist homelessness services was 15 per cent higher in 2023–24 than in 2019–20. As such, the fall in the number of clients supported as a proportion of the Australian population since 2019–20 may not necessarily reflect a fall in the underlying level of, or number of people at risk of, homelessness.

Chart 3.1 Homelessness services



Note: Clients receiving homelessness support services.
Source: Australian Institute of Health and Welfare 2024

Chart 3.2 Persistent homelessness



Note: Clients experiencing persistent homelessness.
Source: Australian Institute of Health and Welfare 2024

Women, children and First Nations people are disproportionately more likely to access homelessness services. Of those who accessed services in 2023–24, 60 per cent were females, 41 per cent were children or young people (under the age of 25) and 34 per cent lived as part of single-parent families. Since 2019–20, the number of First Nations clients has grown by 9.4 per cent, compared to a fall of 1.5 per cent for non-Indigenous clients. Aboriginal and Torres Strait Islander people now represent 29 per cent of clients accessing homelessness services, excluding clients with Indigenous status not stated (see Chapter 6, *First Nations housing*).

Persistent homelessness rose over the past 5 years, particularly for clients younger than 25, and women and children affected by family and domestic violence (AIHW 2024b). The number of Aboriginal and Torres Strait Islander clients experiencing persistent homelessness has also risen by 46 per cent since 2019–20, compared to 25 per cent for all clients (see Chart 3.2).

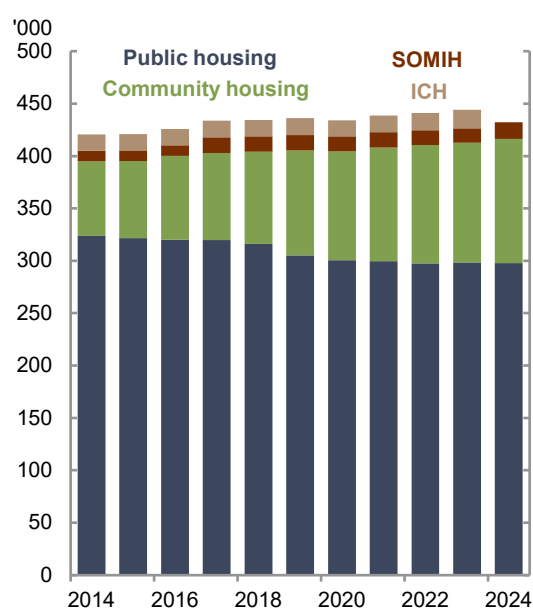
3.3 The stock of social housing has increased, but has fallen as a share of total dwellings

Social housing has been a cornerstone of the housing system for almost 80 years. It provides secure rentals to households that rely on government income support or have very low incomes. It also supports people who face difficulties accessing private rental housing for non-income-related reasons. For these households, social housing is a safety net that provides secure shelter and prevents homelessness (Pawson et al. 2020). It has 2 components: public housing, which is provided by state and territory governments; and community housing, which is provided by CHPs.

The number of social housing dwellings has risen slightly over the past decade (see Chart 3.3). This rise has been driven by an increase in community housing, particularly in Tasmania, South Australia and New South Wales. By contrast, the number of public housing dwellings has declined, reflecting transfers to CHPs or sales.

The gradual rise in the number of social housing dwellings continued in 2023–24, with community housing rising by 4 per cent and public housing remaining unchanged. State owned and managed Indigenous housing (SOMIH) rose by a significant 13 per cent. Indigenous Community Housing (ICH) data has not yet been released for 2023–24.

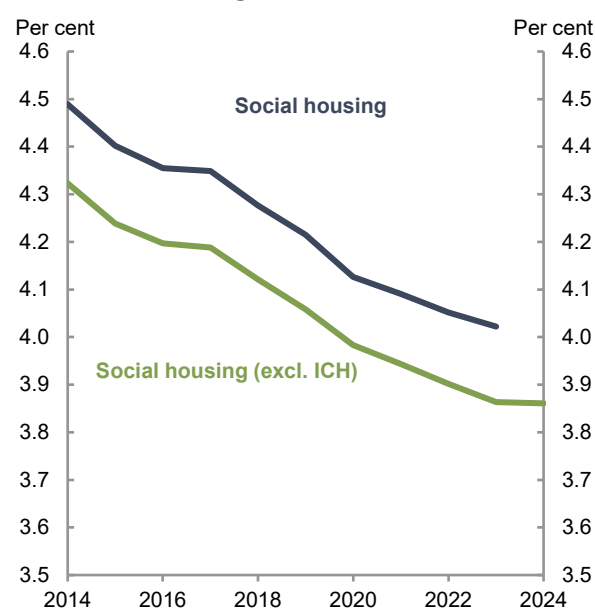
Chart 3.3 Social housing stock, Australia



Note: Social housing stock by component. ICH data for 2023–24 will be released in mid-2025.

Source: Steering Committee for the Review of Government Service Provision 2025

Chart 3.4 Social housing as a share of the total housing stock, Australia



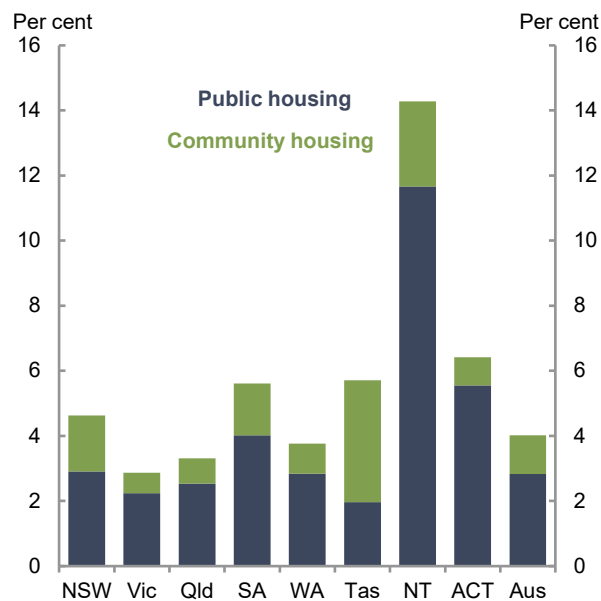
Note: The ratio of social housing stock to total dwellings. ICH data for 2023–24 will be released in mid-2025.

Source: Steering Committee for the Review of Government Service Provision 2025; ABS Total Value of Dwellings 2024; NHSAC 2025

Despite the gradual rise in the social housing stock over the past decade, it has not kept pace with the rise in the broader housing stock, resulting in the decline in social housing as a share of the housing stock (see Chart 3.4).

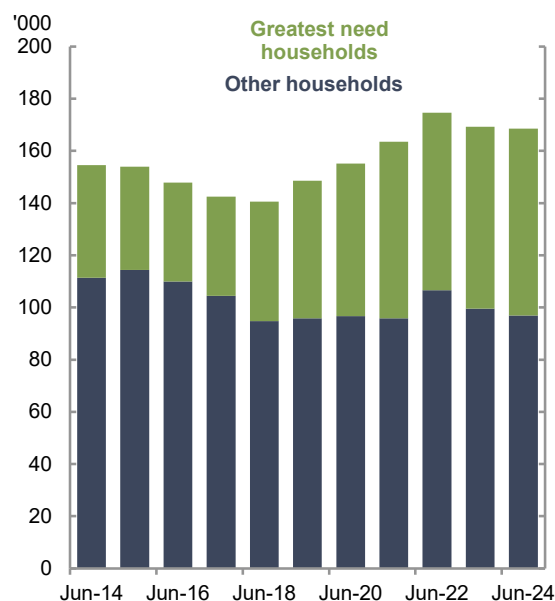
Among the states and territories, the Australian Capital Territory, Western Australia and Victoria had the largest falls in social housing as a share of housing stock. Tasmania was the only state that increased its share of social housing from 2018–19 through to 2022–23, although this may reflect an increase in the number of community housing providers reporting in Tasmania (see Chart 3.5). By contrast, South Australia was the only state where the total number of social housing dwellings has fallen over the past decade.

Chart 3.5 Social housing as a share of the total housing stock, by state and territory, 2023



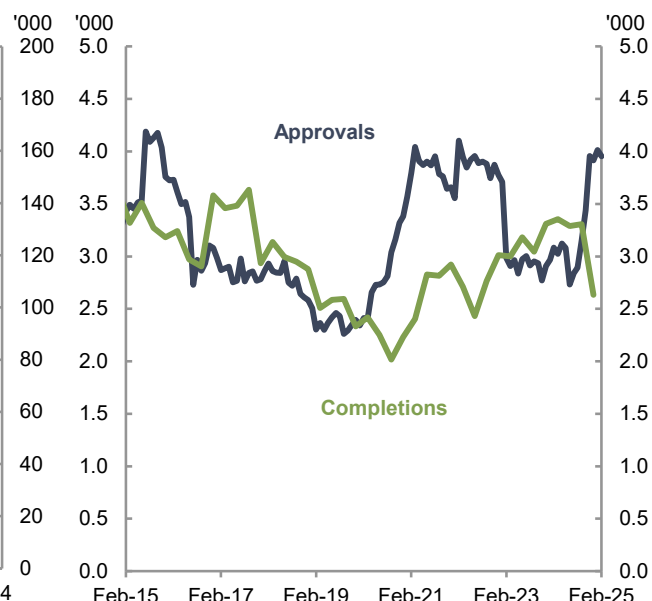
Note: The ratio of social housing components to total dwellings.
Source: Steering Committee for the Review of Government Service Provision 2024; ABS Total Value of Dwellings 2024

As social housing has declined as a share of the housing stock, affordability challenges for renters in the lowest income quintiles have added pressure to public housing waitlists. These waitlists remained near record-high levels in June 2024 (see Chart 3.6). In particular, greatest need households on the public housing waitlist, such as applicants experiencing homelessness, have increased by 66 per cent since June 2014. Greatest need households now represent almost 43 per cent of all households on the public housing waitlist.

Chart 3.6 Public housing waitlists, Australia

Note: The number of households on waitlists.

Source: Steering Committee for the Review of Government Service Provision 2025

Chart 3.7 Public dwelling approvals and completions, Australia

Note: The rolling annual number.

Source: ABS Building Approvals 2025; ABS Building Activity 2025

The number of public dwelling completions fell by 20 per cent in 2024 compared to 2023, although public dwelling completions still remain around their 5-year average levels (see Chart 3.7). In contrast, annual public dwelling approvals rose by 28 per cent over the year to February 2025 (see Chart 3.7). This increase in public dwelling approvals suggests a pick-up in public dwelling completions in the period ahead, supported by the pipeline of work from Commonwealth and state and territory programs.

Even with significant commitments to social housing through the HAFFF, it may be difficult for such initiatives to reverse the long-run decline in social housing as a share of the housing stock. New public housing completions may be partly offset by a decline in the existing public housing stock, due to demolitions for redevelopment. Reversing the falling share of social housing will require substantial additional investment by Commonwealth and state and territory governments (see Chapter 7, *Towards a better housing system*).

Box 3.2 Housing co-operatives in Australia

Housing co-operatives are a distinct housing tenure type that represent a blend of market and non-market housing. Households in housing co-operatives share costs through a collective ownership model, making decisions on a 'one member, one vote' basis. A household may participate as either an owner-occupier with selling rights or as a 'non-equity' renter with secure tenancy. A key goal of a housing co-operative, as a not-for-profit, is to make housing affordable rather than profitable (Housing Europe and ICA Housing 2012).

Housing co-operatives are popular in Scandinavia, accounting for over a quarter of housing in parts of Sweden, Norway and Denmark (Adhikari 2024). In Scandinavia, regulations tend to ensure prices are kept below those in the private sector (Adhikari 2024). In the United States, co-operatives are concentrated in New York City, where they account for a significant share of owner-occupied apartments (New York City Comptroller 2024). Unlike in Scandinavia, most co-operatives in the United States are market-rate and are often targeted at higher-income cohorts. However, there are affordable co-operatives, which are often sponsored by government financing (Cooperative Housing International n.d.).

In Australia, less than 0.1 per cent of housing is provided by housing co-operatives (Seaborn 2024). Generally, these are rental co-operatives, although there are a small number of equity-based ownership co-operatives (Seaborn 2024). Most housing co-operatives in Australia access some form of subsidy. However, in principle, this housing tenure type can exist without subsidies, as is often the case overseas. In Australia, there are two main types of housing co-operatives:

- Common equity rental co-operatives are groups of co-operatives whose property is held in common in a jointly owned company (Seaborn 2024). Individual co-operatives typically manage tenancy and monitor maintenance, while the common equity company manages major maintenance, holds contracts and titles to the properties, and is responsible for capital funding and regulatory compliance. This model provides sufficient scale for co-operatives to remain financially viable. Common equity rental co-operatives are registered CHPs that receive government funding (Seaborn 2024).
- Equity-based ownership co-operatives enable members to own individual homes, with the co-operative retaining ownership of common areas. This model is less common in Australia. Co-operative members may only have to cover 75–80 per cent of the dwelling costs, while the co-operative covers the rest.

The outlook for housing co-operatives in Australia is uncertain, and they are likely to remain a marginal element of the housing stock in the near term. Nevertheless, co-operatives represent an existing housing pathway that could be developed to diversify the stock of affordable housing in Australia.

3.4 The stock of affordable housing has also grown, but it is hard to measure

Affordable housing is housing provided at below-market rates to households that face affordability challenges but are not as vulnerable as cohorts serviced by social housing. It has become a more common tenure type in recent years as affordability challenges have risen for lower-income households. Although affordable housing may refer to different tenure types, such as affordable pathways to home ownership, this report limits its analysis of affordable housing programs to rent-restricted housing; that is, where rent is provided at below-market rates.

Estimating the stock of affordable housing is challenging. Unlike social housing, there is no national register to quantify the stock of affordable housing. In 2022, 104 of the largest CHPs reported managing 19,000 affordable rental homes, with an additional 400 homes in the pipeline (Community Housing Industry Association [CHIA] 2024). However, these CHPs only represent a fraction of all affordable housing providers, and many do not distinguish between social and affordable housing units under development, which may underestimate the affordable housing pipeline. The HAFFF also adds to the supply of affordable housing, with up to 9,500 units expected to receive funding in the first round.

Estimating the need for affordable housing is also challenging. Nonetheless, multiple studies have attempted to assess unmet housing need. A recent study estimated housing need in Australia as the number of people who are experiencing homelessness or who live in overcrowded housing or are in the lowest 2 income quintiles and experiencing rental stress (van den Nouwelant et al. 2022). Using this measure, around 640,000 households were found to have needed housing support in 2021, including 203,500 households in the second-lowest income quintile that may have benefited from affordable housing (van den Nouwelant et al. 2022). However, it should be noted that one challenge with using this type of measure is that some renters who are technically defined as being in housing stress may not necessarily be experiencing financial stress (Rowley and Ong 2012).

While estimating the need for affordable housing is challenging, the rise in rental stress for many people means that a growing number of people may need housing options outside the market (see Chapter 4, *Housing affordability*).

3.4.1 Towards a nationally consistent approach to affordable housing

Separate Commonwealth and state and territory government programs support affordable housing. One key barrier to developing an affordable housing sector is that no single definition exists across these programs.

Approaches used to characterise affordable housing include the tenure type, the rent setting approach, tenant eligibility, and determining how long properties must remain as affordable housing.

Approaches used to characterise affordable housing

Affordable housing may refer to multiple tenure types. At its broadest, affordable housing is housing that is available to rent or purchase at a price related to a measure of affordability. It could feasibly cover:

- social housing
- rent-restricted private housing
- shared ownership and housing co-operatives
- low-income pathways to home ownership (Pawson et al. 2020).

Affordable housing programs are often limited to affordable rental housing, which is the approach used in this chapter. Nevertheless, some forms of subsidised rental housing programs may include pathways to home ownership or may be provided through build-to-rent developments.

The following methods are used for setting rents in affordable housing:

- Income-based rate: rent is set as a proportion of a household's ability to pay, generally below 30 per cent of gross household income and capped at the market rent.
- Discount-to-market rate: rent is set as a proportion of the market rent at the location, usually 75–80 per cent of market rent.
- Hybrid/flexible rate: housing is provided at a discount to the market rate as long as the tenant pays no more than a certain percentage of income.

A provision may exist for setting the rent so households can meet essential living costs. It is common for affordable housing to be rented at discounts to market rates. However, setting rates at this level may exclude lower-income cohorts in areas with high market rents. As such, jurisdictions often use a hybrid approach to accommodate lower-income cohorts.

Regulations set tenant eligibility for affordable housing occupancy. Income is the main criteria, with most affordable housing programs targeted at lower-income households. However, it may also extend to:

- very low-income households (in the lowest income quintile), despite being better matched to social housing
- moderate-income households (in the middle income quintile).

Definitions of affordable housing exclude high-income households that have the discretion to spend more than 30 per cent of household income on housing. Key worker housing is often considered affordable housing, although the policy rationale may be more specific, such as to ensure key workers can live close to work or to address labour market shortages (for example in the Northern Territory). Key worker housing may be distinguished from affordable housing in certain government programs.

The length of time a property is designated affordable is often not specified, although there may be requirements to provide the affordable housing in perpetuity to be eligible for government subsidies. This decision should balance the benefit of security of tenure to clients with the wider system benefits of retaining flexibility to deliver more housing. For example, the future capital gain by selling some affordable housing may be part of the required subsidy to address the funding gap. Subsidies for affordable housing properties may be time-limited. If a household no longer meets the eligibility criteria for a property, the household may be required to exit the property, or the subsidies for the property may stop, and the tenant may default to paying market rent.

A nationally consistent definition of affordable housing

A nationally consistent definition may help develop affordable housing into a distinct housing sector in Australia. Currently, there are different approaches to providing 'affordable housing' at Commonwealth and state and territory levels. Having a consistent definition could:

- encourage institutional investment by reducing the complexity of working across jurisdictions
- improve the measurement of affordable housing supply and need, especially at the national level
- support the delivery of a set of national definitions for key housing terms.

However, tensions exist in developing a definition. Governments must balance the policy goal of providing in-need households with subsidised housing while ensuring affordable housing projects are financially viable. This may be difficult to achieve with stricter definitions of affordable housing. Furthermore, restrictive definitions risk not being flexible to region-specific housing needs.

The key historical affordable housing program at the federal level was the National Rental Affordability Scheme (NRAS). Under NRAS, the Australian Government provided an annual financial incentive for up to 10 years to housing providers to rent dwellings to eligible low- to moderate-income earners at a rate of at least 20 per cent below market rent (Department of Social Services (DSS) 2024). At December 2024, there were around 8,400 remaining active NRAS allocations (DSS 2025b). With NRAS funding due to expire in June 2026, the Australian Government's approach to supporting affordable housing has shifted to the HAFF and NHAFF. For the purpose of funding affordable housing in the HAFF and NHAFF, Housing Australia uses the following definition:

'Affordable housing means dwellings that are provided at a rent that is 74.9% or less of the market rent for each dwelling to households meeting the income eligibility limits. These limits are based on median equivalised household incomes from the Australian Bureau of Statistics (ABS) by area and will be updated annually.'

The 74.9 per cent figure reflects a tax ruling that rent must be set at less than 75 per cent of market rent to be non-commercial (Australian Taxation Office [ATO] 2024).

States and territories regulate their own affordable housing programs. Table 3.1 summarises the approaches each state and territory uses to characterise affordable rental housing programs. Though definitions of affordable housing may extend to home ownership, most jurisdictions do not have specific programs that target affordable home ownership.⁶ Housing programs provide more clarity when they are legally enshrined by government. However, not all states and territories have affordable housing programs or definitions enshrined in legislation or planning codes. For example, in Western Australia, Tasmania and the Northern Territory, affordable housing definitions are limited to government housing strategy documents or government website material.

6 In the Australian Capital Territory, government land sold to developers may require a number of dwellings to be sold at affordable below-market prices. In South Australia, eligible home buyers may purchase affordable homes at a discount to the market rate.

Table 3.1 Characteristics of affordable rental housing across states and territories

State	Rent setting			Tenant eligibility		
	Income-based rate	Discount-to-market rate	Flexible rate	Very low-income households	Low-income households	Moderate-income households
ACT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
NSW	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
NT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Only key service workers are eligible, with a maximum household income threshold at the moderate-income level.		
Qld*	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
SA	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Tas	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
WA	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Vic	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

* Affordable housing in Queensland may satisfy either an income-based rate (below 30 per cent of household income) or a discount-to-market rate (at least 25 per cent below the market rate), but does not require both.

Note: NHSAC analysis of state and territory regulations and legislation.

In general, states and territories specify a flexible approach to rent setting to try to capture low-income cohorts. However, this approach may not always be effective. In New South Wales, affordable housing must be let at a discount of at least 20 per cent of market rent to households with very low to moderate incomes. There is also a general guideline that households on lower incomes should not pay more than 25–30 per cent of their gross income on rent. In this instance, it is possible that affordable housing in more expensive markets is only available at 20 per cent below market rent and, therefore, remains unaffordable to most lower-income households.

Most jurisdictions do not specify how long a property remains ‘affordable’ through formal guidance. However, they may provide explicit policies around timeframes for specific affordable housing agreements between developers and responsible authorities, such as local councils. The length of time affordable housing properties are required to be affordable is often not tracked or monitored for compliance. An innovative approach to registering how long a property is committed as affordable housing could involve securing these obligations on the title, so there is full transparency for all relevant stakeholders (Housing All Australians 2025).

Provision of affordable housing in Australia

Affordable housing is in its infancy as a sector. The provision and ownership of affordable housing are often unclear (see Table 3.2), while the sector is also affected by funding and financing constraints that impact social housing (see Box 3.1). The lack of regulation of affordable housing means it is difficult to identify its scale in Australia. The characteristics of tenants are also unclear. Broad eligibility requirements create risks for government, as it is not always clear if subsidies are funding affordable housing outcomes for households in housing need. This contrasts with the social housing sector, where stock and tenant data is regularly collected at a national level.

Affordable housing providers (AHPs) operate and manage affordable housing properties. AHPs are subject to certain regulatory requirements depending on jurisdiction. For example, in New South Wales, AHPs are required to be CHPs. Regulations for AHPs are less restrictive in other jurisdictions, meaning that charities, not-for-profits and for-profit developers are also eligible to provide affordable housing. Tenant eligibility and price setting for affordable housing can differ across providers, and governments often do not monitor this information for compliance (see Table 3.2). Therefore, information on affordable housing dwellings by location is limited.

Social housing provision differs from affordable housing. Only CHPs registered under the National Regulatory System for Community Housing (NRSCH), or the relevant registry in Victoria and Western Australia, can provide social housing. Government policies are clearer on eligibility and price-setting requirements for social housing, and government agencies know how many social housing dwellings are occupied (see Table 3.2).

Affordable housing is often owned by private property owners instead of affordable housing providers. For example, a build-to-rent (BTR) developer may partner with a CHP to provide some of its units in a higher-density development as affordable housing. Again, there is limited data on the interaction between the ownership and the provision of the affordable housing stock.

Table 3.2 The provision of social and affordable housing

Housing type	Management	Source/owner of property	Access and tenant eligibility
Affordable rental housing	CHPs (regulated through NRSCH or state regulators), charities, not-for-profits and for-profit providers (including BTR developers)	CHPs, charities, not-for profits, for-profit developers and property investors; BTR properties are owned by the BTR entity	Access through the provider, which has discretion on eligibility and costs, often within broad limits set by government regulation
Social: public housing	State and territory governments	State and territory governments	Access through government social housing portal, with same eligibility requirements across state and territory governments; in general, rent is 25–30 per cent of combined gross income*
Social: community housing	CHPs (regulated through NRSCH or state regulators)	State and territory governments, CHPs, charities, not-for-profits, for-profit developers and investors	

* In public housing, rent is usually capped at the market rent. In community housing, a tenant who receives CRA may be required to pay 25–30 per cent of their income plus 100 per cent of CRA.

Note: NHSAC analysis of state and territory regulations and legislation.

3.5 Housing assistance for renters and home buyers is expanding

Housing assistance is provided in the form of government payments or guarantees and can support individuals to access rental accommodation or home ownership in the private housing market.

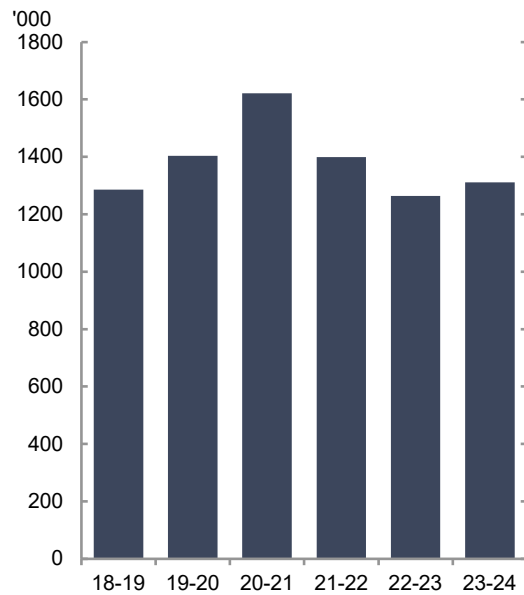
Eligible market renters may receive rent assistance through federal and/or state or territory income support. Home ownership support is primarily targeted at first home buyers in the form of direct grants, stamp duty concessions and guarantees (which reduce or eliminate the cost of Lenders Mortgage Insurance). This assistance helps people afford appropriate housing in the private market.

However, there is a trade-off between the rise in the demand from these measures and the increase in prices this may cause, which may reduce affordability for renters and home buyers who cannot access government support. Demand-side support for first home buyers is particularly contentious as it may act largely to bring forward latent demand, and is more likely to inflate prices (Daley et al. 2018; Eslake 2013; Productivity Commission 2022). For renters, evidence suggests that support for lower-income earners is less likely to substantially increase rents (Daley et al. 2018; Ong et al. 2020).

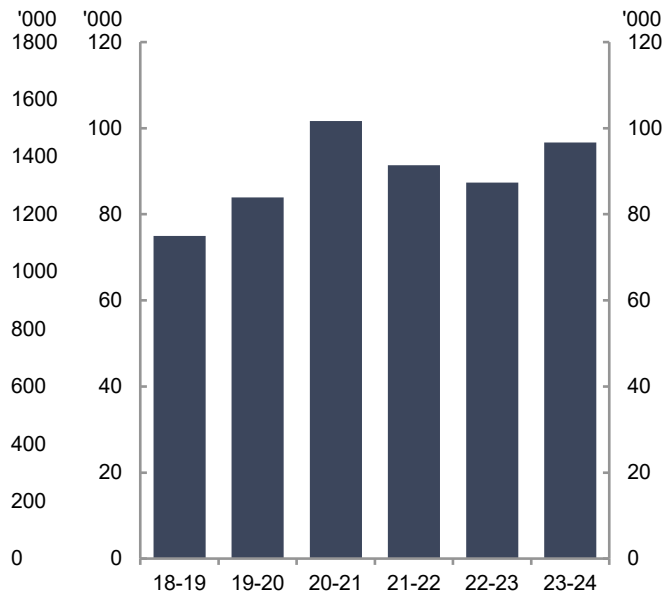
CRA is the most common form of housing assistance households receive. The Australian Government provides it to eligible families and individuals who pay or are liable to pay rental housing costs, including private rent and community housing rent. Only families and individuals who receive other transfer payments are eligible. CRA is paid at 75 cents for every dollar above a minimum rental threshold until a maximum rate is reached (AIHW 2023a). The minimum threshold and maximum rates vary according to the household or family situation, including the number of children (AIHW 2023a). Most CRA recipients are private renters, as households in public housing are ineligible.

State and territory private rental assistance (PRA) is directed only at the private rental market. These schemes are much smaller than CRA and are typically only provided once, as either a bond loan or a rental grant, though states and territories may offer different types of assistance (AIHW 2023a).

CRA assisted 1.3 million recipients in 2023–24, which was 3.8 per cent more than in 2022–23. The number of CRA recipients peaked in 2020–21 when the number of eligible persons increased due to a rise in support measures and unemployment during the Pandemic (see Chart 3.8). The number of First Nations CRA recipients rose by 10.7 per cent in 2023–24 – only 4.9 per cent below its peak in 2020–21 (see Chart 3.9).

Chart 3.8 CRA recipients

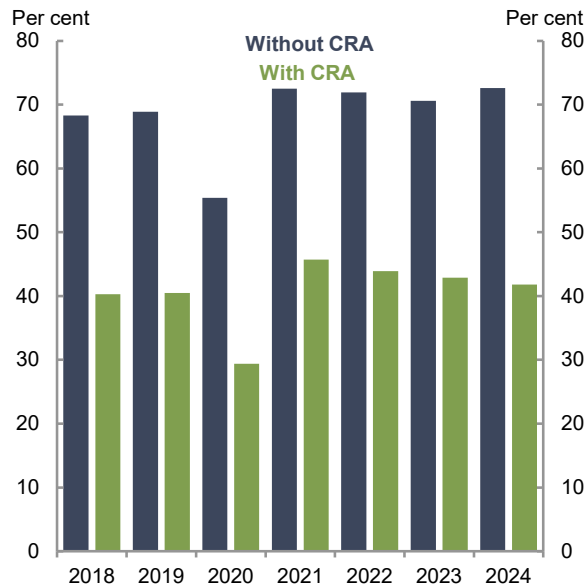
Source: Steering Committee for the Review of Government Service Provision 2025

Chart 3.9 First Nations CRA recipients

Source: Steering Committee for the Review of Government Service Provision 2025

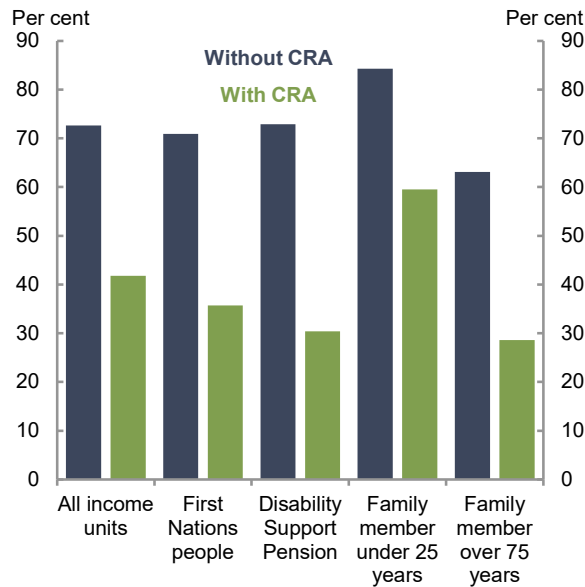
CRA plays a key role in reducing housing stress. In 2023–24, around 73 per cent of recipients would have been in housing stress without CRA, compared to 42 per cent of recipients with CRA (Steering Committee for the Review of Government Service Provision 2025). There has been a 2 percentage point rise in CRA recipients who would have been in housing stress without CRA, but a 1 percentage point fall in those in rental stress after receiving CRA, reflecting the increase in CRA in the Budget 2023–24 (see Chart 3.10). Households with members aged under 25 are most likely to remain in rental stress after receiving CRA – at 60 per cent (see Chart 3.11) – though this fell by 6 percentage points over the year. Around 36 per cent of First Nations CRA recipients were in rental stress after receiving CRA (see Chapter 6, *First Nations housing*).

Chart 3.10 Rental stress, by CRA recipient



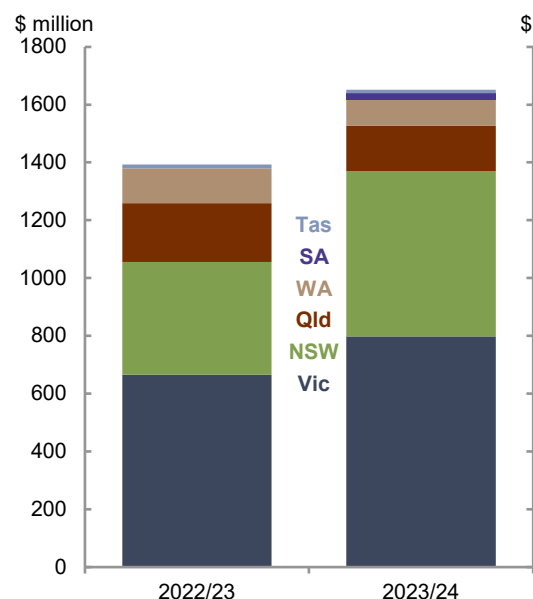
Source: Steering Committee for the Review of Government Service Provision 2025

Chart 3.11 Rental stress, by selected equity groups, 2024



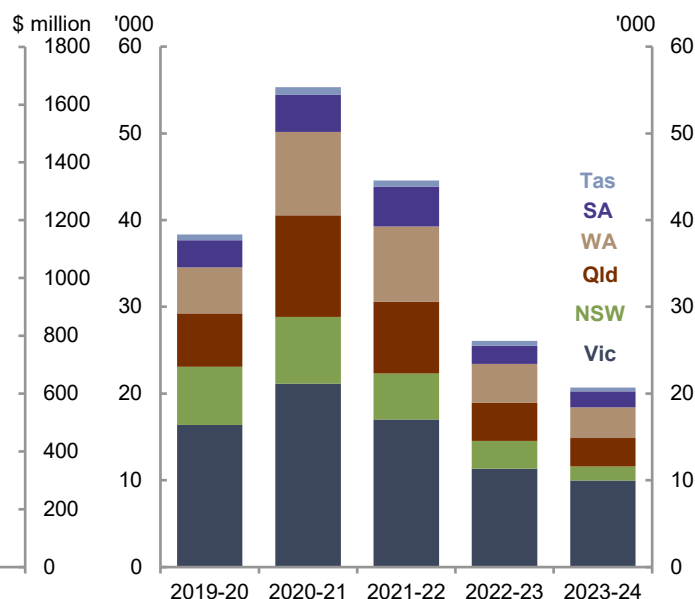
Source: Steering Committee for the Review of Government Service Provision 2025

Government assistance to home buyers is targeted to aspiring first home owners. First home buyer assistance provided by Commonwealth and state and territory governments aims to promote home ownership, most often via direct grants and concessions. In 2023–24, states and territories were estimated to have spent more than \$1.6 billion on stamp duty concessions – 20 per cent more than in 2022–23 (see Chart 3.12). This reflects a significant increase in stamp duty exemptions in New South Wales, where the stamp duty exemption thresholds have increased, and the introduction of stamp duty relief for first home buyers in South Australia in June 2023. The number of first home owner grants has decreased in all states over the last financial year (see Chart 3.13). However, spending on home owner grants for Queensland is expected to increase in the coming financial years, as the grant available for eligible first home owners was doubled in late 2023.

Chart 3.12 State expenditure on stamp duty concessions for first home owners

Note: Excludes territories.

Source: State Budget Papers 2024

Chart 3.13 Number of first home buyer grants, by state

Note: Excludes territories.

Source: State government portals 2024

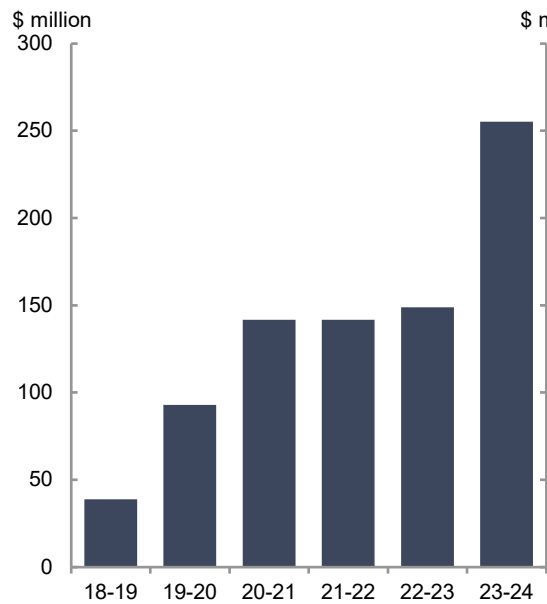
Government saving schemes provide tax-concessional status on savings to enable faster deposit accumulation. The First Home Super Saver Scheme (FHSSS), introduced in 2017, allows eligible individuals to voluntarily contribute savings for a home deposit to their superannuation. Receiving the concessional rate of 15 per cent tax on superannuation contributions is usually less than the first home buyers' marginal income tax rate. Withdrawals from the scheme have grown markedly since its establishment, increasing by 72 per cent from 2022–23 to 2023–24 (see Chart 3.14). Around \$255 million was paid from superannuation accounts in 2023–24 to 13,200 individuals. However, this may not solely reflect increased uptake of the scheme. Rather, individuals who originally signed up to the scheme may have accumulated sufficient funds over a long period to begin drawing down on their balances.

The Australian Government also provides assistance through first home buyer guarantees, aimed at reducing the deposit hurdle and Lenders Mortgage Insurance costs. It is increasingly common for first home buyers to use government guarantees such as the Australian Government's Home Guarantee Scheme (HGS). The scheme has grown significantly since commencing in 2020, with 50,000 places available under the scheme in 2023–24. The HGS supported close to a third of new owner-occupier first home buyers nationally in 2023–24, including 40 per cent in Queensland (see Chart 3.15). In some states, including Western Australia and South Australia, the government also provides low-deposit loan schemes that enable individuals to purchase a home with a low deposit, but do not guarantee losses incurred against the loan.

Recently, governments have introduced shared equity schemes, where the government makes a financial contribution to the purchase of a property in exchange for an equity share. In 2024, the most extensive shared equity scheme was in Victoria, with over 10,000 recipients (State Revenue Office Victoria 2025). Smaller schemes exist in Tasmania and South Australia, while Queensland offers a shared equity scheme to support public housing tenants to own their own home. The number of households in shared equity schemes is expected to rise with the commencement of the Australian Government’s Help to Buy Scheme in 2025, which has the potential to assist 40,000 households over 4 years. The Victorian Government has committed to cease accepting new applicants in its state program from June 2025, to coincide with the establishment of the federal scheme.

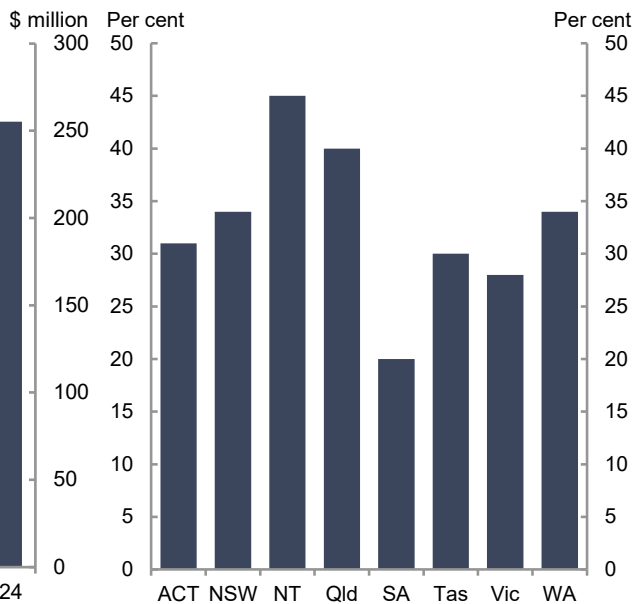
Indigenous Business Australia is a Commonwealth entity that aims to increase home ownership for First Nations Australians. The organisation provides low-deposit loans and shared-equity options to households (see Chapter 6, *First Nations housing*).

Chart 3.14 First Home Super Saver Scheme payments



Source: ATO 2024

Chart 3.15 HGS first home buyers as a share of total owner-occupied first home buyer loan commitments, by state and territory, 2023–24



Note: The Northern Territory has a much lower number of guarantees on issue despite having the highest rate of first home buyer support (Housing Australia 2024). Proportion calculated using the number of HGS guarantees issued to first home buyers in 2023–24, which may include places allocated in 2022–23 but issued in the subsequent year.

Source: Housing Australia 2024

Chapter 4 Housing affordability

Overview

This chapter assesses housing affordability for renters, prospective home owners and households with a mortgage. It tracks changes in affordability across all capital cities and regions. It also assesses the incidence of rental stress and its relationship to wellbeing and material deprivation among renters.

Key points

- Mortgage repayment affordability and rental affordability for the median-income household deteriorated to new lows over 2024, while the time needed to save for a home deposit increased.
- The deterioration in housing affordability occurred across most capital cities and regions over 2024.
- The median-income household could only afford to purchase 14 per cent of new homes sold in 2023–24.
- Rental stress affected over 50 per cent of lower-income renter households in 2023. It was also more persistent, with 60 per cent of those in rental stress also experiencing rental stress the year before.
- Low life satisfaction was more than twice as common for those in rental stress than for other renters in 2023. Mental wellbeing was also generally worse for those in rental stress than for other renters. Material deprivation of key essential items was twice as high for those in rental stress than for other renters in 2022.

4.1 High housing costs continued to erode housing affordability across Australia

Housing affordability continued to deteriorate for owner-occupiers and renters in 2024 (ANZ and CoreLogic 2024). Around 50 per cent of median household income was needed to meet repayments for new mortgages, while around 33 per cent was needed to meet rental costs for new leases (see Chart 4.1). The time a median-income household needed to save for a deposit rose to 10.6 years, and the ratio of the median dwelling price to household income increased to 8.0 (see Chart 4.1).

Housing affordability declined in most capital cities and regions. New mortgages and home deposits remained the least affordable in New South Wales and the most affordable in the Northern Territory, while rents were least affordable in regional Queensland and most affordable in Canberra (see section 4.3, *Housing affordability continued to worsen across Australia for all tenure types*).

Housing stress, defined as housing costs exceeding 30 per cent of income for lower-income households (see Box 4.1), was particularly prevalent for renters. More than half of lower-income renters were in rental stress in 2023, with 60 per cent of those also in rental stress the year before. Renters in rental stress also experienced lower levels of wellbeing and higher levels of material deprivation.

Reversing the downward trend in housing affordability requires an increase in new housing supply relative to new housing demand (NHSAC 2024). While the Council expects that 938,000 homes will be built over the Housing Accord period, this number will still fall short of projections for new housing demand (see Chapter 5, *Housing system outlook*). As such, reforms that enable additional housing supply are critical to improving long-run housing affordability (see Chapter 7, *Towards a better housing system*).

Chart 4.1 Advertised rent affordability and mortgage repayment affordability

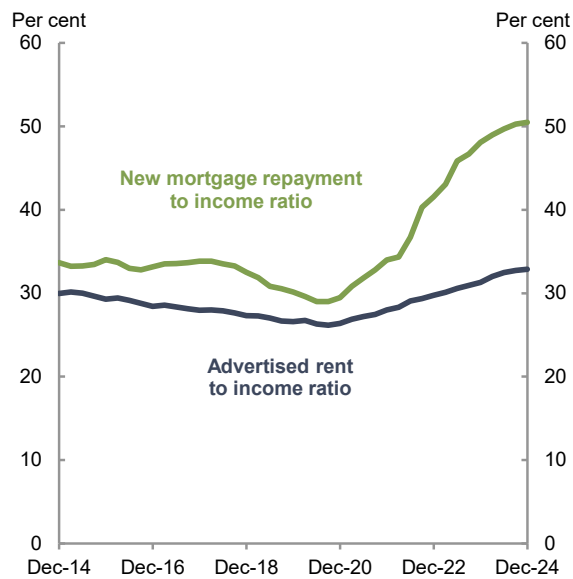
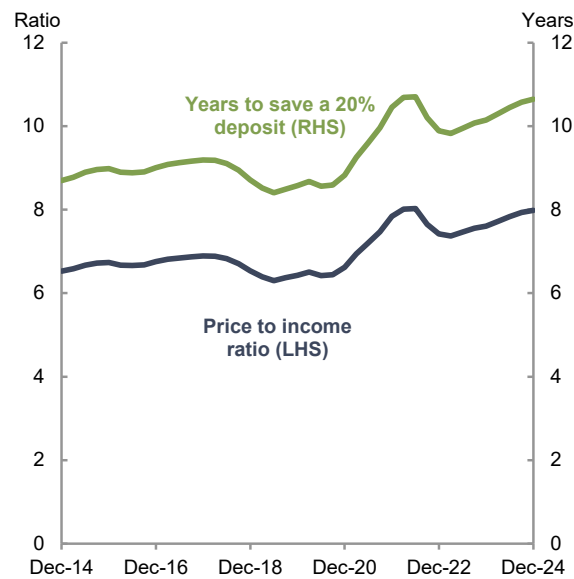


Chart 4.2 Home purchase affordability and dwelling price-to-income ratio



Note: New mortgage payment-to-income ratio is the share of gross annual household income that a median-income household needs to service a loan that is 80 per cent of the median dwelling value, paying the average discount variable mortgage rate for a term of 25 years. Advertised rent-to-income ratio is the share of gross annual household income that a median-income household needs to pay for rent on a new lease. Years to save a 20 per cent deposit assumes that 15 per cent of gross median household income can be saved annually for a deposit. Price-to-income ratio compares the median dwelling value to the median household income.

Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025

Box 4.1 Measures of housing affordability and housing stress in this report

Housing affordability is measured as the ratio of housing costs (such as prices, mortgage costs or rental costs) to household income (OECD 2021). As there are multiple ways to measure housing costs and household income (for example, using gross or disposable income, or including Commonwealth Rent Assistance), direct comparisons between different measures of affordability are not always possible. Other measures of housing affordability can include residual income and housing quality (OECD 2021).

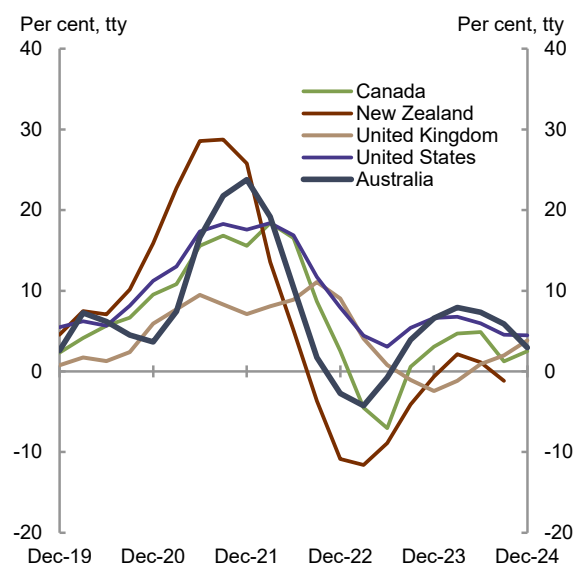
Housing stress, which includes rental stress, occurs when the housing cost-to-income ratio is excessively high. Similar to housing affordability, there are multiple approaches to measuring housing stress. These include identifying whether the cost-to-income ratio of a household exceeds an arbitrary value (usually 30 per cent) or the cost-to-income ratio for lower-income households (those in the lower 40 per cent of the income distribution) exceeds a value such as 30 per cent – referred to as the 30/40 rule (Pawson et al. 2020).

The 30/40 rule is a useful tool to monitor aggregate trends in housing stress as it requires a limited number of variables to compute and is relatively easy to interpret (AHURI 2019). However, the rule has several limitations. It does not capture households that may not have formed due to affordability pressures, it uses arbitrary thresholds to define stress, and it does not reflect stress duration. It also tends to exclude key housing trade-offs, such as housing quality and location (Crowe and Rowley 2024).

In this report, CoreLogic–ANU data is used to measure affordability for those with new mortgages, those saving for a deposit and those seeking newly advertised rentals. PropTrack data is used to measure the availability of homes to own. Household, Income and Labour Dynamics in Australia (HILDA) Survey data is also used to measure rental stress, and satisfaction, wellbeing and material deprivation.

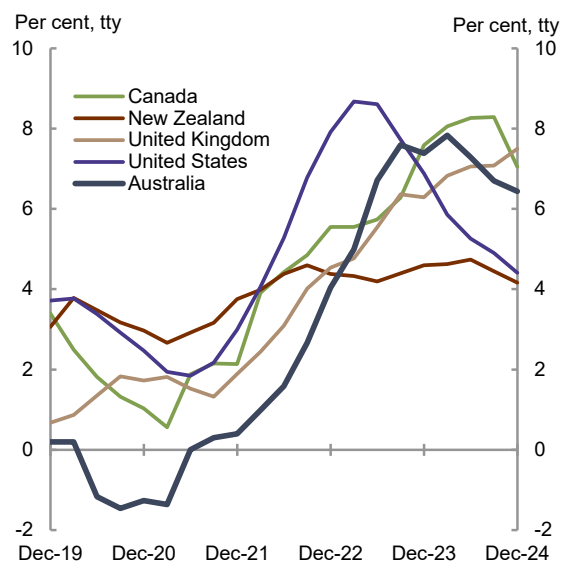
4.2 The increase in housing costs mirrors trends seen in comparable advanced economies

Housing prices and rents continued to rise to elevated levels across comparable advanced economies in 2024 (OECD 2025). In Australia, housing price growth and rent growth have been near the top of the range compared with similar advanced economies, where housing prices and rents have continued to rise – although at a slowing pace – over the past year (see charts 4.3 and 4.4). The rise in housing costs has tended to outpace household income in advanced economies since the Pandemic, resulting in a deterioration in housing affordability (Igan 2024).

Chart 4.3 Housing prices, selected advanced economies

Note: Nominal prices.

Source: OECD Analytical House Price Indicators

Chart 4.4 Rents, selected advanced economies

Note: Nominal prices.

Source: OECD Analytical House Price Indicators

Several common factors have driven the decline in housing affordability among advanced economies. Strong population and employment growth has supported housing demand in recent years (The Economist 2024). Immigration has also risen, which has added to demand (Igan 2024). At the same time, new housing supply has been limited by material, labour and land shortages (OECD 2023). Restrictive land-use and zoning regulations have also partly constrained new supply (Lee et al. 2022). Overall, higher demand for housing, alongside a limited rise in supply, has led to rising housing costs.

Monetary policy is another common factor affecting housing affordability in advanced economies (Igan 2024). High interest rates have contributed to lower levels of mortgage affordability, although the impact of interest rates among advanced economies has varied (Igan 2024). The relatively high proportion of variable-rate loans in Australia means that interest rate changes impact mortgage payments more directly than in many comparable advanced economies (Ung 2024), which typically have a higher share of fixed-rate mortgages.

4.3 Housing affordability continued to worsen across Australia for all tenure types

Nationally, housing affordability continued to deteriorate for all tenure types in 2024 (ANZ and CoreLogic 2024). Generally, housing affordability remains worse than before the Pandemic across all states and territories.

4.3.1 Mortgage affordability

Mortgage affordability deteriorated in 2024. Mortgage costs, which include principal and interest payments, are the largest ongoing housing costs for home buyers (ABS 2022c). Nationally, the share of median household income needed to service a new mortgage rose from 48.1 per cent in December 2023 to 50.5 per cent in December 2024 (see Chart 4.1). This was driven by elevated interest rates and rising housing prices, which reduced home buyers' ability to service loans (ANZ and CoreLogic 2024).

Mortgage affordability deteriorated in most capital cities and regions (see charts 4.5 and 4.6). This was particularly the case in areas that recorded a strong rise in housing prices – most notably in Western Australia, Queensland and South Australia (see Chapter 2, *Housing market conditions*). In contrast, mortgage affordability was relatively steady or improved slightly in Victoria, Tasmania, the Australian Capital Territory, and the Northern Territory, where housing prices had remained either flat or fell over the period.

Chart 4.5 New mortgage cost-to-income ratio, capital cities

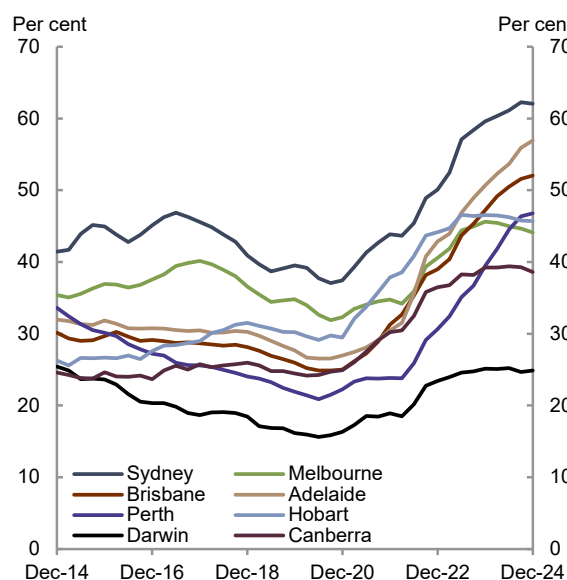
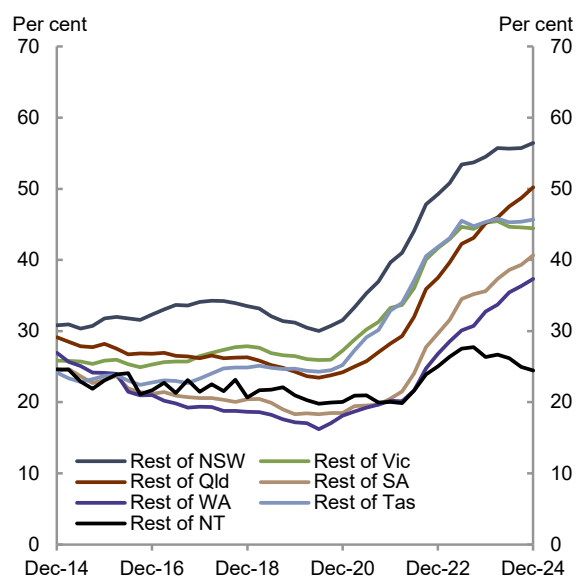


Chart 4.6 New mortgage cost-to-income ratio, regional areas

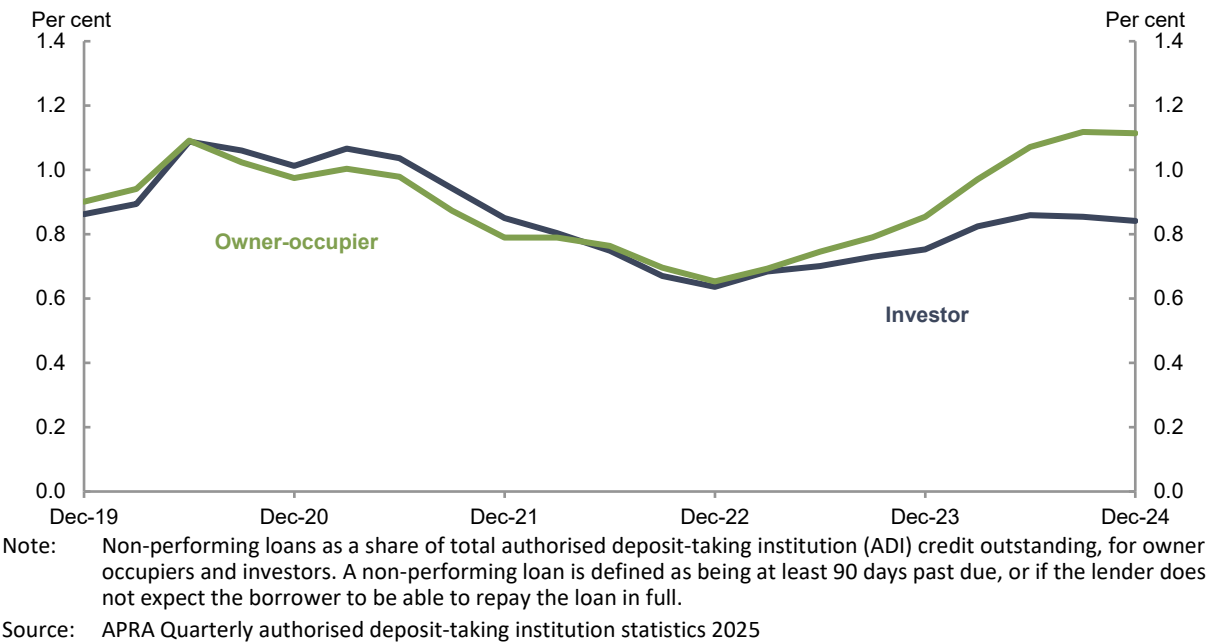


Note: Share of gross annual household income needed to service a new mortgage that is 80 per cent of the median dwelling value, paying the average discount variable mortgage rate for a term of 25 years.

Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025

A small but growing share of borrowers were behind on mortgage repayments in 2024. The share of owner-occupier non-performing loans rose to 1.1 per cent in the December quarter 2024 (see Chart 4.7). The share of investor non-performing loans remained at around 0.8 per cent. The Reserve Bank of Australia (RBA) has estimated that most borrowers should be able to service their debts even if interest rates and inflation stay high for an extended period (RBA 2025b). Furthermore, banks anticipate that loan arrears will peak in 2025, based on current forecasts (RBA 2025b). However, it is also likely that some lower-income borrowers may still find it difficult to service their debts without reducing other forms of household consumption (RBA 2024b).

Chart 4.7 Share of loans that are non-performing



4.3.2 Home purchase affordability

Home purchase affordability deteriorated in 2024. Nationally, the time a median-income household needed to save for a 20 per cent deposit rose from 10.1 years in December 2023 to 10.6 years in December 2024 (see Chart 4.2). This rise was generally driven by growth in housing prices exceeding incomes (ANZ and CoreLogic 2024). Home purchase affordability fell most sharply in Western Australia, Queensland and South Australia (see charts 4.8 and 4.9). By contrast, home purchase affordability improved in Victoria, Tasmania, the Northern Territory and the Australian Capital Territory, driven by low housing price growth or falling housing prices in these areas.

Chart 4.8 Years to save for a 20 per cent deposit, capital cities

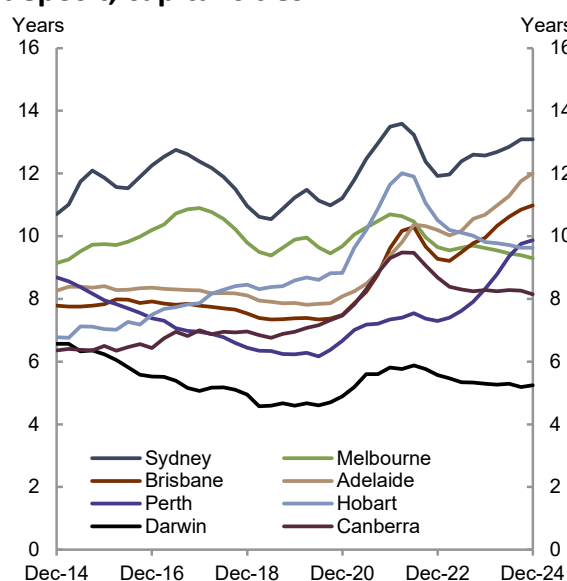
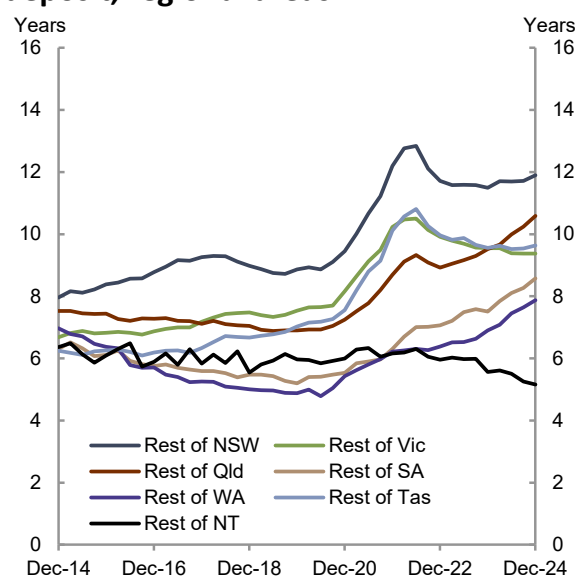


Chart 4.9 Years to save for a 20 per cent deposit, regional areas



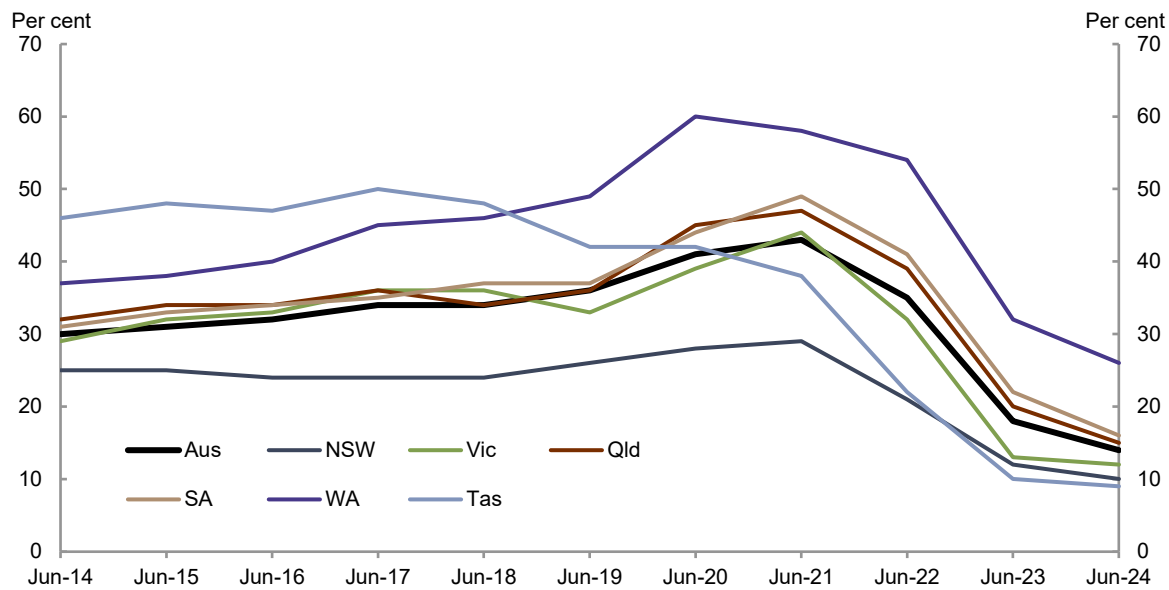
Note: Measured as the number of years it would take to save for a 20 per cent deposit, assuming 15 per cent of gross median household income (measured by region) is saved annually.

Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025

While the number of years a median-income household needs to save for a median-priced home is a common measure of housing accessibility, first home buyers typically face different housing prices and have different incomes than the average household, as they are often younger and earn less (La Cava et al. 2017). Households may also be able to access a home loan with less than a 20 per cent deposit (which often incurs a fee for Lenders Mortgage Insurance, raising the total cost). Conversely, first home buyers may also have access to government programs that lower total costs (see Chapter 3, *Conditions in non-market housing and housing assistance*).

As aspiring home buyers have found it increasingly difficult to save for a deposit over the past year, the share of homes that a median-income household can afford has also fallen (Ryan and Moore 2024). Nationally, the share of home sales that a median-income household could afford fell from 18 per cent in 2022–23 to 14 per cent in 2023–24, its lowest level since first recorded in 1995 (see Chart 4.10). All states recorded a decline in the share of home sales that were affordable in 2023–24.

Chart 4.10 Share of home sales that are affordable for the median income household



Note: Share of home sales that fall below the price that a household would spend 25 per cent of gross income on mortgage repayments, assumes 80 per cent loan-to-value ratio, 30-year loan term and 2.5 percentage point buffer.

Source: PropTrack 2024

4.3.3 Rental affordability

Rental affordability deteriorated in 2024. Nationally, the share of income the median-income household needed to pay for rent on a new lease rose from 31.3 per cent in December 2023 to 32.9 per cent in December 2024 (see Chart 4.1). Rental affordability declined in every capital city and region over 2024, except for regional Northern Territory (see charts 4.11 and 4.12). Growth in advertised rents exceeding growth in household income has driven the deterioration in rental affordability. Vacancy rates across Australia have been low – and remain below the level consistent with a balanced market – adding to rental pressures (see Chapter 2, *Housing market conditions*).

Chart 4.11 Rent-to-income ratio for new leases, capital cities

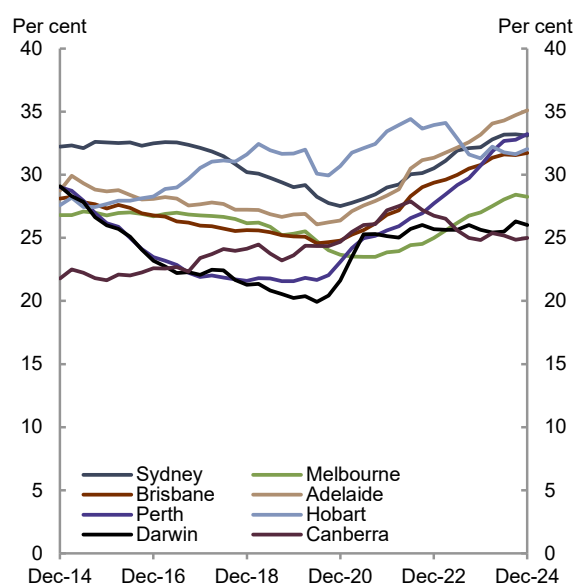
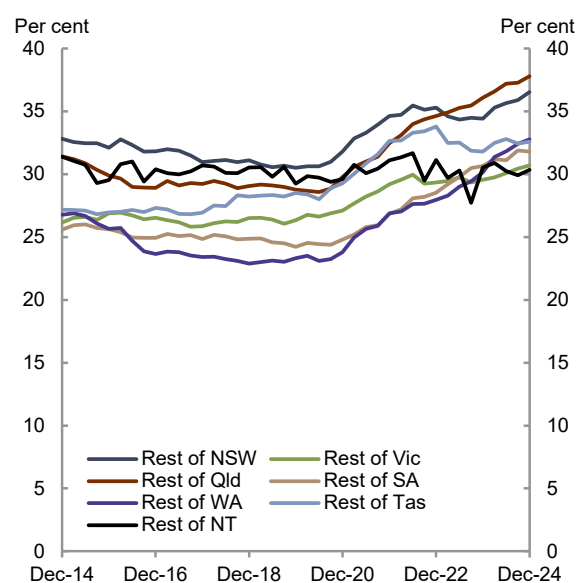


Chart 4.12 Rent-to-income ratio for new leases, regional areas



Note: The share of gross annual household income a median-income household needs to pay for rent on a new lease.

Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025

4.4 Rental stress levels remain high, with those in rental stress reporting lower wellbeing

4.4.1 Rental stress

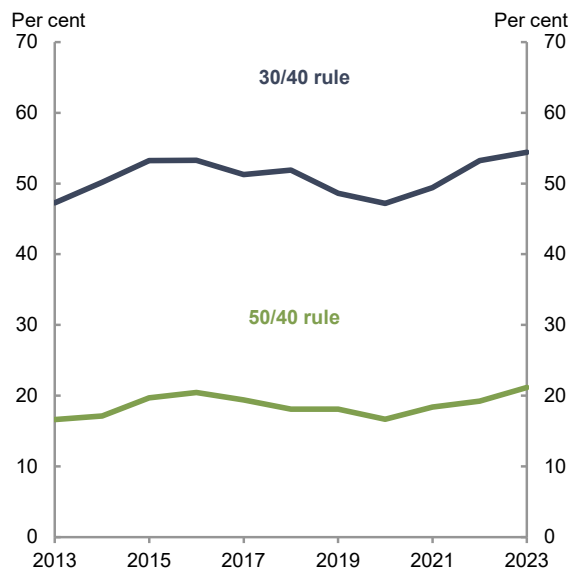
Lower-income renters continue to experience high levels of rental stress. Analysis of data from the HILDA Survey indicates that the share of lower-income households in rental stress – defined using the 30/40 rule – has risen over the 3 years to 2023, from a low of 47 per cent in 2020 to a high of 54 per cent in 2023 (see Chart 4.13).

The rate of lower-income renter households in severe rental stress (that is, that are spending more than 50 per cent of their income on rent) has also risen in recent years. The rate of severe rental stress rose from 17 per cent in 2020 to 21 per cent in 2023 – its highest level in 10 years (see Chart 4.13). Higher rates of rental stress have been due to tightness across the rental market, where demand for housing has outpaced new supply (see Chapter 2, *Housing market conditions*). This imbalance has led to higher growth in rents relative to household income.

Rental stress is also becoming more persistent. The share of people in rental stress who remained in rental stress for 2 or more consecutive years rose from 48 per cent in 2022 to 60 per cent in 2023 (see Chart 4.14). The share of people in rental stress who have been in rental stress for 3 or more, and 4 or more consecutive years also rose in 2023.

Rental stress for First Nations households with Commonwealth Rent Assistance fell slightly in 2023–24, although remains higher than in 2018–19 (see Chapter 6, *First Nations housing*). These estimates of rental stress for First Nations households are collected by AIHW (AIHW 2025).

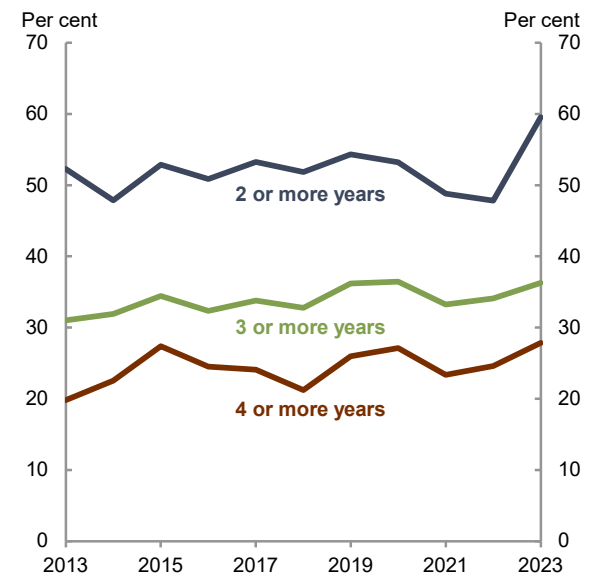
Chart 4.13 Share of lower-income renter households in rental stress



Note: The proportion of rental households in the 2 lowest equivalised disposable household income⁷ quintiles that are spending more than either 30 per cent or 50 per cent of their disposable household income on rent payments (30/40 rule and 50/40 rule, respectively). Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

Chart 4.14 Share of people in rental stress that experience persistent stress



Note: The share of people in rental stress who have remained in rental stress for 2 or more, 3 or more, or 4 or more consecutive years. Rental stress is defined using the 30/40 rule. Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

7 Equivalised disposable household income adjusts for differences in household size and composition, allowing economic wellbeing of households to be compared. The modified OECD equivalence scale is used.

4.4.2 Rental stress and wellbeing

The share of renters in rental stress with low levels of life satisfaction – defined as reporting a score of 4 or below on a scale of zero to 10 – was 7 per cent in 2023. This is more than twice the share for renters not in rental stress (see Chart 4.15). The share of renters in rental stress reporting low levels of financial satisfaction was also significant, at 26 per cent, compared to 15 per cent of renters not in rental stress. By contrast, the incidence of low satisfaction with one's home and neighbourhood was similar among those in rental stress and those not in rental stress (see Chart 4.15).

Chart 4.15 Share of renters with low satisfaction, by rental stress status, 2023

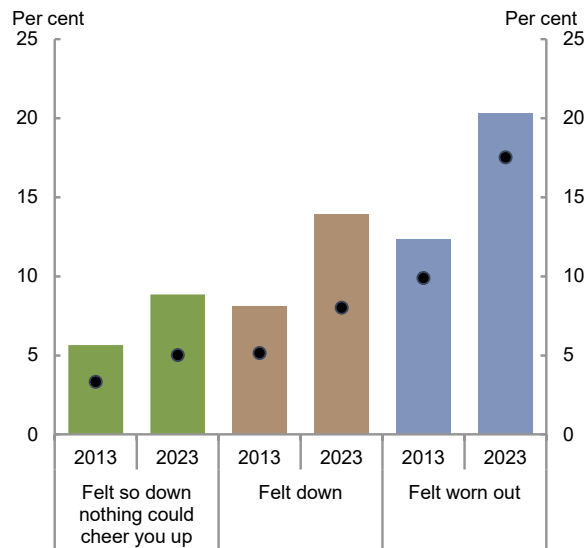


Note: The share of renters, by rental stress status, that reported low levels of satisfaction, defined as reporting a score of 4 or less out of 10. Rental stress is defined using the 30/40 rule. Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

Mental wellbeing was generally worse for those in rental stress than for other renters in 2023 (see Chart 4.17). Those in rental stress also generally experienced a larger decline in mental wellbeing than those not in rental stress over the 10 years to 2023 (see charts 4.16 and 4.17). In particular, the share of renters in rental stress who reported 'feeling down' all or most of the time rose from around 8 per cent to 14 per cent over that period, compared to a rise from 5 per cent to 8 per cent for those not in rental stress (see Chart 4.16). Similarly, the share of renters in rental stress who reported 'feeling calm and peaceful' fell from 37 per cent to 26 per cent, compared to a fall from 39 per cent to 34 per cent for renters not in rental stress (see Chart 4.17).

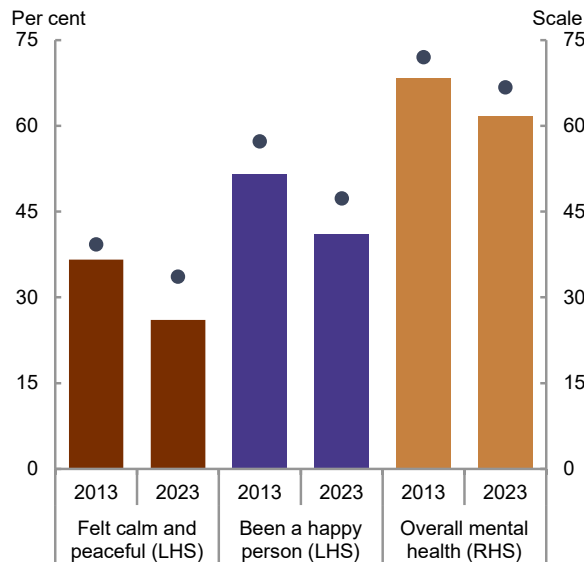
Chart 4.16 Share of renters experiencing certain feelings either all or most of the time, by rental stress status



Note: Bars represent renters in rental stress; dots represent renters not in rental stress. Share of renters with feelings experienced ‘all’ or ‘most’ of the time in the past 4 weeks. Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

Chart 4.17 Share of renters experiencing certain feelings either all or most of the time; and mental health, by rental stress status



Note: Bars represent renters in rental stress; dots represent renters not in rental stress. Share of renters with feelings experienced ‘all’ or ‘most’ of the time in the past 4 weeks. Overall mental health measured using the SF-36 Health Survey on a scale of 0 to 100. Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

While this analysis shows a correlation between rental stress and indicators of wellbeing, it should not be interpreted as implying causation. Housing stress and wellbeing are both likely affected by common factors, such as financial circumstances (Rowley and Ong 2012).

4.4.3 Rental stress and material deprivation

Households in rental stress also face higher levels of material deprivation across a range of important goods, services and experiences (see Chart 4.18). Material deprivation occurs when people do not have, and are unable to afford, items that are regarded to be essential.

In 2022, rates of material deprivation for key items – such as not having home contents insurance, not having at least \$500 in savings for an emergency, and not having dental treatment when needed – were almost twice as high for households in rental stress than for households not in rental stress. Material deprivation for not having a motor vehicle was more than three times as high for households in rental stress compared to households not in rental stress.

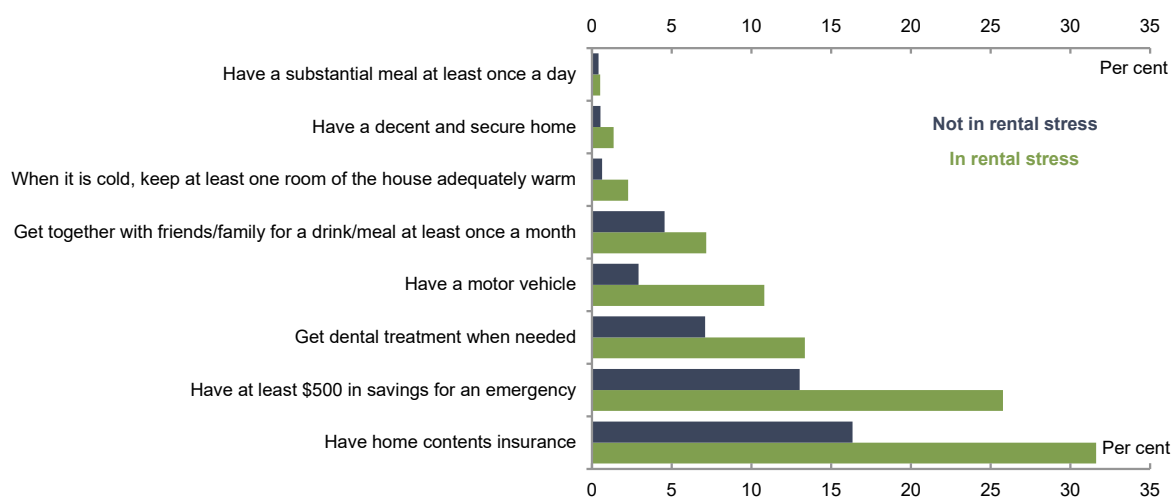
High rates of material deprivation for households in rental stress among selected items were related to not having home contents insurance (32 per cent), not having at least \$500 in savings for an emergency (26 per cent), not having dental treatment when needed (13 per cent), not having a motor vehicle (11 per cent), and not getting together with friends or family for a drink or meal at least once a month (7 per cent) (see Chart 4.18).

Households in rental stress also reported higher rates of material deprivation related to not being able to keep at least 1 room in the house adequately warm when it is cold, not having a decent and secure home, and not having a substantial meal at least once a day, although these rates were relatively low (see Chart 4.18).

Greater deprivation of essential goods, services and experiences among households in rental stress highlights the additional burdens these households often face compared to other renter households.

More broadly, material deprivation among renters is more common than for the general population. A recent study by the Australian Council of Social Service (ACOSS) and UNSW Sydney found that private renters are twice as likely to experience multiple deprivations compared to the general population (Naidoo et al. 2024).

Chart 4.18 Share of renter households deprived of selected essential items, by rental stress status, 2022



Note: Share of renter households, by rental stress status, that report not being able to afford items widely considered to be essential. Rental stress is defined using the 30/40 rule. Data is population-weighted.

Source: HILDA Survey, Restricted Release 23; NHSAC 2025

Chapter 5 Housing system outlook

Overview

This chapter presents the Council's national and state and territory forecasts for new housing supply and demand over the Housing Accord period (2024–25 to 2028–29) and describes the implications of these forecasts for housing affordability.

Key points

- Over the Housing Accord period, the Council forecasts that Australia's gross new housing supply will be 938,000 dwellings under baseline macroeconomic conditions and current policy settings.⁸ This implies a supply shortfall of 262,000 relative to the Housing Accord target.
- The Council's forecasts indicate there will be a net supply shortfall, relative to new demand, of around 47,000 dwellings in the 2024–25 financial year.
- The undersupply of housing is expected to continue across the forecast period, adding to existing affordability pressures. Net new housing supply over the forecast period to 2028–29 is projected to fall short of new demand by 79,000 dwellings.
- While the forecasts are sensitive to macroeconomic and demographic conditions, it is unlikely that unexpectedly favourable conditions alone could enable the Housing Accord target to be met or address accumulated affordability pressures.

5.1 The Council has prepared updated forecasts of new supply and demand and affordability

This chapter presents the Council's forecasts of new housing supply, demand and affordability up to and including the 2028–29 financial year. The forecasts are used to provide a view of the likely future performance of the housing system, inform discussion on policy measures that aim to address housing supply, and inform the Council's view on the suitability of the target of 1.2 million new homes between 2024–25 and 2028–29 under the Housing Accord (see *Advice on the suitability of the 1.2 million National Housing Accord target*).

The Council's forecasts are based on a model designed to capture the dynamics of housing supply and demand in Australia (see Box 5.1). The modelling framework is suited to answering questions about the rate at which new housing construction will take place in national and state housing markets under different economic and demographic conditions.

8 The Council's forecasts incorporate government policy measures that affect the macroeconomic outlook, directly support the provision of social and affordable housing, or are already an established feature of the housing system (and have therefore affected recent housing supply outcomes). Box 5.1 provides more information on the Council's forecasting methodology.

The forecasts estimate newly constructed housing and new underlying demand. The Council's forecasts of supply and demand are, therefore, 'flow' concepts – they reflect additions to total demand (that is, the number of households) and total supply (that is, the stock of housing) in the system in any given year. Having more new supply than new demand in a period implies an easing in housing market conditions, a higher vacancy rate and a slowing in the growth of rents and dwelling prices, all else equal. Conversely, having more demand relative to supply in a given period implies a lower vacancy rate, and faster growth of rents and dwelling prices.

The forecasts do not directly reflect the significant unmet need and affordability pressures that have already accumulated in the housing system, including unmet need for housing to address current levels of homelessness and to provide suitable homes for those who are marginally housed. A variety of definitions and methodologies used to estimate unmet housing need has produced a range of estimates. For example, van del Nouwelant et al (2022) used 2021 Census data to estimate that around 640,000 Australian households in the 2 lowest income quintiles were experiencing homelessness, living in overcrowded housing, or experiencing rental stress. Estimating unmet housing need is beyond the scope of the Council's current model. The Council is currently expanding its model to include forecasts of unmet housing need in future reports.

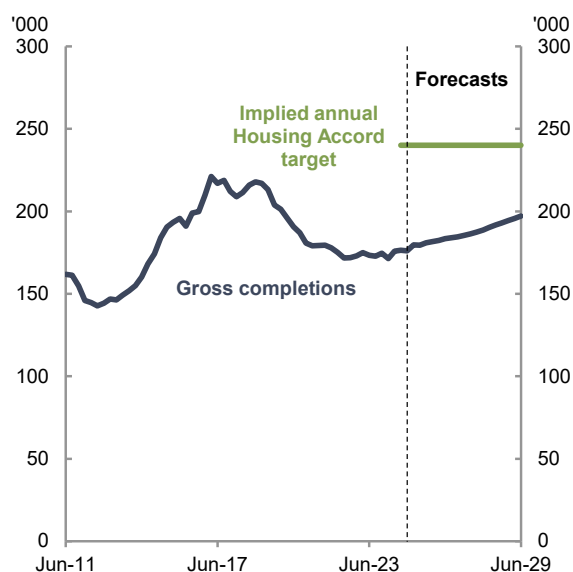
Care should be taken when interpreting the Council's forecasts. The Council's framework models the housing market by calibrating a simplified representation of the market to historical data. Forecasts are generated by inputting recent data and external projections of macroeconomic and demographic variables into the calibrated model. This approach assumes that historical relationships between variables remain fixed over the forecast period, whereas, in reality, they are likely to evolve over time. Moreover, the recent increase in global economic uncertainty poses greater-than-usual risks around the forecast inputs, particularly regarding the future path of interest rates and material costs. Long-term forecasting for housing markets is, therefore, inherently uncertain. Estimates of supply, demand and affordability for the early part of the forecast period should be considered more reliable than those for later parts. Further detail on the features and limitations of the Council's modelling framework can be found in Box 5.1 below.

A key addition since *State of the Housing System 2024* is the inclusion of housing supply forecasts for each of the 8 states and territories. These are produced by running the Council's forecasting model, which incorporates jurisdiction-level data and forecast inputs.

5.2 The National Accord's 1.2 million target for gross new supply is highly unlikely to be met

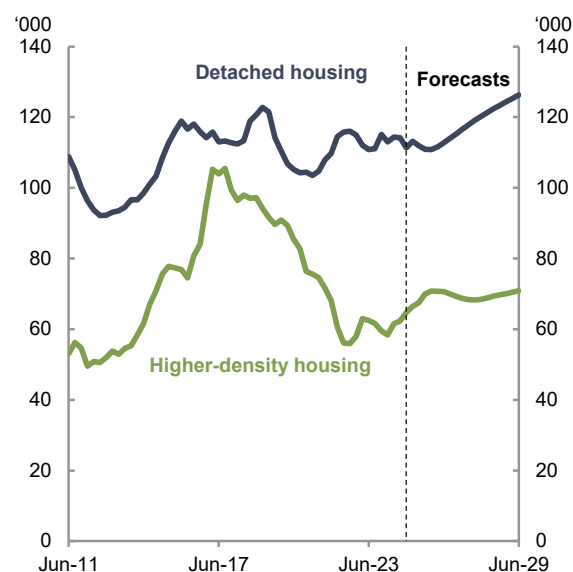
5.2.1 National supply forecasts

Over the 5-year Housing Accord period, the Council forecasts that gross new housing supply will be 938,000 dwellings under baseline macroeconomic conditions and current policy settings. This implies a supply shortfall of 262,000 relative to the 1.2 million Housing Accord target, which is larger than the 256,900 supply shortfall forecast in *State of the Housing System 2024*. An upward revision to interest rate assumptions since the 2024 report primarily drives the downgrade in the overall supply forecast.

Chart 5.1 Gross new housing supply

Note: The numbers shown are rolling annual totals. The implied annual Housing Accord target represents the Housing Accord target of 1.2 million completions distributed evenly over the 5-year Housing Accord period.

Source: ABS Building Activity 2025; NHSAC 2025

Chart 5.2 Gross new housing supply, by dwelling type

Note: The numbers shown are rolling annual totals.

Source: ABS Building Activity 2025; NHSAC 2025

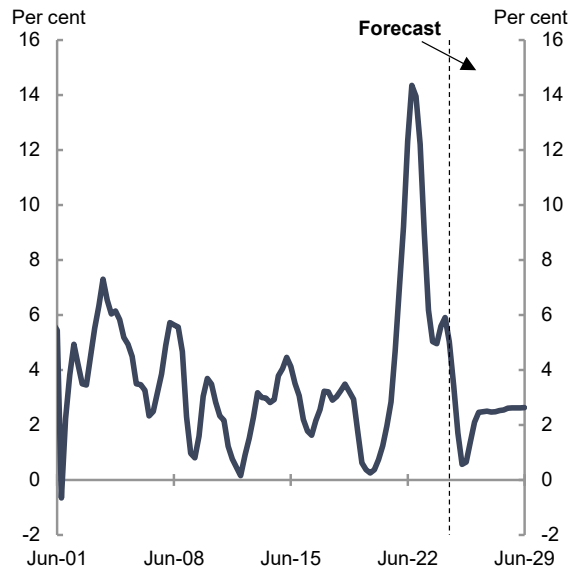
From 2025 to early 2027, gross new housing supply is expected to remain low, at around 183,000 dwellings per year. Recent data on new dwelling approvals and commencements suggest that currently weak supply conditions will persist over the first half of the Housing Accord period (see Chapter 2, *Housing market conditions*). New dwelling approvals are expected to remain subdued over the next year, particularly for higher-density developments, as ongoing high costs, capacity constraints and slowing dwelling price growth constrain the commercial feasibility of many housing projects.

The Council expects these commercial feasibility constraints to ease over time. Interest rates are expected to continue declining in 2025 (see Chart 5.4), which will help reduce the financing constraints developers and construction companies face. Lower interest rates will also improve buyers' borrowing capacity, resulting in a lift in dwelling prices. These outcomes provide a stronger incentive for developers to expand housing supply. Moreover, the Council expects that government funding for non-market housing will support housing supply during the Housing Accord period. By 2028–29, the Council expects annual gross new housing supply to be around 197,000 dwellings – similar to annual average supply in the decade before the commencement of the Housing Accord.

Detached houses are expected to drive new housing supply growth, with the new supply of houses expected to reach a 3-decade high by the end of the Housing Accord period (see Chart 5.2). In contrast, the Council expects that the supply of higher-density housing will remain low throughout the Housing Accord period. This is partly because planning agencies typically take longer to approve higher-density development applications (National Housing Supply Council 2010), construction companies typically take longer to build these dwellings (see Chart 2.37), and recent project commencements have been delayed due to lower commercial feasibility (see Chart 2.42). As a result, the boost to supply from lower interest rates and easing construction sector constraints is expected to be delayed, with an uptick in the new supply of higher-density housing only occurring in the second half of the Housing Accord period. The Council expects higher-density supply to continue rising beyond the Housing Accord period.

The outlook for national housing supply is subject to a considerable degree of uncertainty, with the balance of risks likely skewed to the upside. The Council’s model does not explicitly capture structural reforms to residential land markets until these policies’ impacts are captured in the Australian Bureau of Statistics (ABS) dwelling approvals data. This means that the impacts of recent reforms, such as upzoning, accelerated land releases and increased government funding of enabling infrastructure, are not fully captured in the Council’s forecasts. These represent significant upside risks, particularly for higher-density housing forecasts.

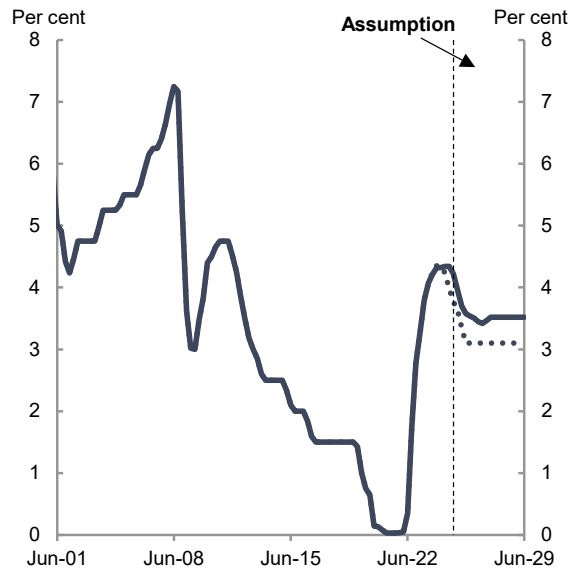
Chart 5.3 Construction cost growth



Note: The numbers shown are the through-the-year growth in the implicit price deflator for total private dwelling investment.

Source: ABS National Accounts Expenditure on Gross Domestic Product (GDP), Implicit price deflators 2024; Budget 2025–26; NHSAC 2025

Chart 5.4 Cash rate



Note: The numbers shown represent a quarter-average series. The dotted line represents the assumption in *State of the Housing System 2024*.

Source: RBA 2025; Bloomberg 2025; Budget 2025–26; NHSAC 2025

5.2.2 State and territory supply forecasts

The Council generates its forecasts of state and territory housing supply by running its forecasting model, which incorporates jurisdiction-level data on housing supply, rental markets, dwelling prices and economic conditions. Recent new dwelling approvals, commencements and completions data are the main determinants of the near-term forecasts. Forecasts over the remainder of the Housing Accord period largely reflect the sensitivity of each jurisdiction’s housing supply to macroeconomic and demographic variables.

Table 5.1 presents the Council's housing supply forecasts for each state and territory. In New South Wales, Victoria, Tasmania and the Australian Capital Territory, new housing supply over the Housing Accord period is expected to be less than in the preceding 5 years. In contrast, Queensland, Western Australia, South Australia and the Northern Territory⁹ are expected to generate more new housing than in the preceding 5 years.

Nonetheless, all jurisdictions are expected to generate less new housing than their population-implied shares of the Housing Accord target (which the Council has calculated by multiplying the 1.2 million target by each jurisdiction's population share as at December 2022 – see the footnote in Table 5.1). Housing supply forecasts for the Northern Territory and Tasmania are particularly weak relative to their shares of the Housing Accord target. However, this supply shortfall is partly offset by the fact that new housing demand in these jurisdictions is expected to remain muted over the Housing Accord period due to low projected population growth.

Table 5.1 Gross new housing supply and population, by state and territory

State/ territory	Gross new housing supply, 2019–20 to 2023–24	Gross new housing supply, 2024–25 to 2028–29 (forecast)		Population, December 2022*		Share of 1.2 million Housing Accord target*	Gross new supply forecast, ratio to share of target (%)*
	Number	Number	Share of total (%)	Number (000s)	Share of total (%)		
NSW	251,000	246,000	26.2	8,239	31.4	376,000	65
VIC	306,000	300,000	32.0	6,704	25.5	306,000	98
QLD	166,000	194,000	20.7	5,378	20.5	246,000	79
WA	75,000	105,000	11.2	2,825	10.8	129,000	81
SA	54,000	59,000	6.3	1,834	7.0	84,000	71
TAS	16,000	13,000	1.4	572	2.2	26,000	51
ACT	24,000	16,000	1.8	461	1.8	21,000	78
NT	3,000	4,000	0.4	250	1.0	11,000	31
AUS	896,000	938,000	100.0	26,268	100.0	1,200,000	78

* The Council has apportioned the Housing Accord target to each state and territory by using their share of the national population in December 2022 (these were the latest population figures available when the 1.2 million Housing Accord target was agreed in August 2023). Of the available options for calculating jurisdictions' share of the target, the Council has chosen this method because it is transparent and stable over time. Alternative approaches could be based on projected population growth over the Housing Accord period. The calculated target shares do not reflect formal agreement between the Australian and state and territory governments.

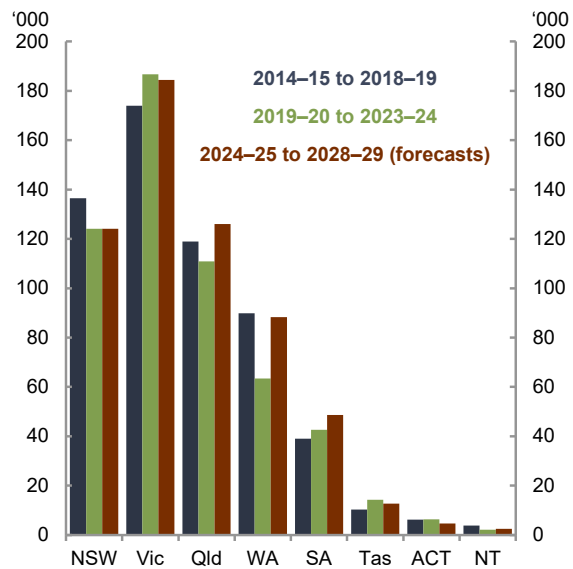
Notes: Housing supply data, forecasts and population-implied shares are rounded to the closest thousand. Totals, ratios and shares may not be consistent with component figures due to rounding.

Source: NHSAC 2025; ABS National, state and territory population 2023 and ABS Building Activity 2025

9 The Council's modelling of market housing supply in the Northern Territory only accounts for housing built inside declared building control areas, where building permits are required (Northern Territory Government 2025) and captured in ABS Building Approvals data (ABS 2025c). However, government policy measures that directly support the provision of social and affordable housing are accounted for in the Council's forecasts, and these homes may be outside building control areas, including in remote communities (Burney 2024).

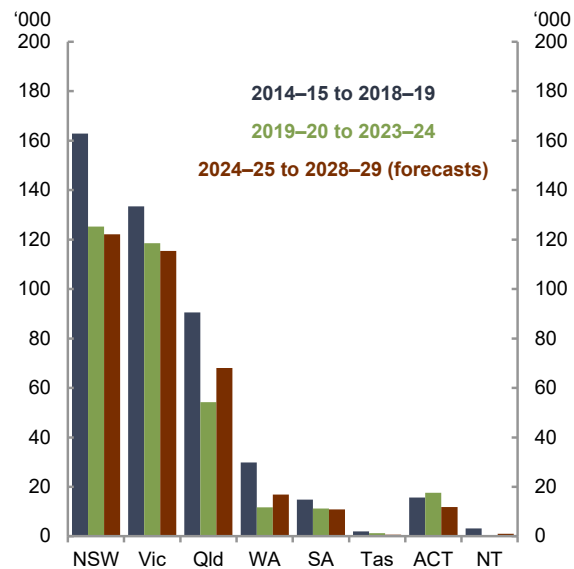
Detached housing is expected to dominate new housing supply during the Housing Accord period. The outlook for detached housing supply across most jurisdictions is expected to be similar to, or exceed, such supply over the preceding 5 years (see Chart 5.5). In contrast, the outlook for higher-density housing is weaker, with all jurisdictions expected to generate fewer new higher-density dwellings than in the late 2010s (see Chart 5.6).

Chart 5.5 Gross new supply of detached houses, by jurisdiction



Source: ABS Building Activity 2025; NHSAC 2025

Chart 5.6 Gross new supply of higher-density housing, by jurisdiction



Source: ABS Building Activity 2025; NHSAC 2025

As is the case for the national supply forecasts, the supply forecasts for each state and territory are subject to uncertainty. Forecasts for smaller jurisdictions need to be interpreted with caution as they are particularly sensitive to volatility in underlying new dwelling approvals, commencements and completions data.

5.2.3 Upzoning policy scenarios

As discussed in Box 5.1, the supply forecasts do not directly incorporate the impacts of recent state and territory government policy measures related to land use reform. Most significantly, supply forecasts do not incorporate potential additional supply arising from recent upzoning initiatives in New South Wales and Victoria. These policy measures represent upside risks for the forecasts.

The New South Wales and Victorian governments have made public estimates of the *potential* addition to supply arising from these initiatives.¹⁰ These are not estimates of *actual* supply expected to arise. The Council assesses that realising the full potential of these new reforms in the near to medium term is highly unlikely given ongoing commercial feasibility and capacity constraints across the sector, especially for higher-density housing projects (see Chapter 2, *Housing market conditions*).

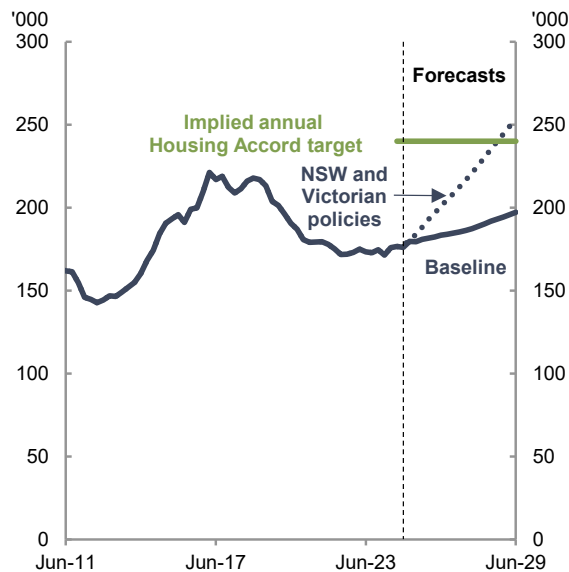
Nonetheless, for illustrative purposes, the Council has prepared a scenario analysis whereby the New South Wales and Victorian governments' public estimates of their policies' potential impacts are fully realised over their stated timeframe. For simplicity, the Council assumes that the additional housing supply from these policies will increase by a constant amount each quarter, and that the additional supply will not result in higher construction costs. Taken together, these assumptions imply that the New South Wales and Victorian governments' upzoning policies would respectively add around 130,000 and 20,000 dwellings to these states' gross new housing supply over the Housing Accord period.

Charts 5.7 and 5.8 show forecasts of national gross new housing supply and rent growth under this scenario. Across the 5 years of the Housing Accord period, gross new housing supply would reach 1,090,000 new dwellings (around 152,000 more dwellings than under baseline conditions) and average rent growth would fall to 3.1 per cent (0.8 percentage points lower than under baseline conditions).¹¹ These outcomes would represent a significant improvement in the national outlook for housing supply and affordability. Housing supply in New South Wales and Victoria would approximately meet their respective shares of the Housing Accord target.

10 The NSW Government has estimated that its Low and Mid-Rise Housing Policy initiative has the potential to supply 112,000 new homes over the Housing Accord period (NSW Government 2024a) and that its Transport Oriented Development Program has the potential to supply 231,855 new homes by 2039 (NSW Department of Planning, Housing and Infrastructure 2024). The Victorian Government has estimated that its Activity Centre Program will deliver an additional 60,000 homes in 10 activity centre suburbs by 2034 (Victorian Government 2023) and an additional 300,000 homes in another 50 train and tram zone activity centres by 2051 (Victorian Government 2024). The NSW and Victorian governments are further supporting these initiatives with a range of complementary measures, such as the streamlining of development approval processes. For example, the NSW Government is currently fast-tracking the approval of 11 new housing projects containing around 6,414 new dwellings (Kwan 2025).

11 The baseline forecast for rent growth is discussed in section 5.4, *The supply shortfall will weigh on housing affordability*.

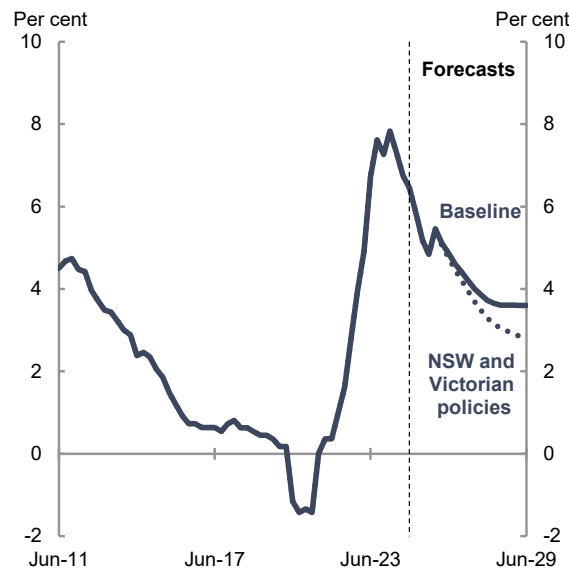
Chart 5.7 Gross new housing supply: New South Wales and Victoria upzoning policy scenario



Note: The numbers shown are rolling annual totals. The dotted line represents the Australian forecast with the total potential supply from the NSW Government’s Low and Mid-Rise Housing Policy initiative and Transport Oriented Development Program, and the Victorian Government’s Activity Centre Program included.

Source: ABS Building Activity 2025; NHSAC 2025

Chart 5.8 Nominal rent growth: New South Wales and Victoria upzoning policy scenario



Note: The numbers shown represent through-the-year growth. Near-term forecasts partly reflect the impact of recent increases in Commonwealth Rent Assistance. The dotted line represents the Australian forecast with the total potential supply from the NSW Government’s Low and Mid-Rise Housing Policy initiative and Transport Oriented Development Program, and the Victorian Government’s Activity Centre Program included.

Source: ABS Consumer Price Index 2025; NHSAC 2025

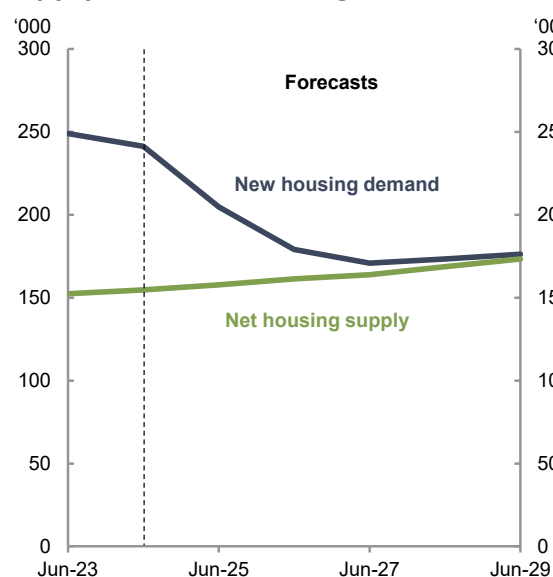
5.3 New demand is expected to exceed net new supply in each year of the Accord period

The Housing Accord target is measured using gross new housing supply. However, net new supply, which adjusts for housing demolitions, is a better measure of overall surplus or deficit of dwellings entering the housing system, and the implications of this balance for housing affordability.

Australian net new housing supply is projected to be 825,000 over the Housing Accord period. This is more than 44,000 below the comparable figure in *State of the Housing System 2024*. The downgrade in net supply forecasts is primarily driven by the Council applying a higher demolition rate than in the 2024 report following consultation and stakeholder feedback.

Over the Housing Accord period, the Council expects that new underlying demand for housing will come from 904,000 households – that is, based on age group and geographic demographic forecasts, and the historical propensity of these groups to form households. In the near term, new underlying demand for housing is forecast to remain elevated, with 205,000 new households projected to form in 2024–25 (see Charts 5.9 and 5.10). This is less than the 241,000 new households formed in 2023–24, reflecting a moderation of population growth towards its pre-Pandemic rate (see Chart 5.11). From 2025–26 onwards, new underlying demand is forecast to stabilise at around 175,000 new households per year.

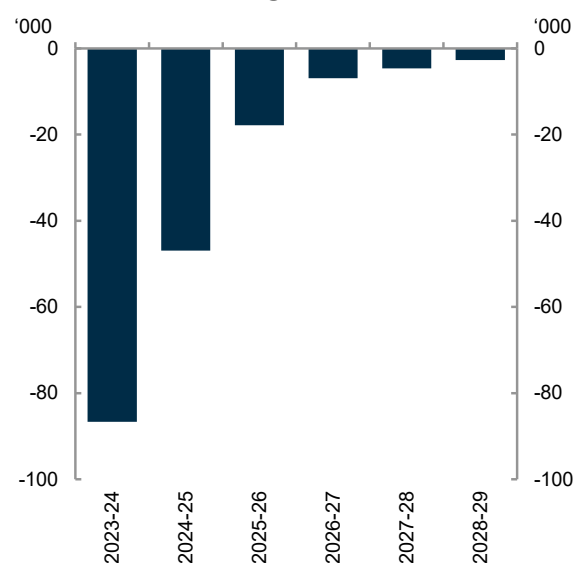
Chart 5.9 Annual net new housing supply and new housing demand



Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.

Source: NHSAC 2025; Centre for Population 2024

Chart 5.10 Net new housing supply minus new housing demand

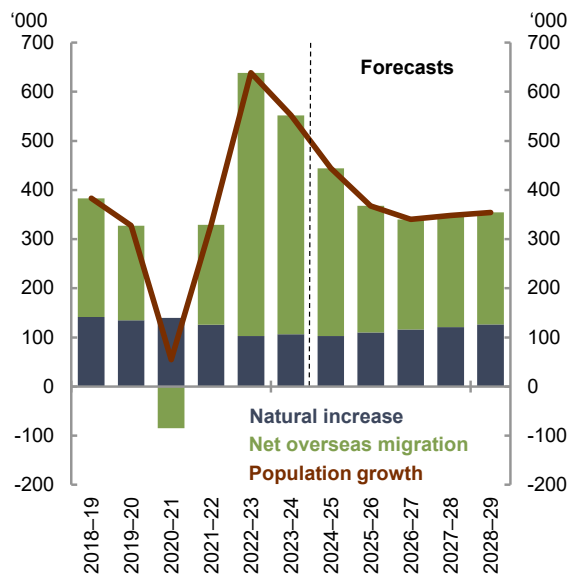


Note: Demand is measured as the number of new households that demographic trends imply would form. Supply is measured as the net number of dwelling completions.

Source: NHSAC 2025; Centre for Population 2024

The Council's baseline forecasts imply that new underlying demand will exceed net new market supply by about 47,000 dwellings in the 2024–25 financial year. This is smaller than the supply shortfall of around 86,000 in the preceding financial year. The Council expects this shortfall to continue narrowing to around 7,000 in 2026–27, and remain small for the duration of the Housing Accord period. Over the entire Housing Accord period, net new supply is expected to be around 79,000 dwellings short of new underlying demand (see Table 5.2).

Chart 5.11 Population growth



Source: ABS National, state and territory population 2024; Centre for Population 2024

A lowered vacancy rate will absorb some of the unmet demand, and some will add to the homeless population. Some may be absorbed by suboptimal types of shelter not captured by traditional measures of the housing stock, such as caravan parks, hotels and emergency shelters. Most will be absorbed by households not forming that otherwise would have, resulting in larger households and more instances of overcrowding.

Table 5.2 Forecasts of new market supply, demand and net balance

Year	Gross new supply	Net new supply	New demand	Net balance (net new supply less new demand)
2023–24	177,000	155,000	241,000	-86,000
2024–25	179,000	158,000	205,000	-47,000
2025–26	183,000	161,000	179,000	-18,000
2026–27	186,000	164,000	171,000	-7,000
2027–28	192,000	169,000	173,000	-5,000
2028–29	197,000	173,000	176,000	-3,000
Total during the Housing Accord period	938,000	825,000	904,000	-79,000

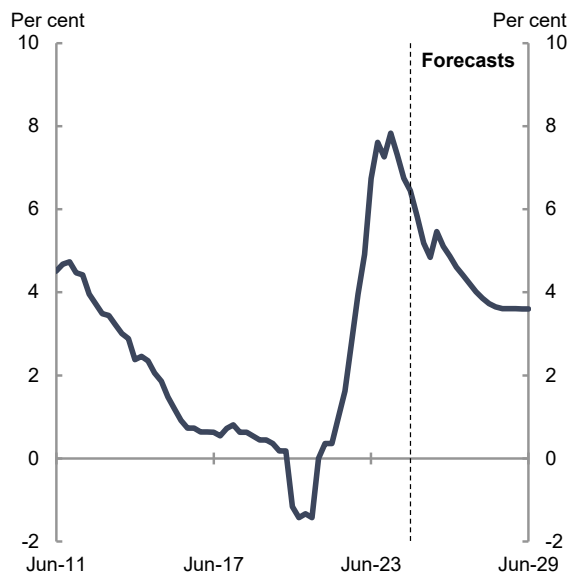
Notes: All figures are rounded to the closest thousand. Totals and differences may not be consistent with component figures due to rounding.

Source: ABS Building Activity 2025; NHSAC 2025

5.4 The supply shortfall will weigh on housing affordability

The excess of new demand relative to new supply over the Housing Accord period will worsen the existing undersupply of housing in the system and add to affordability pressures. As discussed in Chapter 4, *Housing affordability*, rental affordability deteriorated in 2024. Rent growth has started to ease and throughout the Housing Accord period is expected to continue slowing but remain above the RBA's inflation target band of 2–3 per cent (see Chart 5.12), adding to the already significant degree of rental stress in the system. Rental housing will remain scarce for households across the income spectrum as the vacancy rate remains below its historic average (see Chart 5.13).

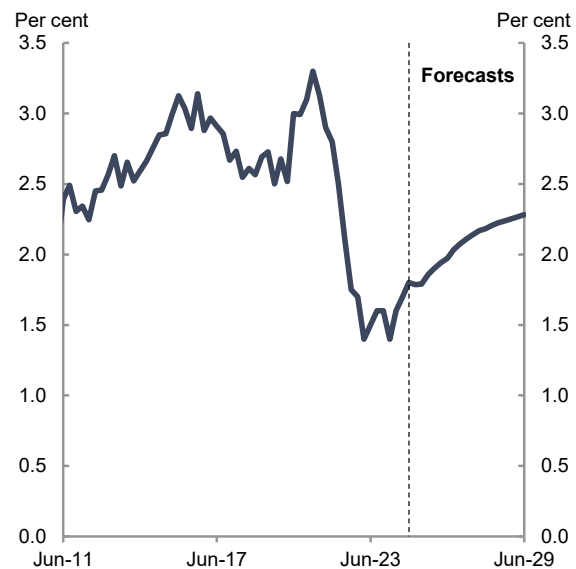
Chart 5.12 Nominal rent growth



Note: The numbers shown represent through-the-year growth of rents. The forecast acceleration in rents in late 2025 reflects base effects associated with the increases in Commonwealth Rent Assistance that came into effect in September 2024.

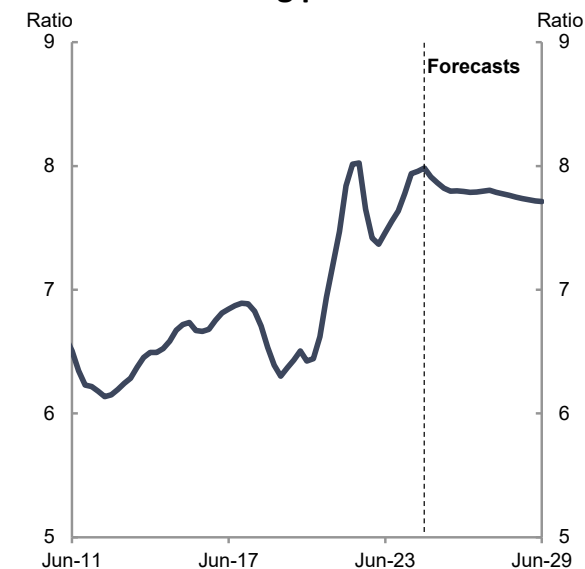
Source: ABS Consumer Price Index 2025; NHSAC 2025

Chart 5.13 Vacancy rates, quarterly



Source: REIA Quarterly Vacancy Rates 2024; NHSAC 2025

As interest rates decline, affordability could improve for existing home owners. However, lower interest rates are expected to increase housing prices further, largely offsetting the benefit of lower interest rates for first home buyers. The dwelling price-to-income ratio is expected to remain elevated (see Chart 5.14).

Chart 5.14 Dwelling price-to-income ratio

Source: CoreLogic and ANU POLIS Centre for Social Policy Research 2025; NHSAC 2025

These forecast outcomes will have significant implications for many Australians. The cost of home ownership will remain high, contributing to continued high costs of living and increasing the risk of more households experiencing housing stress. For tenants, rent will continue to rise faster than incomes over the Housing Accord period. Australia's high costs of housing will continue to impact the wellbeing of those who are least able to manage elevated housing costs and access scarce rental accommodation. It will increase incidences of overcrowding and homelessness, limiting economic and social inclusion.

5.5 The outlook for housing supply is sensitive to macroeconomic and demographic factors

5.5.1 Interest rate scenarios

The supply of new dwellings is sensitive to interest rates, which affect the cost of development and prospective home owners' borrowing capacity to purchase a dwelling. This, in turn, influences the commercial feasibility of development. The baseline forecasts already reflect the RBA's recent cash rate reduction, as well as an assumption for the future path of the cash rate drawn from the Budget 2025–26. In this section, the Council presents two alternative scenarios to assess how the forecasts respond to a further parallel shift of +50 or –50 basis points in the assumed interest rate path from the June quarter of 2025 onwards (see Chart 5.15).

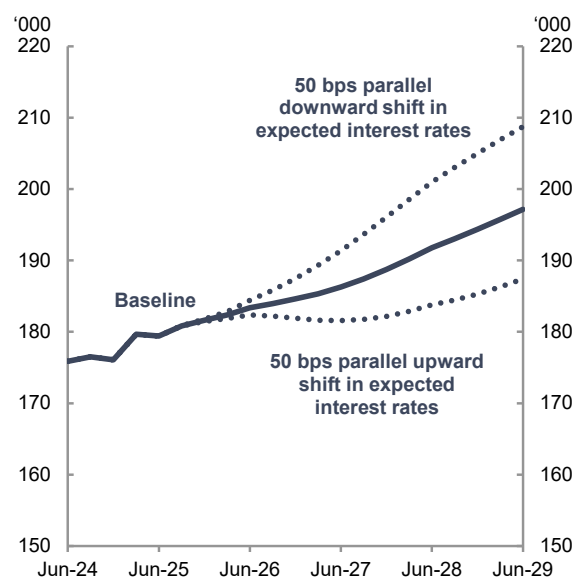
The scenario analysis demonstrates the significant sensitivity of housing supply to interest rates. An unexpected increase in interest rates of 50 basis points would result in new supply remaining around its current 10-year low for most of the Housing Accord period, with cumulative gross new supply totalling 915,000. Conversely, an unexpected decline in interest rates of 50 basis points would support an increase in dwelling supply and result in gross new supply of 965,000 dwellings over the Housing Accord period.

5.5.2 Construction costs scenarios

Changes in construction costs influence housing supply, primarily by changing builders' and developers' commercial feasibility. Two scenarios are used to assess the implications for supply of a +20 per cent or –20 per cent change in the cost of construction per dwelling from the June quarter of 2025 onwards relative to the baseline forecasts (see Chart 5.16). Such a change could arise from a change in material costs, labour costs and/or productivity. The magnitude of the change is consistent with the shock experienced during the Pandemic and associated supply chain disruptions.

The scenario demonstrates that a significant change in the cost of dwelling construction would have a significant effect on new dwelling supply. An unexpected one-off 20 per cent increase in the cost of construction would result in gross supply softening in the near term before returning to baseline expectations by the end of the forecast period. Total gross supply would decline to 887,000 over the Housing Accord period. Conversely, an unexpected 20 per cent decline in the cost of construction would support an increase in the gross new dwelling supply to 1,010,000 over the Housing Accord period.

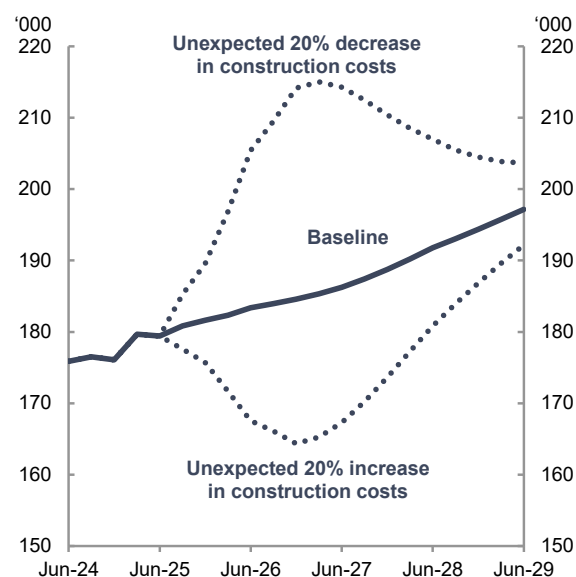
Chart 5.15 Gross new housing supply: baseline and 50 basis point parallel upward and downward shifts in interest rate scenarios



Note: The numbers shown are rolling annual totals. The abbreviation 'bps' stands for 'basis points'.

Source: ABS Building Activity 2025; NHSAC 2025

Chart 5.16 Gross new housing supply: baseline and unexpected 20 per cent increase and decrease in construction costs scenarios



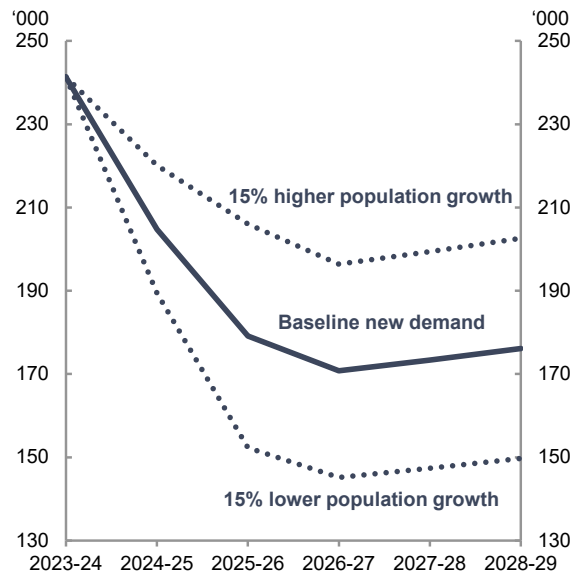
Note: The numbers shown are rolling annual totals.

Source: ABS Building Activity 2025; NHSAC 2025

5.5.3 Population scenarios

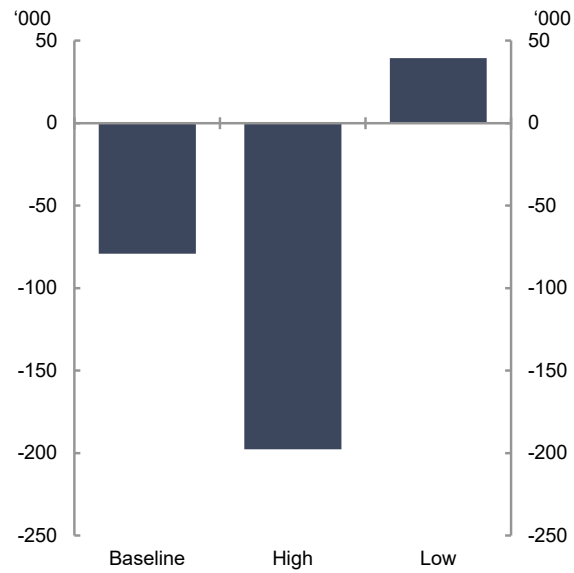
Population growth can change due to variations in migration levels, fertility rates and life expectancy. Changes in population growth alter new demand for housing, which affects vacancy rates, rents and housing prices. In turn, changes in housing prices alter the commercial feasibility of new housing projects and, therefore, affect new housing supply. The dotted lines in Chart 5.17 show alternative forecasts of housing supply and demand in high- and low-population growth scenarios. These scenarios are constructed from the baseline forecasts by raising or lowering year-on-year population increases by 15 per cent, starting from the 2024–25 financial year. The lower scenario is consistent with decreased fertility and net overseas migration, while the higher scenario is consistent with increased fertility and net overseas migration. Both scenarios account for the age distribution of migrants, which is a significant determinant of their housing needs.

Chart 5.17 New demand for housing: baseline and 15 per cent higher and lower population growth scenarios



Source: NHSAC 2025

Chart 5.18 Cumulative net new supply minus new demand under population growth scenarios over the Housing Accord period



Source: NHSAC 2025

Box 5.1 The NHSAC model of housing supply, demand and affordability

The housing system is complex. It comprises a diverse range of participants and interacts in a number of ways with other parts of the economy. The Council's macroeconomic forecasting model identifies and extrapolates the key features of this system that drive the number of dwellings supplied and demanded by housing system participants. In particular, the model reflects the fact that most housing supply is commercially motivated. Around 4 decades of Australian data has been used to calibrate the relationships between key variables in the model.

Forecasting housing supply

The supply-side of the model largely replicates the Saunders-Tulip model (Saunders and Tulip 2019). This is summarised in Figure 5.1. The Council has made further extensions to this model, including by accounting for the Pandemic in estimates of historical relationships between variables, refining the treatment of construction costs, and incorporating (separately estimated) housing supply impacts of government support for new non-market housing.

Recent ABS data on dwelling approvals drive near-term forecasts for dwelling commencements and housing supply. These supply forecasts are considered along with the expected growth in the number of households (that is, new underlying demand) and the size of the existing housing stock to forecast rental vacancies, rents and housing prices. Changes in these variables, in turn, incentivise developers to seek new dwelling approvals and initiate the development process. This repeating cycle is the basis of the Council's supply forecasts over the forecast period, as represented by the wheel at the centre of Figure 5.1. The model also incorporates the impact of external macroeconomic factors, such as interest rates, other ownership costs (including repairs, rates and other running costs) and construction costs. Government support for new non-market housing adds to housing supply forecasts in each time period.

Forecasting housing demand

The demand side of the model is based on Wilson's sequential propensity model of household formation (Wilson 2013). It is represented by the blue box in Figure 5.1. This module's key inputs are the Australian Government Centre for Population's population projections of individuals in 5-year age brackets and broad geographical regions, and the historical propensity of individuals with these characteristics to form households. The module then converts these inputs into a forecast of household formation that is consistent with Australia's evolving age structure and urbanisation rate i.e. a forecast of underlying demand for housing. The demand-side module does not forecast effective demand for housing, which would account for the impact of affordability pressures and other economic conditions on the outlook for household formation. Moreover, the demand-side module does not directly quantify households' willingness or ability to rent or purchase housing. These are implicitly included in the model's approach to forecasting rents and housing prices.

Features and limitations of the model

A key feature of the model is that, after the current pipeline of new dwelling approvals has been completed, the outlook for housing price growth (and, by extension, the key factors that drive housing prices, such as interest rates, rents and population) largely drives forecasts of new housing supply.

However, for housing supply to sustainably improve housing affordability, supply must also grow in response to non-price factors such as technological improvements that raise construction labour productivity, lower regulatory compliance costs, increased competition between property developers, and an expanded construction labour pool relative to the rest of the economy. In the model, policy reforms that address these factors would lower the forecasts for construction costs and raise forecasts of housing supply.

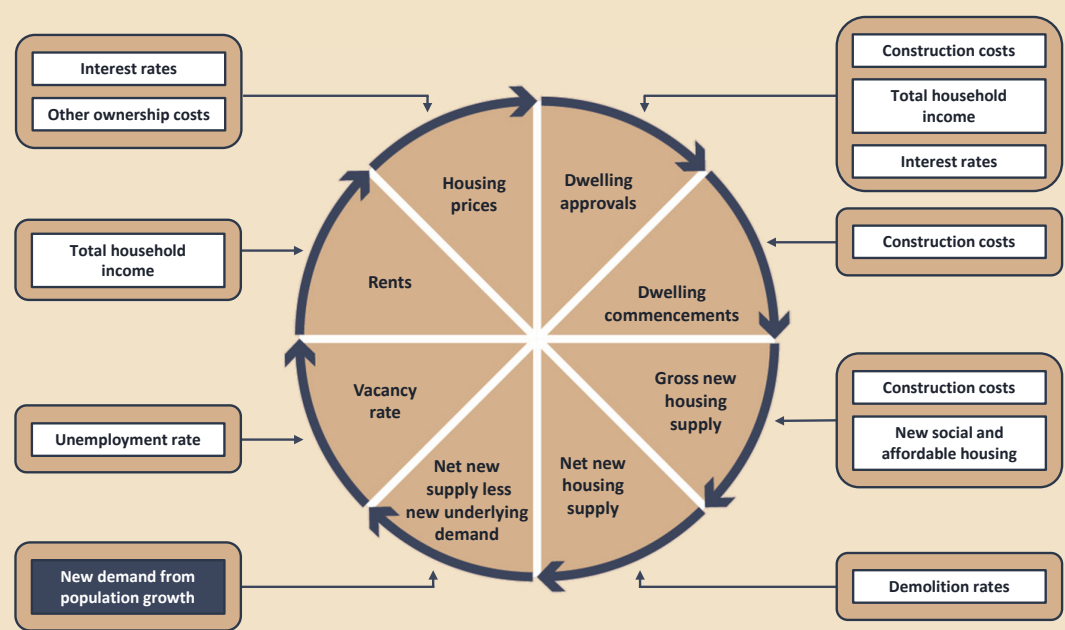
Box 5.1 The NHSAC model of housing supply, demand and affordability (continued)

This highlights the first key limitation of the model. The model generates forecasts by extrapolating historical relationships between variables (such as the relationships between housing supply, housing prices and construction costs). Thus, its forecasts do not incorporate recent policy efforts to alter these historical relationships, such as reforms by state and territory governments to make their planning systems more responsive to housing demand. Reforms of this nature are particularly important in Australia, where there is evidence that the price responsiveness of housing supply is low relative to other comparable countries (Banerjee et al. 2024).

The second key limitation is that the model’s forecasts do not explicitly account for all types of policy changes that could affect the housing market. In particular, the model does not directly consider the cost, availability or use of land. This means that forecasts are not directly affected by structural reforms to the residential land market, such as upzoning, accelerated land releases or increased funding for enabling infrastructure. More broadly, there are several other types of policy changes that the housing supply forecasts do not directly respond to, such as those relating to ownership transfer costs, taxes, lending regulations, housing market regulations and grants. Although these policy changes should help boost housing supply, they will only affect the model’s forecasts after their impacts are captured in the ABS’s dwelling approvals data; prior to this, they represented upside risks to the Council’s housing supply forecasts. The Council is undertaking work to address these limitations of its model.

The Council has attempted to account for the effects of the Pandemic and the unprecedented housing market conditions it produced. However, there is still some uncertainty about the magnitude and persistence of certain effects that began during the Pandemic, such as the lengthening of dwelling construction times, the increase in material and labour costs, and preferences for working from home.

Figure 5.1 Simplified diagram of the NHSAC forecasting model



Box 5.1 The NHSAC model of housing supply, demand and affordability (continued)

Assumptions and data sources

Where suitable, the forecasts use projections of macroeconomic variables from the Australian Government's 2025-26 Budget released in March 2025. This includes the model's cash rate input. Where variables are only available as near-term forecasts, the Council uses either linear extrapolation or the forecasting methods used in Saunders and Tulip (2019) to cover the full forecast period.

Data sourced from the ABS includes dwelling approvals and activity, rents, housing stock, living arrangements, construction costs, income, consumer prices and unemployment. Cash rate assumptions are sourced from the Budget 2025–26. Population forecasts are sourced from the Australian Government Centre for Population's 2024 Population Statement. Data on vacancy rates was obtained from the Real Estate Institute of Australia. Data on dwelling prices is from the CoreLogic Hedonic Home Value Index. Financial data, including cash rates, bond rates, inflation expectations and variable mortgage rates is from the RBA's statistical tables. Measures of the components of housing user costs (other than real variable mortgage rates) were taken directly from Saunders and Tulip (2019) and were assumed to be constant from the September quarter of 2017 onwards.

Chapter 6 First Nations housing

Overview

This chapter revisits the experiences of First Nations people in Australia's housing system discussed in *State of the Housing System 2024*. The chapter provides updates where new data is available and highlights key concerns raised by Aboriginal and Torres Strait Islander leaders during recent consultations.

Key points

- There is a shortfall of housing that meets the needs of First Nations people.
- First Nations households are disproportionately represented in more tenuous or marginal areas of the housing system.
- At the 2021 Census, around 25,000 Aboriginal and Torres Strait Islander people were estimated to be experiencing homelessness, up 6.4 per cent from 2016.
- Severe overcrowding is the most common form of homelessness for First Nations Australians, with nearly 15,000 First Nations people experiencing homelessness due to severely crowded dwellings.
- At the 2021 Census, 42 per cent of First Nations people owned their own home, compared to a home ownership rate of 68 per cent among non-Indigenous people.
- Challenges for First Nations housing are exacerbated by cultural and geographic factors unique to First Nations people.
 - Solving issues with First Nations housing requires First Nations-led solutions that are empowered by government.
 - Funding for First Nations housing does not take into consideration the additional cost and complexity of delivering housing in the First Nations context.
 - First Nations people face non-income and non-demographic barriers to home ownership and renting in the private market, contributing to significantly higher rates of social housing use and homelessness.

Terminology note: An official definition of 'Indigenous' has not been adopted by any United Nations system or body. The most appropriate approach is to identify – rather than define – Indigenous people, which is based on the fundamental criterion of self-identification as underlined in several human rights documents. Australia's Indigenous population includes 2 distinct cultural groups made up of Aboriginal and Torres Strait Islander peoples. Aboriginal and Torres Strait Islander peoples have their own unique languages, beliefs, cultural practices, traditions and diversity within each culture. The National Housing Supply and Affordability Council's *State of the Housing System 2025* uses the collective term 'First Nations people' to reference and reflect the unique identity of Aboriginal and Torres Strait Islander peoples. We respectfully acknowledge that Torres Strait Islander people are First Nations people living in Australia and 'Aboriginal' should be interpreted to include the diversity of all Aboriginal and Torres Strait Islander Australians. This report uses the term 'Aboriginal and Torres Strait Islander people' when referring to particular datasets, reports or organisations that have referred specifically to these terms instead.

First Nations people want access to stable, quality, accessible, affordable and culturally appropriate housing (NHSAC 2024). As outlined in *State of the Housing System 2024*, access to housing is critical to empowering First Nations individuals, families and communities to optimise their health and wellbeing; improve employment opportunities; gain education; and provide connection to community and a sense of home. First Nations people experience the housing system in different ways to non-Indigenous Australians. This includes having lower home ownership rates and being disproportionately represented among those experiencing homelessness or living in social housing (Productivity Commission 2022).

This chapter builds on *State of the Housing System 2024* by drawing on insights from consultation with First Nations organisations and updating data where possible. It reiterates key differences between the housing experience of First Nations people and that of non-Indigenous Australians, noting this is not an exhaustive summary.

Box 6.1 Insights from First Nations consultations

1.4a The Council consulted with a number of First Nations organisations in February 2025. The following key points were raised during these consultations.

- Stable housing is critical to improving health and education outcomes for First Nations people. These are foundations for personal security, personal development and active participation in the community.
- Investment in the construction and renovation of dwellings in remote and regional communities would reduce overcrowding and improve living conditions.
- Current commitments to increase social and affordable housing are not well tailored to First Nations people.
- A significant number of potential First Nations home owners face non-income and non-demographic barriers to home ownership.
- Funding should be targeted towards First Nations housing programs specifically designed to meet the needs of First Nations people, and this funding should be reviewed to ensure alignment between expenditure and actual housing outcomes.
- Better First Nations housing data is needed to inform policy decisions, and First Nations people should be the custodians of this data.
- Existing First Nations housing commitments should be delivered and complemented by ongoing monitoring and a long-term housing investment strategy.
- The housing challenges facing First Nations communities require First Nations-led solutions.

6.1 A brief history of First Nations housing

The historical and cultural implications of colonisation in 1788 and subsequent government policies and programs has profoundly impacted the current state of housing for First Nations Australians (Pawson et al. 2020). Government policies, including no-wage or subsistence employment, forced removal from Country and forced removal of children from families created intergenerational disadvantages for First Nations people.

Government housing policies have often exacerbated 'marginalisation, racism, disempowerment and disadvantage' for First Nations people (Pawson et al. 2020). Throughout the late 1800s to the mid-1900s, policies involved the removal of First Nations people from their traditional lands and segregation on missions and reserves or in institutions. These activities were underpinned by 'protectionist' and assimilation legislation and excluding First Nations people from mainstream housing options (Human Rights and Equal Opportunity Commission 1997). Before the 1967 Referendum, First Nations people could not freely own property across all states and territories (Reconciliation Australia 2020).

From the 1970s to the 1980s, Aboriginal and Torres Strait Islander Community Controlled Housing Organisations were established across Australia by community leaders and supported by dedicated Australian Government funding through the Community Housing and Infrastructure Program (CHIP). The CHIP funded housing and infrastructure, including for water, power and sewerage services, until it was dismantled in 2007.

Since the 1990s there have been a series of targeted housing programs for First Nations people. In 2008 the Council of Australian Governments (COAG) formulated the *National Indigenous Reform Agreement*, which set out a national integrated strategy for meeting Closing the Gap targets. Underpinning this policy response was the *National Partnership Agreement on Remote Indigenous Housing* (NPARIH). NPARIH aimed to facilitate reform in the provision of housing for First Nations people in remote communities by addressing overcrowding, homelessness, poor housing conditions and severe housing shortages. The *National Partnership for Remote Housing*, which superseded NPARIH in Queensland, Western Australia, South Australia and the Northern Territory, partnered state and territory governments with the Australian Government to deliver housing in remote First Nations communities. These programs have been criticised by the First Nations housing sector for their lack of ongoing government commitment and investment.

In 2022, a new approach to coordinating and addressing First Nations housing issues was instigated. This approach embeds medium-term housing targets in the National Agreement on Closing the Gap and the establishment of the Housing Policy Partnership to lead and oversee several nationally agreed objectives.

Table 6.1 Commonwealth measures and programs for First Nations housing

Program	Commonwealth delivery body	Years in operation	Funding
Ad hoc investment	Various bodies	1968–72	\$10.4 million
Direct community grants	Department of Aboriginal Affairs	1972–80	\$219.1 million
Jurisdiction grants		1980–90	
Community Housing and Infrastructure Program/Rental Accommodation Program	Aboriginal Development Commission	1980–90	\$350.9 million
Community Housing and Infrastructure Program/National Aboriginal Health Strategy	Aboriginal and Torres Strait Islander Commission	1990–2003	\$2.2 billion
	Aboriginal and Torres Strait Islander Services	2003–05	
	Department of Families, Housing, Community Services and Indigenous Affairs (and predecessor departments)	2005–07	
Australian Remote Indigenous Accommodation Program/Strategic Indigenous Housing and Infrastructure Program	Department of Families, Housing, Community Services and Indigenous Affairs	2007–09	\$780.1 million
National Partnership Agreement on Remote Indigenous Housing	Department of Families, Housing, Community Services and Indigenous Affairs	2008–13	\$5.5 billion
National Partnership on Northern Territory Remote Aboriginal Investment	Department of the Prime Minister and Cabinet	2013–18	
National Partnership for Remote Housing in the Northern Territory	National Indigenous Australians Agency	2018–23	\$550 million
Remote Housing in the Northern Territory	National Indigenous Australians Agency	2023–24	\$117.7 million
Restoring Funding to Northern Territory Homelands	National Indigenous Australians Agency	2023–27	\$220 million
Northern Territory Remote Housing Federation Funding Agreement	National Indigenous Australians Agency	2024–34	\$4 billion (joint investment with Northern Territory Government)

Note: This list of measures and programs is not exhaustive. It does not include measures for building capacity or providing policy advice, including the Housing Policy Partnership.

Source: The Commonwealth of Australia, Department of Prime Minister and Cabinet 2017; The Commonwealth of Australia 2022; Northern Territory Remote Housing 2023; Albanese et al. 2024

6.2 First Nations homelessness and overcrowding

At the 2021 Census, around 25,000 Aboriginal and Torres Strait Islander people were estimated to be experiencing homelessness,¹² an increase of 6.4 per cent from 2016 (ABS 2023a). This represents more than one-fifth (20.4 per cent) of people experiencing homelessness in Australia (ABS 2023a). Aboriginal and Torres Strait Islander people are 8.8 times more likely to be experiencing homelessness than non-Indigenous Australians (ABS 2023a).

Of the Aboriginal and Torres Strait Islander people experiencing homelessness at the time of the 2021 Census:

- 3 in 5 (60 per cent) were living in ‘severely’ crowded dwellings
- almost one in 5 (19.1 per cent) were in supported accommodation for the homeless
- nearly one in 10 (9.3 per cent) were living in improvised dwellings or tents, or sleeping out (ABS 2023a).

The share of First Nations people experiencing homelessness, compared to non-Indigenous Australians, is higher in every state and territory, with the highest proportion in the Northern Territory (NHSAC 2024). The most recent National Aboriginal and Torres Strait Islander Social Survey reports, in 2014–15, showed that 40.9 per cent of Aboriginal and Torres Strait Islander people aged between 35 and 44 had experienced homelessness in their lifetime (ABS 2016). However, the share of the First Nations population experiencing homelessness has decreased since then (ABS 2023a).

6.2.1 Specialist Homelessness Services

Aboriginal and Torres Strait Islander people represented 29 per cent¹³ of those accessing specialist homelessness services in 2023–24, a significant over-representation relative to their share of the population. The number of Aboriginal and Torres Strait Islander clients experiencing persistent homelessness has also risen by 46 per cent since 2019–20, compared to a 25 per cent rise for all clients (see Chapter 3, *Conditions in non-market housing and housing assistance*, and Chart 3.2). These increases may partly reflect improvements in data capture on Indigenous status by service providers, with the proportion of client files with Indigenous status ‘not stated’ decreasing substantially between 2011–12 and 2023–24 (AIHW 2024b).

12 The ABS definition of homelessness has been developed for application to the general population in Australia. While Aboriginal and Torres Strait Islander people are over-represented in the measures of homelessness developed within this definition, there are likely to be aspects to homelessness from Aboriginal and Torres Strait Islander people’s perspectives that the definition does not adequately capture.

13 Excluding cases where Indigenous status was not stated.

6.2.2 Overcrowding

Severe overcrowding – referring to dwellings that require 4 or more additional bedrooms to accommodate the people who usually live there – is the most common form of homelessness for First Nations Australians, with nearly 15,000 First Nations people experiencing homelessness due to severely crowded dwellings (ABS 2023a).

Severe overcrowding is more prevalent in remote and very remote areas: 1.5 per cent and 5.6 per cent of First Nations households in remote and very remote areas, respectively, live in severely overcrowded dwellings. This compares to only 0.1 per cent of First Nations households in non-remote areas (ABS 2022d).

Overcrowding in general – referring to dwellings that require 1 or more additional bedrooms – is more common in First Nations households, though this has improved with efforts to close the gap on this measure. In 2021, 81.4 per cent of First Nations people lived in appropriately sized (not overcrowded) housing, an increase from 74.6 per cent in 2011. This compares to 93.5 per cent for non-Indigenous Australians. First Nations people are 2.9 times as likely to live in overcrowded dwellings, ranging from 1.5 times more likely in New South Wales to 6.1 times in the Northern Territory (AIHW 2024a). The proportion of appropriately sized dwellings sits at 88 per cent in major cities, decreasing to 45 per cent in very remote areas (Productivity Commission 2025c).

The formation of comparatively larger households also contributes to overcrowding in First Nations communities, and drivers of this are both structural and cultural. Structural factors include the shortage of appropriate, affordable housing. Housing design also contributes to overcrowding, with most First Nations-specific housing designed without cultural understanding of First Nations housing requirements. In particular, temporary and semi-permanent visitors are common in First Nations communities, with people visiting relatives to maintain kinship ties, to be closer to Country, to access services or for sorry business. Stakeholders raised that investment in the construction and renovation of housing would reduce overcrowding and improve living conditions, especially in remote and very remote areas.

6.3 First Nations rental housing

6.3.1 Private rental

At the 2021 Census, 35.2 per cent of First Nations people were private renters (ABS 2022d). The proportion of private renters among First Nations people has been steadily increasing over time, from 28 per cent in the 2001 Census (ABS 2022d). The proportion is much higher in major cities (42 per cent), and inner and outer regional areas (37 per cent and 36 per cent, respectively) than remote and very remote areas (28 per cent and 13 per cent, respectively) (ABS 2022d). This is because rental properties are more commonly provided by state housing authorities in remote and very remote areas.

Around 35 per cent of First Nations private renter households spent more than 30 per cent of their gross household income on rent in 2021 (ABS 2022d). Around 38 per cent of these households were in major cities and inner regional areas, while 13 per cent were in very remote areas (NHSAC 2024). It is likely that these rental affordability pressures have worsened since 2021, in line with greater increases in rent costs relative to household incomes more broadly.

6.3.2 Commonwealth Rent Assistance

Commonwealth Rent Assistance (CRA) helps to reduce levels of rental stress, and a significant number of First Nations households receive this payment. There were 96,665 First Nations CRA recipient households in 2023–24, representing 7.4 per cent of all recipients (AIHW 2024a) and a 10.7 per cent increase from 2022–23 (Chart 6.1).

As at June 2024, 36 per cent of First Nations CRA recipients were in rental stress. Without CRA, 71 per cent of First Nations CRA recipients would have been in rental stress. Accordingly, CRA accounts for a greater reduction in rental stress among First Nations recipients than compared to the broader population receiving CRA (see Chapter 3, *Conditions in non-market housing and housing assistance*). Further, the proportionate fall in rental stress in 2023–24 attributable to CRA is the largest in at least 4 years, reflecting the increase in the CRA payment in 2023–24. Despite this, First Nations renter households are likely to have benefited less from CRA increases compared to the general population. This is because First Nations renters are more likely to live in social housing, while only those in community housing are eligible for CRA (Economic Inclusion Advisory Committee 2024).

Chart 6.1 First Nations CRA recipient households, Australia-wide

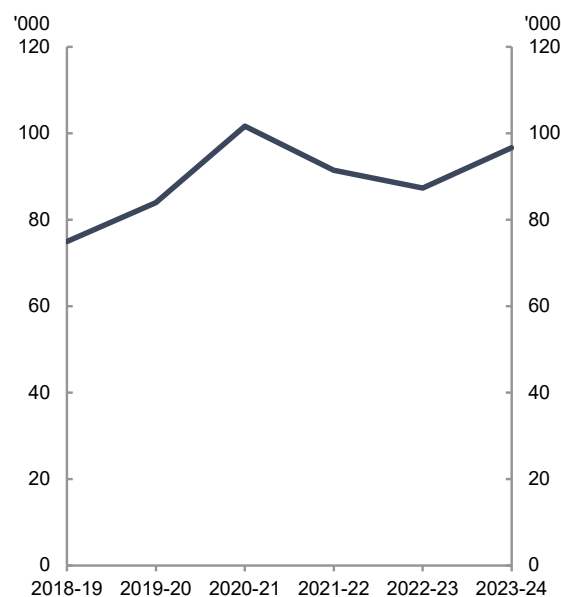
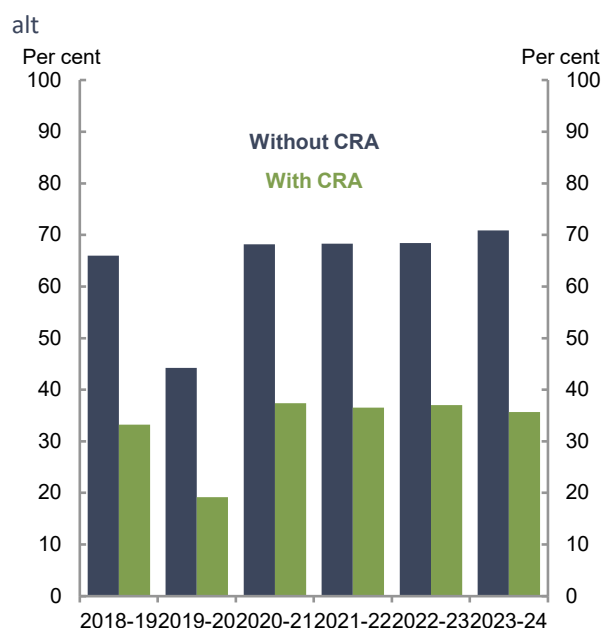


Chart 6.2 First Nations households in rental stress with and without CRA, Australia-wide



Note: In 2020, the Coronavirus Supplement was included as income for certain types of income support payment and is included in the calculation of rental stress.

Source: Productivity Commission 2025

6.3.3 Social housing

First Nations households can access mainstream social housing and 2 programs specifically designed for First Nations households (see Box 6.2). The share of First Nations households living in social housing declined to 18 per cent in 2021, down from 32 per cent in 2001 (ABS 2022d). However, the number of First Nations households on State owned and managed Indigenous housing (SOMIH) waitlists increased between 2023 and 2024.¹⁴

Box 6.2 First Nations social housing

First Nations households can access mainstream public housing and community housing through state and territory social housing portals. In addition to these types of housing, First Nations households can access 2 social housing programs specifically targeted to First Nations people:

- SOMIH accessed by those on low incomes and/or with special needs
- Indigenous community housing (ICH), owned and managed by Aboriginal and Torres Strait Islander Community Controlled Housing Organisations (ATSICCHOs) (AIHW 2023b).

Social housing can also be owned by state housing authorities but managed by an ATSICCHO.

In most states and territories, between 10 per cent and 20 per cent of First Nations households rented from public housing or SOMIH in 2021 (ABS 2022d). The Northern Territory is an outlier, with 36.5 per cent of First Nations households renting from public housing or SOMIH. In the remote and very remote Northern Territory, 73.2 per cent of First Nations people are social housing residents.

The higher representation of First Nations people in social housing has been attributed to difficulties in accessing private rental accommodation (Moskos et al. 2022) due to factors that include:

- racial discrimination in the private rental market
- challenges meeting criteria for properties
- lack of appropriate and good quality housing in areas with high First Nations populations (Cooper and Morris 2005; Moskos et al. 2022).

Stakeholders noted that recent policy measures to boost the supply of social and affordable housing have not been well tailored to First Nations communities. In particular, concerns were raised that only a small number of First Nations organisations were recommended to receive funding in the first round of the Housing Australia Future Fund Facility (HAFFF). Stakeholders highlighted the complexity of the application process, as well as their limited organisational capacity compared to larger mainstream community housing providers, as barriers to securing HAFFF funding. It was also felt that program timelines and project budgets did not adequately consider the additional costs and complexities of delivering housing in the First Nations context, particularly for projects located in remote and very remote locations. The higher costs associated with projects in these locations also made securing institutional capital more expensive relative to non-remote locations.

14 Data reflects waitlists in New South Wales, Queensland, South Australia and the Northern Territory only. Tasmania does not provide data on its SOMIH waitlist. Victoria, Western Australia and the Australian Capital Territory do not operate SOMIH.

ATSIICHOs stated there has been limited collaboration to achieve housing outcomes that are culturally appropriate and responsive to the needs of First Nations people, and that programs do not provide funding to enable First Nations housing organisations to lodge competitive housing proposals. The Council recognises the need for enhanced national coordination to improve First Nations access to social and affordable housing (see section 6.6, *First Nations housing coordination*).

6.4 First Nations home ownership

Home ownership is an essential part of economic independence and the building of intergenerational wealth in Australia. However, First Nations people are half as likely to own their own home (with or without a mortgage) than non-Indigenous Australians (Productivity Commission 2022). 42 per cent of First Nations people owned their own home at the 2021 Census, compared to a home ownership rate of 68 per cent among non-Indigenous people. The proportion of First Nations people who own their own home has risen at every Census, but the gap to the general population remains significant.

First Nations home ownership rates were highest in inner regional areas (48.3 per cent), and above 40 per cent in outer regional and major cities. Only 21 per cent of First Nations households in remote and very remote areas were home owners (ABS 2022d). Recent modelling by ACIL Allen, conducted for Indigenous Business Australia, found there may be around 92,000 more First Nations families that could be home owners. However, these households face non-income and non-demographic barriers to home ownership, including historical discrimination, lack of awareness of opportunities for home ownership and other priorities that limit the ability to save sufficiently for a deposit (Indigenous Business Australia 2024).

There are also economic and legal barriers to home ownership in remote and very remote communities, such as high dwelling construction costs and legislative barriers on First Nations–controlled land. Further, the higher proportion of social housing in these remote and very remote areas presents fewer avenues for private acquisition of dwellings for prospective home owners.

There are a number of First Nations concessional home ownership schemes currently in place across various state and territory jurisdictions. Western Australia’s Keystart Aboriginal Home Ownership Program (WA Government 2025) aims to support First Nations people through shared equity home loan options and reduced deposit requirements. The North-West Aboriginal Housing Fund (WA Government 2025) aims to create pathways towards social and economic independence for First Nations people in the Pilbara and Kimberley regions by providing grants and discounts to eligible home buyers. Queensland’s Our Place: A First Nations Housing and Homelessness Action Plan 2024–2027 (Queensland Government 2024) aims to increase access for First Nations people to home ownership opportunities, and the state’s recently announced *Palm Island Home Ownership Scheme* (Queensland Government 2025) allows residents to purchase their social housing residence through rent-to-buy agreements.

However, stakeholders have raised the need for further Commonwealth funding and coordination of government initiatives to support First Nations individuals and families in accessing home ownership, such as First Nations-specific home loans, equity schemes and financial literacy programs.

6.5 First Nations housing challenges

Various factors contribute to how First Nations people experience the housing system. This includes factors impacting the wider housing system, including supply constraints and affordability challenges. However, First Nations people also have unique housing challenges, reflecting the historical and cultural implications from colonialism, and the significant number of First Nations households that live outside of Australia's major cities.

Consultation with First Nations leaders also indicates that First Nations people are seeking greater involvement in the delivery of housing in their communities, emphasising that solutions should be developed in partnership with First Nations representatives to ensure culturally appropriate housing that achieves desired outcomes.

6.5.1 Housing supply and affordability

There were around 45,700 First Nations households estimated to have unmet housing need arising from supply and affordability constraints in 2021 (Moskos et al. 2025). This represents 13 per cent of total First Nations households – almost double the estimated rate amongst all Australian households (6.6 per cent). Most of these households (over 81 per cent) were in rental stress, with the remaining share (around 18 per cent) exhibiting unmet housing needs due to living either in severely overcrowded dwellings or inadequate housing (Moskos et al. 2025).

First Nations housing need is geographically distinct. In areas where First Nations households rely more on the private rental market, such as urban areas, affordability is the main contributing factor to unmet housing need (Moskos et al. 2025). In remote and very remote locations, where 15.4 per cent of the Aboriginal and Torres Strait Islander population live (ABS 2022d), inadequate and severely overcrowded housing is often a greater problem (Moskos et al. 2025). Partly, this reflects the difficulty in building new housing in remote areas, where construction is more costly given limited availability of labour and material inputs (see Chapter 2, *Housing market conditions*).

In the near term, Australia's First Nations population is projected to grow at a substantially higher rate than the non-Indigenous population (ABS 2024b). This growth is also projected to be geographically concentrated in urban areas. This means a greater proportion of First Nations people will be required to grapple with the more acute affordability challenges in urban areas, as well as reflecting a growing need to deliver housing tailored towards First Nations people in urban areas.

6.5.2 Housing quality and climate resilience

The quality of housing experienced by First Nations people differs significantly from non-Indigenous Australians. This partly reflects the higher concentration of First Nations people in regional and remote Australia. Eighteen per cent of First Nations households lived in dwellings that did not meet an acceptable standard, defined in the National Aboriginal and Torres Strait Islander Health Survey (NATSIHS) as having at least one basic household facility that was unavailable or having more than 2 major structural problems. This proportion rises to around 36 per cent in remote areas. This compares to 89 per cent of all Australian households reporting no major structural problems in 2019–20 (ABS 2022d).

These problems are especially stark for renters, with 40 per cent of First Nations households reporting at least one major structural problem, compared to around 27 per cent for First Nations home owners (ABS 2022b). Quality sewage removal and water security and quality are critical to housing for First Nations communities, as poor access can have severe impacts on community health. Stakeholders raised that renovation of housing should focus on addressing major structural problems, providing essential facilities, and ensuring safe and healthy living environments.

In remote and regional First Nations communities, housing is not built to withstand extreme temperatures and is likely to be unsuitable for future living as climate change worsens already difficult conditions in many parts of remote Australia (Allam 2021). In some remote First Nations communities, none of the properties currently have fit-for-purpose thermal performance under current conditions, and these conditions will only worsen as temperatures rise (Lea et al. 2021). First Nations communities are also over-represented in a number of cohorts vulnerable to the impacts of climate change (Standen et al. 2022). People in lower socio-economic cohorts, renters, public housing tenants and those in remote areas are often in areas at greater risk of natural hazards and are less able to afford insurance to protect their homes (Standen et al. 2022). Some communities, such as those in the Torres Strait, are already experiencing the impacts of a rise in sea level and increased frequency of flooding events as a result of storm surges. The low-lying nature of several islands means that many of these communities will become increasingly uninhabitable as these conditions worsen (Doherty and Slezak 2017).

6.5.3 Fragmented housing policy, funding and data

All levels of government have roles and responsibilities for housing for First Nations people, and all governments are signatories to the National Agreement on Closing the Gap. The Australian Government provides funding to state and territory governments and directly to portfolio agencies, as well as overarching leadership in policy matters. State and territory governments have primary responsibility for delivering housing and homelessness services, including to First Nations people. Some states and territories have specific plans or strategies for First Nations housing and/or homelessness; however, there is no specific funding from any level of government for First Nations homelessness programs.

Stakeholders raised the need for governments to prioritise funding for targeted housing programs that have been specifically designed to meet the needs of First Nations communities, especially in remote and very remote areas where overcrowding rates are high. ATSICCHOs have frequently advocated for the reestablishment of the Australian Government CHIP to increase their housing supply and meet their repairs and maintenance challenges. Stakeholders also expressed concerns about the misalignment between housing expenditure and actual housing outcomes, as a significant portion of specific expenditure can be taken up by administration costs and overheads. There is a long-held perception by the First Nations community that there is a serious lack of oversight on this specific expenditure, and that only a third is actually used in housing construction.

Access to appropriate data and information underpins the ability to address issues across the housing system (Maia nayri Wingara 2018). The isolation and exclusion of First Nations people from the language, control and production of data at community, state and national levels has resulted in data that is overly focused on First Nations peoples as the problem (Maia nayri Wingara 2018). Data collection for housing is fragmented, with varying information available on First Nations housing tenure at national and state levels, and different data collection and management practices. Many of the data assets collected are not specific to First Nations people, so they are not comprehensive indicators of First Nation households.

There are also issues with data collection, availability and access, particularly at jurisdictional or regional levels. Stakeholders described how better housing data would enable a better understanding of the housing needs and challenges First Nations people face. This data is critical to evidence-informed policy decisions and to measure progress towards housing targets. There was a strong consensus among stakeholders that data collection should be led by First Nations organisations and people, who should also be the custodians of that data once collected.¹⁵

6.5.4 Housing access

Lack of access to quality, accessible, affordable and culturally appropriate housing has been a long-term problem for First Nations people. Issues around access include those related to racism; allocation and tenancy management bias; affordability; and geographical considerations.

Systemic racism continues to shape the lived experience of First Nations people in all areas, including housing. Higher rates of homelessness in the First Nations population in countries like Australia and Canada can be traced back to the historic and ongoing impacts of colonisation that have ‘displaced and dispossessed these populations from their traditional governance systems and laws, territories, histories, worldviews, ancestors and stories’ (Thistle 2017). Further, discrimination in the private rental market pushes First Nations people into non-market housing tenures, such as social housing, increasing demand in a part of the system that is already at capacity.

Despite some improvements around the allocation of public housing for First Nations people by state and territory housing departments, a knowledge gap persists regarding the housing circumstances and needs of First Nations people (Moran et al. 2016; Pawson et al. 2020). A 2022 study of the 2014–15 National Aboriginal and Torres Strait Islander Social Survey dataset found that there are concerns related to the inappropriate allocation of housing (Moskos et al. 2022). In particular, respondents felt they were being allocated public housing in locations with high incidences of social dysfunction, including antisocial behaviour and drug misuse. Due to the increased pressure on the already limited housing supply, tenants also stated they were being allocated public housing properties that were too small to meet their family and cultural needs (Moskos et al. 2022).

Stakeholders also raised the lack of emphasis on housing access for older people, people fleeing family and domestic violence, and people living with disability, in discussions of First Nations housing access.

6.5.5 Land tenure

Land tenure, including the Mabo Native Title decision in 1992 and the subsequent *Native Title Act 1993* (Cth), underpins significant parts of housing policy for First Nations people (Arabena et al. 2020). First Nations land tenure arrangements are important in remote and very remote Australia where many communities maintain strong connections to Country. Native title is a necessary step towards recognising First Nations people’s rights and interests over the land they have inhabited for thousands of years.

15 The National Agreement on Social Housing and Homelessness provides an example of improved data collection practices in relation to First Nations housing, requiring partnership bodies to develop outcomes frameworks and statements of assurance for their jurisdictions.

However, First Nations land is yet to be fully harnessed as an economic asset, as well as a cultural and spiritual asset. Stakeholder consultations highlighted that these asset-rich communities are also often cash poor, with limited capacity to develop land to provide housing for the community. They described how land tenure issues could be resolved through Indigenous Land Use Agreements and cultural mapping. These approaches have been implemented across various states and territories and could maximise the use of land held by First Nations organisations.

6.6 First Nations housing coordination

First Nations organisations have raised the need for national coordination to improve First Nations housing outcomes. This includes a commitment to First Nations-led solutions, a 20-year investment strategy, stronger monitoring of First Nations housing outcomes, and the delivery of existing housing commitments.

Governments have made some progress towards improving First Nations housing outcomes through the recently established Housing Policy Partnership and the National Agreement on Closing the Gap. However, as the Productivity Commission's review of the National Agreement on Closing the Gap indicated, governments do not simply need to do more, they need to work radically differently (Productivity Commission 2024c).

The Council believes there is a significant role for governments to help improve housing and homelessness outcomes for First Nations households in need. As a priority, the Council would like to see governments financially support First Nations housing organisations to increase supply of social and affordable housing for First Nations households (see Recommendation 1.3 in Chapter 7, *Towards a better housing system*).

6.6.1 National Agreement

The National Agreement on Closing the Gap is an agreement between all levels of government in Australia and Aboriginal and Torres Strait Islander representatives to undertake a new way of developing and implementing policies and programs that have an impact on the lives of Aboriginal and Torres Strait Islander people (National Agreement on Closing the Gap 2020). The agreement includes 4 Priority Reform areas for change and 19 socio-economic targets where outcomes for Aboriginal and Torres Strait Islander people are behind those of non-Indigenous Australians.

Outcome 9 of the agreement states that Aboriginal and Torres Strait Islander people secure appropriate, affordable housing that is aligned with their priorities and needs. Under this outcome area, Target 9a aims to increase the proportion of Aboriginal and Torres Strait Islander people living in appropriately sized (that is, not overcrowded) housing to 88 per cent by 2031. There has been improvement against this measure in most jurisdictions and at the national level, with 81.4 per cent of Aboriginal and Torres Strait Islander people living in appropriately sized dwellings in 2021 – up from 78.9 per cent in 2016 (ABS 2022d). However, efforts are not on track to meet the target (Productivity Commission 2024c). Target 9b aims to ensure all Aboriginal and Torres Strait Islander households within discrete Aboriginal and Torres Strait Islander communities receive essential services that meet or exceed the relevant jurisdictional standard. Progress against this target cannot be reported against as no data is available on households receiving essential services.

6.6.2 Housing Policy Partnership

The Partnership Agreement on Closing the Gap 2019-2029 (Partnership Agreement) was signed in March 2019 by the Council of Australian Governments and the Coalition of Aboriginal and Torres Strait Islander Peak Organisations (Coalition of Peaks) representing the Aboriginal and Torres Strait Islander community-controlled sector. It established the principles and governance framework for negotiating the National Agreement on Closing the Gap, which was later signed by representatives from all levels of government and the Coalition of Peaks in July 2020.

After the agreement was signed, 5 National Policy Partnerships were established. In December 2022, the Housing Policy Partnership was established. This is a forum for Aboriginal and Torres Strait Islander people to have a genuine say in the design and delivery of housing services.

The National Aboriginal and Torres Strait Islander Housing Association co-chairs the partnership with the Australian Government Department of Social Services. Members includes representatives from the Australian and state and territory governments, the Coalition of Peaks and independent Aboriginal and Torres Strait Islander representatives. A key output of the partnership is to make recommendations to the Joint Council on Closing the Gap about improving housing outcomes and preventing homelessness for Aboriginal and Torres Strait Islander people.

6.6.3 States and territories

Most states and territories have First Nations-specific housing strategies tied closely to implementing the National Agreement on Closing the Gap. Notably, the Northern Territory Housing Strategy is also complemented by the Northern Territory Remote Housing Federation Funding Agreement 2024–34, which aims to improve housing outcomes for First Nations people in alignment with the National Agreement on Closing the Gap. The Northern Territory agreement, signed by the Australian and Northern Territory governments, Aboriginal Housing Northern Territory and 4 Aboriginal Land Councils, embeds shared decision-making and the voices of First Nations organisations and communities. It reflects one of the most advanced First Nations-specific housing partnerships, and is an example of First Nations self-determination regarding housing (see section 6.6.4, *Moving towards self-determination*). With joint investment of \$4 billion across 10 years, it aims to halve rates of overcrowding, enhance the liveability of existing housing and invest in the provision of additional social housing.

The Productivity Commission's review of the National Agreement on Closing the Gap found it was difficult to hold governments accountable for progress due to a range of factors, such as the lack of sufficient data to report on progress. The National Agreement on Closing the Gap also does not describe how jurisdictions will be held accountable for their contributions to targets, which are only designed to be met at a national level (Productivity Commission 2024c). Only the First Nations housing strategy developed by Victoria builds a strong case by analysing future needs for First Nations housing, and specifies that First Nations-specific funding should be set aside to achieve a First Nations housing target. This is despite Victoria having the lowest percentage of Aboriginal and Torres Strait Islander people as a proportion of the population.

6.6.4 Moving towards self-determination

Through the National Agreement on Closing the Gap and state and territory First Nations housing strategies, governments have acknowledged the vital role First Nations organisations play at the strategic and operational level for First Nations housing provision. Some progress has been made on this front, but First Nations community leaders have reiterated to the Council that ‘the housing problem in Aboriginal communities is an Aboriginal issue, so there should be an Aboriginal-led solution’. In particular, governments should respect what First Nations communities know about themselves and how this is reflected in data, and help First Nations housing organisations to deliver much-needed housing for First Nations people.

Chapter 7 Towards a better housing system

Overview

This chapter describes the 5 key policy areas for reform that the Council believes should be prioritised to improve outcomes across the housing system. Within these 5 areas, the Council has made 15 policy recommendations that, if implemented, would help to achieve its vision for the housing system.

Key points

- The 5 key policy areas that should be prioritised to improve outcomes across the housing system are:
 1. Increasing investment in social and affordable housing through proven mechanisms, and review regulatory frameworks for the social and affordable housing sector
 2. Improving construction sector capacity and productivity
 3. Applying best practice principles to planning systems and making more land available
 4. Supporting better outcomes for renters
 5. Ensuring the tax system supports housing supply and affordability.
- Implementing the Council's 15 recommendations will require collective effort across governments, industries and the community.

The Council's vision is for housing to be affordable, fit for purpose and secure for households of all incomes and in all locations (see Chapter 1, *The Council's vision for the housing system*). To achieve this vision, the Council has identified 5 key policy areas for reform that should be prioritised. These policy areas build on the focus areas described in *State of the Housing System 2024* (NHSAC 2024).

Within the 5 policy areas, the Council has made 15 policy recommendations. Implementing these recommendations will require effort and coordination across governments, the private sector, the not-for-profit sector, and the broader community. While these recommendations do not represent a comprehensive policy response to all challenges in the housing system, they could greatly improve housing outcomes and achieve progress toward the Council's goals.

7.1 Increasing investment in social and affordable housing through proven mechanisms, and reviewing regulatory frameworks for the social and affordable housing sector

7.1.1 Social and affordable housing is essential infrastructure

Social and affordable housing reduces the incidence of homelessness and poverty, and alleviates the tenure insecurity associated with private renting, especially for vulnerable cohorts. It assists businesses and government service providers that rely on workers on low and moderate wages, and it fosters more cohesive, diverse and sustainable communities (Spiller 2022).

Increasing investment in social and affordable housing would help reduce homelessness and the associated costs to wellbeing, society and the economy. It would also improve workforce participation and have a net positive fiscal impact. For every dollar invested in increasing the supply of social and affordable housing, the community is estimated to save 2 dollars (SGS Economics and Planning 2022).

Social housing has often been concentrated around the urban fringe, which provides limited access to jobs and services for tenants (Pawson et al. 2020). Instead, as essential infrastructure, non-market housing should be well located and interspersed within communities as it provides significant socio-economic benefits for tenants and locales (Lawson et al. 2018).

As outlined in Chapter 1, *The Council's vision for the housing system*, ensuring there is sufficient social and affordable housing to support communities as essential infrastructure is a Council goal. As a target, the Council proposes that social housing should return to accounting for 6 per cent of the housing stock over the medium term, with a further increase in the long term. The Council acknowledges that this is an ambitious and challenging target. Nonetheless, further investment is needed over the long term to build enough social and affordable housing to consistently support those who need it.

7.1.2 Increasing investment in social and affordable housing

Australia has underinvested in social and affordable housing for decades (NHSAC 2024). Levels of non-market housing are – and are forecast to remain – very low, relative to both historical levels in Australia and levels in other advanced economies. In 2021, around 4 per cent of households lived in social housing (369,000 households), which is lower than in New Zealand, Canada and the European Union (AHURI 2022).

The stock of social and affordable housing is significantly lower than demand, with an upper estimate of 640,000 households not appropriately housed and potentially in need of social or affordable housing in 2021 (van den Nouwelant et al. 2022). Together with households already in social housing, this implies that over 1 million households, or around 10 per cent of households, could be in need of social or affordable housing.¹⁶ Estimates of unmet housing need should inform long-term targets of social and affordable housing.

Similar to the National Housing Accord target of 1.2 million new well-located homes, establishing an ambitious long-term target for social and affordable housing would galvanise collective action to support those in housing need and foster accountability for governments, industry and the community sector. Looking beyond the Council's medium-term target of having social housing account for 6 per cent of the housing stock, the Council is undertaking modelling work to determine current and expected levels of social and affordable housing need. This will inform the Council's long-term targets for social and affordable housing, which will be presented in *State of the Housing System 2026*.

The Council notes the significant commitment to social and affordable housing already made by Australian Governments. However, existing programs will not be enough to raise the share of social housing to meet the Council's goal. Australian Governments will need to increase investment well above current levels, while considering how this will interact with the private housing market, to ensure construction capacity and land availability are not crowded out.

Ongoing and predictable investment in social and affordable housing can help stabilise construction activity while improving confidence in the long-term viability of the sector. It can also support additional investment by the private and not-for-profit sectors. Government investment should be made through proven mechanisms that are well governed, efficient and accountable.

Recommendation 1.1a

Governments, and the private and not-for-profit sectors, should commit to consistent investment in social and affordable housing to restore the proportion of social housing to 6 per cent of the housing stock over the medium term.

Recommendation 1.1b

Governments should commit to a long term target for social and affordable housing – to be as high as 10 per cent of the housing stock – that minimises housing stress for low income households.

16 Estimates of unmet housing need vary. The National Housing Finance and Investment Corporation (2023) found 377,600 households were in housing need in 2021. Although this was in addition to those already in social housing, it suggests the share of non-market housing would need to double to 7 per cent of the total stock. Rowley et. al (2017) used an econometric model of housing need to estimate that 678,300 households would require social or affordable housing by 2025. This included those already in social housing, meaning over 200,000 additional non-market dwellings were needed (around 2 per cent of stock). Other low-income households in housing stress would require income assistance.

7.1.3 Inclusionary zoning

Inclusionary zoning is a mechanism that can deliver non-market housing to meet housing needs. It refers to government policy that ‘either mandates or creates incentives so that a proportion of a residential development includes a number of social or affordable housing dwellings’ (AHURI 2023). Inclusionary zoning may be mandatory or voluntary. Mandatory schemes require the provision of affordable housing as a condition of planning approval, while voluntary schemes encourage the provision of affordable housing through incentives such as density bonuses (AHURI 2023). In Australia, mandatory schemes have been suggested as the most likely source of large-scale affordable housing (Rowley et al. 2022). A key benefit of inclusionary zoning is the provision of social and affordable housing for low-income key workers in well-located areas (AHURI 2023).

Several inclusionary zoning schemes exist across Australia. South Australia has the only statewide inclusionary zoning scheme, which was introduced in 2005 (Gurran et al. 2018). In other states and territories, inclusionary zoning schemes are relatively ad hoc and led by local governments with guidance from state governments. For example, local government areas in New South Wales may create affordable housing contribution schemes if there is an identified need for affordable housing under state planning rules (NSW Government 2019). A recent draft scheme for 5 Western Sydney councils proposes a modest monetary contribution from some new developments as a condition of development approval to commence in 2028, with contributions used to provide affordable rental housing in Western Sydney (Blacktown City Council 2025). The New South Wales Government also recently introduced a voluntary scheme, providing density bonuses on infill developments, to encourage developers to make affordable housing contributions (NSW Government 2025a).

To support the increase in social and affordable housing to meet unmet housing need, the Council recommends introducing a mandatory, uniform and low-contribution approach to inclusionary zoning nationally. Mandatory inclusionary zoning requires a well-designed, efficient and consistent policy that allows sites to absorb costs without undue impact on the feasibility of projects (Rowley et al. 2022). A mandatory, uniform and low-contribution scheme would also be more effective than ad hoc affordable housing contributions. While the scheme should be somewhat flexible for tailoring to local conditions, this should only be required if supported by strong location-based evidence (ACT Government 2022). A mandatory scheme would need to be phased in to allow developers to factor higher costs into project feasibility assessments.

Recommendation 1.2

The Australian and state governments should work together to implement a low, uniform inclusionary zoning target across jurisdictions.

7.1.4 Supporting First Nations housing organisations

As discussed in Chapter 6, *First Nations housing*, First Nations community leaders have expressed concern that social and affordable housing policies are not well tailored to First Nations people. Governments must continue to work towards achieving housing outcomes that are culturally appropriate and respond to people’s needs in ways that support self-determination. In addition, governments should provide greater financial support to First Nations housing organisations so they can thrive and deliver housing for people in need. Moving towards self-determination is essential to closing the gap on First Nations housing and homelessness outcomes.

Recommendation 1.3

Governments should financially support First Nations housing organisations to provide more social and affordable housing for First Nations households.

7.1.5 Regulation of the social and affordable housing sector

Effective regulations are needed to raise the standards and improve the capability of the non-market housing sector. Nationally consistent regulations would simplify requirements for providers of social and affordable housing, and make the sector more attractive and accessible for private investors (Interim NHSAC 2023). Nationally consistent regulations would also support community housing providers to develop the scale necessary to operate efficiently and across jurisdictions. Furthermore, improved regulations could also facilitate better data collection, especially for affordable housing (The Australian Government 2021).

The current National Regulatory System for Community Housing (NRSCH) is neither fit for purpose nor nationally consistent (The Australian Government 2021). The NRSCH has not evolved to account for changes in the financing arrangements, corporate structures and business practices of providers since it was established in 2014. The current regime also does not account for the growing number of unregistered, for-profit affordable housing providers in certain jurisdictions (Interim NHSAC 2023).

The NRSCH does not cover Western Australia or Victoria, which have separate regulatory regimes. As the NRSCH is a decentralised regulatory system, community housing providers (CHPs) operate under different regimes with different reporting requirements across jurisdictions, adding to the administrative burden of providers. The inconsistency across schemes can reduce investor certainty (Interim NHSAC 2023).

The Council recommended having nationally consistent regulations for social and affordable housing in its *Barriers to Institutional Investment Report* in 2023. Programs such as the Housing Australia Future Fund Facility (HAFFF) increase the need for national consistency and refinement of the sector's regulatory regime. Due to the complexity of this reform, including engaging with states currently outside the NRSCH, a well-structured transition plan will be critical to managing implementation challenges. Overall, this reform will help to ensure the system can deliver a larger volume of social and affordable housing.

Recommendation 1.4

Governments should review the National Regulatory System for Community Housing (NRSCH) with the long term goal of developing a national best practice regulatory framework for providers of social and affordable housing.

7.2 Improving construction sector capacity and productivity

High construction costs are a key barrier to new housing supply, especially in the lower-cost segment of the market. Since the Pandemic, the sharp rise in construction costs has limited project feasibility, particularly for higher-density dwellings outside premium areas (The CIE 2024). High construction costs are also passed on to the sale price of new dwellings (The CIE 2024), reducing affordability.

7.2.1 Improving sector productivity

Housing construction productivity has declined over the past 3 decades (Productivity Commission 2025a). Complex regulations, fragmented industry structure, low innovation and limited economies of scale have constrained productivity growth, acting as a handbrake on output in the sector (Productivity Commission 2025a).

However, there is significant potential for productivity to improve. The Productivity Commission's recent report, *Housing Construction Productivity: Can We Fix It?*, offers a roadmap for sector reform. The Council agrees with the Productivity Commission that while the National Construction Code is sound in principle, improvements could be investigated through an independent review. The Council also recognises the important role governments can play in promoting innovation to improve building quality and diffuse new technologies. They can also actively fund research and development.

The Council supports government efforts to foster innovation in the residential construction sector. This includes unlocking the potential of modern methods of construction (MMC) to support cheaper, faster and higher-quality construction methods, while alleviating persistent labour shortages in regional and remote areas by centralising parts of the construction process.¹⁷ For instance, modular construction has been shown to reduce build times by 20 to 50 per cent compared to traditional on-site builds overseas (Bertram et al. 2019). Other benefits include better labour efficiency through specialisation, improved quality and safety, and reduced costs of travel and waste (Bertram et al. 2019). MMC could particularly benefit regions with labour shortages and challenging weather conditions, with most work being conducted elsewhere before assembly occurs on site.

Lowering regulatory barriers to MMC could result in an additional 1–2 per cent increase in construction output, according to modelling of proposed reforms of the National Competition Policy (Productivity Commission 2024a). Still, MMC requires scale to reap the benefits, with high initial costs in factories, machinery and equipment (NSW Productivity and Equality Commission 2024). While the long-run benefits and costs of MMC in Australia are yet to be fully determined, the Australian and state governments are already investigating its potential. Building on existing work, the Council recommends the Australian Government take on a stronger role, in collaboration with the states and territories, to investigate the feasibility of the MMC sector.

17 Modern construction methods such as prefabrication and modular housing are innovative building techniques that enhance the efficiency, quality and sustainability of work in the construction sector (NSW PC 2024). 'MMC' may also refer to a number of other new construction methods, including technologies such as robotics and artificial intelligence, and non-offsite manufacturing methods such as insulated concrete forms.

If assessed as feasible, the Australian, state and territory governments should address regulatory and other barriers to the uptake of MMC. For instance, hurdles in planning and building design regulation currently hinder the adoption of prefabricated construction (Gad et al. 2022). Governments could also underwrite the sector via stable and long-dated procurement processes. This would provide a clear pipeline of projects to attract private investment in the systems and processes for prefabrication and other innovative building techniques.

Recommendation 2.1

Governments should investigate the feasibility of modern methods of construction and address regulatory and other barriers to their uptake. If assessed as appropriate, governments should underwrite investment in modern methods of construction to unlock cheaper, more efficient construction methods and rectify decades of poor productivity.

7.2.2 Improving labour supply

The residential construction sector is highly labour-intensive. However, labour shortages are chronic, reflecting competition from other sectors, ineffective training and skilled migration systems, high exit rates and low workforce diversity, which limit the pool of available labour (see Chapter 2, *Housing market conditions*). Labour shortages can significantly delay project completion times and increase average workloads (Infrastructure Australia 2024). BuildSkills Australia estimates a further 90,000 workers are needed to deliver the 1.2 million homes target in the Housing Accord period (BuildSkills 2024). The Productivity Commission has also identified workforce flexibility as key to improving productivity in the broader sector (Productivity Commission 2025a).

To build capacity in the construction workforce, governments should continue to invest in skills training for domestic apprentices, boosting the supply of construction workers through migration, and working with industry to increase workforce participation and labour productivity.

Part of the shortfall in the construction labour force could be addressed by better targeting skilled migration pathways. The Council recommends the Australian Government continue to support more migrants with trade skills through the Core Skills Occupation List. However, the Council recognises this involves trade-offs, given skills shortages in other key industries such as healthcare.

The Council also recommends making Australia a more attractive destination for skilled construction workers, who are currently in high demand across the developed world (Ragsdale and Hall 2023; O'Rourke 2024), by ensuring systematic assistance for recent migrants. The support that is currently available is a patchwork of migration services of variable quality (Department of Home Affairs 2023).

To address long-run labour supply challenges, the Council recommends the Australian Government work with states and territories to incentivise education in key skills and trades needed for the home building industry, including for allied sectors such as planning and certification. Incentives could include investment in vocational education and training courses, and fully or partially subsidised tuition fees.

The Council also recommends that industry address labour shortages and low productivity by investing in vocational training and apprenticeships, diversifying the workforce, and investing in innovate building practices and processes. Setting general industry employment targets – such as gender balance and cultural diversity in recruitment, retention and leadership positions – to increase participation could attract a greater number of employees to the industry.

Recommendation 2.2

Governments should address the continued shortfall in construction sector workers by boosting skills training and through skilled migration programs.

Recommendation 2.3

Industry should address labour shortages and low productivity by investing in vocational training and apprenticeships, and diversifying its workforce.

7.3 Applying best practice principles to planning systems and making more land available

Planning is a critical part of the process of supplying homes that meet the needs of Australians. The Council welcomes the work underway to improve planning and zoning systems as part of National Cabinet's National Planning Reform Blueprint. However, more effort is required to ease unwarranted constraints on new supply and move towards consistency in planning principles across jurisdictions.

Land release, land use and planning approval requirements vary markedly across the states and territories and the hundreds of local governments that provide the planning consent authority. Complex and inconsistent planning systems are difficult for developers and builders to navigate, limit the ability of the sector to achieve scale, add to the costs of housing by delaying approval times, and impede the implementation of development strategies (Daley et al. 2018a; NSW Productivity and Equality Commission 2024). In its review of the National Housing and Homelessness Agreement (Productivity Commission 2022), the Productivity Commission found planning reform to be one of the most significant policy actions required to address housing supply and affordability. The Grattan Institute has proposed that incentivising states to reform land use would be the best way to boost supply (Coates and Maloney 2023).

7.3.1 Improving planning systems

Best practice planning principles can increase the speed of development approval, making housing supply more responsive to demand. In many jurisdictions, statutory planning rules leave too much room for discretion in interpretation, leading to delays and disputes in the development approval process. Streamlining the planning system is essential to improve construction productivity (Productivity Commission 2025a).

In a positive sign, states and territories are progressing initiatives to reform land use and planning systems and speed up approvals through the National Planning Reform Blueprint. For example, the recently established Housing Delivery Authority in New South Wales will streamline the development of major housing projects by reducing the number of complex development applications councils are required to assess (NSW Government 2025c).

To assist in implementing the National Planning Reform Blueprint, the Council has identified best practice principles that should be applied consistently across the country to speed up the development approval process.

1. Planning systems should be outcomes-based and backed by quantitative performance standards. Prescriptive minimum standards should identify the minimum performance outcomes expected of housing developments, and if met the development should be deemed to comply. Outcomes should, as far as possible, be objectively certifiable, to avoid or minimise discretionary judgement in the approvals process.
2. Policy setting should be separate from development assessment, with the latter based on technical skills provided by panels or similar mechanisms that are not exposed to political lobbying. In some jurisdictions, this would be a significant directional change in the development process, but would ensure community voices were heard when forming planning policies and statutory rules, while allowing for faster approval of development applications.

3. Timeframes for decision making should be reasonable, transparent and enforceable.
4. Systems should be fully digitised. This would entail a significant cost in some jurisdictions, but is largely inevitable. Condensing the tens of thousands of pages of policy, procedures and standards into streamlined online codes would avoid legal and bureaucratic disputes and confusion over interpretation.

Recommendation 3.1

Governments should implement best practice planning and zoning principles consistently across the country to reduce costs and boost sector productivity and the responsiveness of new housing supply to demand.

7.3.2 Promoting greater housing density

Regulations should continue to promote greater housing density in well-located communities. Zoning restrictions can limit the supply of available land and increase land values. This makes it harder for developers to acquire sites for development in feasible locations and makes greenfield development more expensive and prone to speculation (NSW Productivity and Equality Commission 2024).

Promoting greater housing density does not necessarily only mean supporting more high-rise towers, though these will form part of the housing mix. Greater housing density also means supporting the ‘missing middle’: dual occupancies, townhouses, terraces and smaller apartment buildings. Australia has seen a decline in the number of these homes being built, despite their historical significance in inner-city suburbs, where they continue to support vibrant communities (NSW Department of Planning, Housing and Infrastructure 2024).

The Council welcomes recent work by governments to allow for greater density. In particular, the New South Wales and Victorian governments have focused on planning changes to improve supply and affordability through transport-oriented developments. However, more work needs to be done. More sites should be zoned for higher-density housing in well-located communities to readily meet the demand for housing in these areas. This can reduce pressure on rents and housing prices, as suggested by experience with the 2016 zoning reforms in Auckland (Greenway-McGrevy 2024). It also gives developers more opportunities to acquire and combine lots for development, addressing some of the difficulties with land fragmentation in infill sites (NSW Productivity and Equality Commission 2024).

Recommendation 3.2

State, territory and local governments should revise their planning regulations to promote greater housing density in well located areas with good access to jobs, services and transport.

7.3.3 Land assembly and remediation, and enabling infrastructure

The supply of land available for development can affect how quickly the sector responds to demand. Currently, land assembly is mostly left to individual developers, making them prone to hold outs by sellers and misaligned price expectations. Significant capital costs that cannot be met by the private sector also limit the available supply of developable land. As such, governments should play a greater role in assembling sites for housing development, particularly infill housing (Interim NHSAC 2023). Although local governments in some jurisdictions have the authority to assemble land, this process can be financially prohibitive and complex.

Upfront investment in infrastructure and remediation can help unlock sites for development that would otherwise be unviable. The ability of government agencies to assemble and remediate land, and invest in enabling infrastructure, should be enhanced to ensure a steady supply of developable sites (Interim NHSAC 2023).

Recommendation 3.3

Governments should boost the capacity of institutions to assemble and remediate land and provide enabling infrastructure.

7.4 Supporting better outcomes for renters

Improving outcomes for renters is essential for a housing system that promotes an inclusive and prosperous society. Renters deserve access to affordable and secure housing. Renting is increasingly the only viable option for much of the population, with more than 30 per cent of households renting (ABS 2022a). It is critical that tenants have safe and secure accommodation, and access to employment, education opportunities and social services.

Improving the quality of rentals would help achieve the Council's goal of renters having access to affordable and secure housing, as well as the Council's goal of safe and environmentally sustainable housing. Currently, the gap between renters and owners is large, with renters almost twice as likely to report major structural problems with their dwellings compared to owner-occupiers (ABS 2022b).

Australia's rental system favours landlords, providing only limited tenure security and other rights to renters (Burke 2012). In 2019–20, 80 per cent of private renters had moved in the previous 5 years, compared to 27 per cent of home owners, while close to 32 per cent of private renters reported moving 3 or more times in the previous 5 years (ABS 2022b). Around 19 per cent of private renter moves were involuntary, with older renters and people with disability or low levels of education disproportionately more likely to move for involuntary reasons (Productivity Commission 2019).

Australia's rental stock is largely provided by individual landlords. Such landlords have an important place in the rental system, and many landlords and tenants have respectful and mutually beneficial arrangements. But individual landlords may not always be well placed to respond to rising demand for rental housing. This can lead to sub-optimal housing quality and tenure arrangements.

7.4.1 Supporting institutional investment in rental housing

The Council supports more institutional investment in housing to diversify the private rental market (Interim NHSAC 2023). Greater institutional investment adds to supply, which can reduce housing costs for households. Investors can also adopt innovative approaches to support housing affordability, such as the build-to-rent-to-buy model, to assist key workers to access home ownership.

Institutional investment enables greater economies of scale when developing and providing housing services. The fixed costs associated with property and tenant management can be spread over a greater number of properties, reducing average costs. Additionally, institutional investors with large residential property projects may have lower costs of capital (Interim NHSAC 2023).

Institutional investors are incentivised to develop quality, long-term housing that raises the economic life of investments and reduces maintenance and operating costs. Overseas institutional investors generally provide higher-quality housing in terms of design and build standards (Pawson et al. 2019). Further, institutional housing can provide a more customer-oriented and professional approach to property management, improving property management in the rental sector (Scanlon et al. 2018).

Large-scale investment supports innovation in financing, providing, accessing and managing rental housing (Hulse et al. 2018). This can improve the diversity of dwelling types so they better match the diverse needs of rental households. Further innovative approaches to accessing and managing rental housing can create efficiencies that benefit the tenant.

Renters can benefit from the security of tenure provided by institutional housing. Institutional investors often have a long-term investment horizon, meaning they may be more willing to offer long-term tenancies and less likely to terminate lease arrangements.

Increased institutional investment may also have broader community benefits, such as maintaining construction activity during periods when traditional build-to-sell construction activity is weak (Pawson et al. 2019). This means the creation of housing stock is not as tied to the general housing cycle, monetary policy or supply shocks as traditional build-to-sell dwellings.

The Council recognises the potential for downsides, as the profit maximisation of entities may not always lead to optimal outcomes for tenants, particularly low-income cohorts with limited market power. However, the Council believes these concerns can be allayed through a regulatory regime that balances the needs and powers of market participants, and is sufficiently transparent to ensure parties understand their rights and obligations in advance of their respective transactions.

Recommendation 4.1

Governments should boost rental supply and foster the development of a more diverse rental market by supporting institutional investment.

7.4.2 Implementing the Better Deal for Renters agreement

The Council welcomes the coordinated government approach to supporting outcomes for renters through the Better Deal for Renters agreed to by National Cabinet. Most state and territories have already implemented many elements of the deal, but full implementation is yet to be achieved.

The Council believes the agreement, as currently drafted, effectively rebalances the system to give renters more protections, without creating distortionary impacts on housing supply. Minimum standards for rental properties will also improve the safety of the housing stock.

The Council does not support rent freezes as there is strong evidence to suggest that while rent freezes may benefit existing renters, they can also restrict mobility, reduce the quality of the rental stock, and lead to lower dwelling investment and higher rental costs in the long term.

Recommendation 4.2

Governments should fully implement the Better Deal for Renters agreement to support renter tenure security and other rights.

7.5 Ensuring the tax system supports housing supply and affordability

Tax settings have wide-ranging impacts on the housing system, affecting the demand, supply and affordability of housing. As noted in *State of the Housing System 2024*, taxes administered by Australian, state and territory, and local governments can influence the decisions of households and investors (NHSAC 2024). For instance, for households, tax settings can affect housing affordability and mobility (Henry et al. 2010; Garvin et al. 2024). For developers, tax settings can affect project feasibility and housing supply (Rowley et al. 2022). Housing-related taxes or tax system features that affect housing include the capital gains tax (CGT) and CGT discount, the main residence exemption, income tax on rental income, negative gearing, stamp duty, land tax and council rates (NHSAC 2024).

7.5.1 Review the interaction between the tax and housing systems

The interaction between taxation and housing systems should be reviewed, given their impact on households, investors and the broader economy.

Tax settings are not tenure neutral, in that they can affect owner-occupiers, investors and renters in different ways. In particular, tax settings tend to favour owner-occupied housing (Henry et al. 2010). Owner-occupiers receive tax concessions, including the CGT exemption, that are not available to renters (Wood et al. 2017; Yates 2010a, 2010b). Tax settings also treat capital gains, rental income, mortgage debt and land use differently for owner-occupiers and landlords (Duncan et al. 2018; Eccleston et al. 2017; Wood et al. 2010b).

Tax settings can affect supply and affordability in housing markets. For example, land used for investment purposes is subject to state land tax, while land used for owner occupation is exempt. This means private rental housing is a smaller part of housing supply than it would be under an investment-neutral land tax.

Some tax settings can create additional transaction costs for prospective home owners, reducing housing affordability and mobility. They may also lead to greater investor activity and encourage speculation in the property market (Committee for Economic Development of Australia 2017; Daley et al. 2018a).

Tax reform requires strong evidence. Where governments undertake tax reforms, current impediments to housing supply and the equity of treatment across tenure types that arise from the tax system should be the main housing-related consideration. Potential tax reforms that only affect demand are unlikely to have a significant impact on affordability beyond immediate beneficiaries unless supply becomes more responsive (Henry et al. 2010). Influencing demand, especially where housing investors are concerned, may also have unintended consequences if not appropriately timed and sequenced.

Recommendation 5.1

All interactions between the tax system and the housing system should be reviewed at the Commonwealth and state and territory levels, to work towards the goal of fair access to the benefits of home ownership, and to support the efficient use and exchange of the housing stock.

7.5.2 Transitioning away from stamp duty

Tax settings can impact housing mobility. In particular, stamp duty – an upfront lump sum tax that must be paid upon acquisition of a property – deters the transfer of property from lower-value uses to higher-value uses, resulting in an inefficient allocation of the housing stock (Wood et al. 2012a).¹⁸ For example, stamp duty distorts the decision making of home owners experiencing life changes, such as whether to upsize after having children or downsize after adult children move out of the family home (Clifford and Freebairn 2021; Vidyattama and Hawkins 2021).

Stamp duty can also reduce labour mobility (Vidyattama and Hawkins 2021). Some workers will forego better jobs or commute longer distances rather than incur stamp duty (Davidoff and Leigh 2013). This can lead to lower productivity levels across the economy (Productivity Commission 2014).

The Council believes there is clear evidence of substantial benefits and a low risk of destabilising markets in gradually transitioning away from stamp duty to a broad-based land tax. Experts widely agree on the economic rationale for this reform. Stamp duty is an inefficient tax, with efficiency gains of up to \$17 billion per year made possible by replacing it with a broad-based land tax. This would also increase the affordability of housing (et al. 2018b; Eccleston et al. 2017; Garvin et al. 2024; Henry et al. 2010; Wood et al. . Nevertheless, this transition may have compositional effects, including in the relative housing price responses for houses compared to higher-density dwellings (Nassios and Giesecke 2022).

Transitioning from stamp duty to land tax is a complicated reform with the potential to cause strong community backlash if it is not designed appropriately. To mitigate these concerns, the reform should include transitional arrangements.

State and territory governments face several challenges in transitioning from stamp duty to a broad-based land tax. Stamp duty is a significant revenue stream for state and territory governments, typically accounting for more than one-fifth of their total revenue base (ABS 2023b). Any reform to stamp duty therefore reflects a significant financial impact for these governments, which may limit their appetite to transition to a broad-based land tax. Nevertheless, the Australian Capital Territory's stamp duty to land tax transition, which began over a decade ago, demonstrates it is possible.

The Commonwealth should play a central role in incentivising this transitional reform, such as by providing incentive payments that assist with the financial impact on state and territory budgets and offsetting associated GST distribution penalties. With the right design and appropriate Commonwealth–state funding arrangements to smooth the associated fluctuations in state revenue, the reform is achievable. The Council views this reform as integral to achieving its goal for the efficient use and exchange of the existing housing stock.

Recommendation 5.2

Governments should aim to transition from stamp duty to a broad based land tax to improve the efficient use and exchange of the existing housing stock.

¹⁸ It is estimated that a 10 per cent rise in stamp duty reduces the number of housing market transactions by 3 per cent in the first year, and by 6 per cent if sustained over 3 years (Davidoff and Leigh 2013).

Appendix A: Glossary

Term	Definition
Aboriginal and Torres Strait Islander Community Controlled Housing Organisation (ATSICCHO)	An organisation established and controlled by Aboriginal and Torres Strait Islander community leaders to provide Indigenous community housing (ICH).
Affordable housing	Housing provided at discounted market rents, typically to households in the second and third income quintiles (households that are part of the 20 to 60 per cent range of income, when ranked from lowest to highest income).
Average household size	The average number of people living in a dwelling.
Community housing	Social housing provided at below-market rents that is owned or managed by community housing providers.
Community housing provider (CHP)	A not-for-profit organisation that aims to provide safe, secure, affordable and appropriate rental housing. This may include community housing, affordable housing, specialist disability accommodation or transitional housing.
Co-operative housing	A housing tenure where costs are shared through a collective ownership model.
Demolition rate	The proportion of dwellings that are demolished or destroyed in a time period, usually 12 months.
Dwelling	A building primarily used for long-term residential purposes. Used interchangeably with 'housing' or 'home'.
Dwelling approval	A formal approval for new dwelling construction, alteration or addition to existing buildings, non-structural renovation, installation of integral fixtures; or demolition of dwellings provided by local government or other approving authorities.
Dwelling commencement	The commencement of a new dwelling construction, alteration or addition to existing buildings, non-structural renovation and installation of integral building fixtures. A dwelling is commenced when the first physical building activity has been performed on-site in the form of materials fixed in place and/or labour expended (this includes site preparation but excludes delivery of building materials, the drawing of plans and specifications and the construction of non-building infrastructures, such as roads).
Dwelling completion	The completion of a new dwelling construction, alteration or addition to existing buildings, non-structural renovation and refurbishment, and installation of integral building fixtures. A dwelling is completed when building activity has progressed to the stage where the dwelling can fulfil its intended function.
Effective demand	A measure of housing demand that includes underlying demand as well as economic factors, such as household income and credit conditions.
Enabling infrastructure	Enabling infrastructure for housing refers to the infrastructure required to enable the development of housing. Infrastructure projects include the development or upgrading of roads and intersections; water, gas, sewerage, stormwater, telecommunications and electricity connections; and the building of wastewater treatment plants and electrical substations.
Essential infrastructure	Spatially fixed durable capital that is required for societies to function efficiently, such as housing, transport and electricity networks.
First Nations people	People who have identified themselves, or have been identified by a representative (for example, their parent or guardian), as being of Aboriginal and/or Torres Strait Islander origin. 'First Nations people' is the consistent term used in this report to refer to Indigenous Australians and Aboriginal and Torres Strait Islander people. However, where particular datasets, reports or organisations have referred specifically to these terms instead, they have been adopted in the report.
Funding gap	The gap between the costs to supply, maintain and manage non-market housing and the rent received from tenants.
Gross new housing supply	The number of new dwelling completions in a given time period.

Term	Definition
Higher-density dwellings	Non-freestanding houses, which include apartments, duplex houses, flats, high rises and semi-detached houses.
Homelessness	There is no singular definition of homelessness among OECD countries. The Australian Bureau of Statistics defines homelessness as affecting those whose living arrangements are in an inadequate dwelling; who lack or have no security of tenure; or who have a lack of privacy, safety or ability to control one's living space. The Australian Institute of Health and Welfare defines homelessness as those living in non-conventional accommodation or sleeping rough, in short-term or emergency accommodation, due to a lack of other options.
Homelessness services	Programs that offer support to clients who are experiencing, or who are at risk of, homelessness. Support may include the provision of crisis accommodation, assistance to sustain housing, mental health services and other specialist services and general assistance.
Home ownership	Having rights (for example, rights to the capital appreciation) and responsibilities (for example, liability to pay land taxes) associated with ownership of a dwelling.
Housing assistance	May include enabling access to non-market housing (such as social housing) and providing targeted financial assistance.
Housing affordability	The relationship between housing costs (such as mortgage costs and rent costs) and household income.
Housing outcomes	The impacts of the housing system on households and individuals.
Housing stress	Housing stress can include mortgage stress and rental stress. Common measures of housing stress include the housing cost-to-income ratio exceeding 30 per cent, and the housing cost-to-income ratio for lower-income households (those in the two lowest income quintiles) exceeding 30 per cent (the '30/40 rule'). The most extreme form of housing stress is homelessness. Box 4.1 provides further information on housing stress.
Housing system	Includes the production, consumption, exchange and regulation of housing, as well as government policy, for private housing, non-market housing, marginal housing and those experiencing homelessness.
Household formation	The change in the number of households from one year to the next.
Indigenous community housing (ICH)	Housing that Indigenous community organisations own and/or manage. These organisations may either directly manage the dwellings they own or sublease tenancy management services to the relevant state or territory housing authority or another organisation. This type of housing is made available to households with at least one Indigenous member (National Indigenous Australians Agency 2022).
Indigenous Land Use Arrangement	A voluntary agreement made under the <i>Native Title Act 1993</i> between native title parties and other people or bodies about the use and management of areas of land and/or waters.
Institutional investment	Entities through which investors collectively invest large quantities of capital for the long term, typically by spreading their funds across a diverse range of investments. In the housing market, institutional investment typically refers to equity finance invested in a collection of related dwellings to provide rental services at scale. It can also include debt finance provided by non-bank lenders.
Market housing	Housing provided in the private market.
Modern methods of construction (MMC)	Innovative building techniques that enhance the efficiency, quality and sustainability of work in the construction industry, such as prefabricated building or modular construction.
Net new housing supply	The number of new dwelling completions in a given time period less the number of dwellings that are demolished or destroyed in that period.
Net overseas migration (NOM)	The difference between the number of overseas migrant arrivals and the number of overseas migrant departures. An overseas migrant arrival occurs when a non-resident enters Australia and remains for 12 months or more during the subsequent 16-month period. An overseas migrant

Term	Definition
	departure occurs when a resident leaves Australia to remain overseas for 12 months or more during the subsequent 16-month period.
Nominal	Unadjusted for inflation.
Non-Indigenous Australians	Australians who do not identify as First Nations people.
Non-market housing	Housing provided at below-market prices, which includes social and affordable housing, crisis housing and transitional housing.
Overcrowding	The requirement of one or more additional bedrooms in a household to meet occupancy standards. Occupancy standards are calculated by the Australian Bureau of Statistics according to the Canadian National Occupancy Standard.
Pandemic	Refers to COVID-19, which was declared a worldwide pandemic by the World Health Organisation on 11 March 2020. Australia's Chief Medical Officer declared COVID-19 to no longer be a Communicable Disease Incident of National Significance in October 2023.
Persistent homelessness	Clients of specialist homelessness services who have been homeless for more than 7 months in the preceding 24 month period.
Planning system	The system under which land is made available and regulated, including for housing development.
Public housing	Housing owned and managed by state and territory governments.
Real	Adjusted for inflation.
Shared equity scheme	A scheme whereby the home buyers shares the capital cost of purchasing a home with an equity partner, such as the government.
Social housing	Low cost or subsidised rental housing provided by government or non-government (including not-for-profit) organisations. Social housing includes community housing, public housing and State owned and managed Indigenous housing.
State owned and managed Indigenous housing (SOMIH)	Housing administered by state and territory governments that is specifically targeted to Indigenous households.
Supply shortfall	New underlying demand less net new housing supply in a given time period.
Supported market rental housing	Rental housing provided at a market rate by a private landlord where the tenant receives direct income support, usually from the government, to help reduce housing costs (such as Commonwealth Rent Assistance).
The National Housing Accord	An Australian Government initiative that brings together all levels of government, investors and the residential development, building and construction sectors to unlock quality, affordable housing supply over the medium term. Includes an aspirational target to build 1.2 million new well-located homes over 5 years from mid-2024 together with immediate and longer-term actions for all parties to support the delivery of more affordable homes.
Underlying demand	An estimate of the number of dwellings that would be required to accommodate the population based on its demographic characteristics, which influence the way individuals to group themselves to form various living arrangements.
Unmet housing need	An estimate of the number of households without access to appropriate housing. This includes households on low incomes paying more than 30 per cent of their income on rent and households that would be formed by the homeless population if their housing needs were met (this can be estimated by dividing the homeless population by the average household size).
Vacancy rate	The proportion of inhabitable rental premises which are vacant.

Appendix B: The Council's work over the year

Council activity in 2024–25

Under the *National Housing Supply and Affordability Council Act 2023*, the Council is required to report to the Minister each financial year on research into housing supply and affordability it has undertaken, and any findings, conclusions or recommendations resulting from that research. The results of the Council's 2024–25 research is included in this report.

Submission to the Senate inquiry into improving consumer experiences

On 6 May 2024, the Council made a submission to the Senate Inquiry into improving consumer experiences, choice and outcomes in Australia's retirement system. The submission included the Council's published research on the state of the housing system and barriers to institutional investment, finance and innovation in housing.

Submission to the Help to Buy program directions

On 22 May 2024, the Council made a submission to Treasury's consultation on the Help to Buy program directions. The submission provided suggestions for improving and refining the communication of applicant eligibility, income thresholds, the frequency of reviews and the administration of the program, including insurance and valuation requirements.

Housing Australia Future Fund annual disbursement allocation

On 23 May 2024, the Council provided advice to the Minister for Housing on the Housing Australia Future Fund disbursements for the 2024–25 financial year, in line with requirements under the *National Housing Supply and Affordability Council Act 2023*.

Workshop on the Council's demand and supply model

On 16 August 2024, the Council convened a workshop with staff from Treasury and members of the academic community to discuss the Council's capability for forecasting housing demand and supply.

Submission to the Senate Inquiry into the financial regulatory framework and home ownership

On 23 September 2024, the Council made a submission to the Senate Inquiry into the financial regulatory framework and home ownership. The submission included the Council’s published research on the state of the housing system, barriers to institutional investment, finance and innovation in housing, and the Chair’s address at the National Press Club.

Best practice principles on planning reform

On 9 December 2024, the Council provided the Minister for Housing its views on best practice principles for planning reforms.

Data and modelling

The Council further developed its housing system model to better support its responsibilities as an independent body providing advice and evidence base for housing policy making. Specifically, it has expanded the model’s capability to forecast variables at the state and territory level. The Council has also improved the way construction costs are incorporated into forecasts, and improved how shocks to the housing market impact its outlook over the Housing Accord period. The Council has used this capability to provide advice to government on a range of housing related matters.

Suitability of the national new homes housing target

Under the National Housing Accord, the Council is required to regularly advise on the suitability of the 1.2 million national new homes target in consultation with the states and territories, and in response to ongoing monitoring of the capacity of the residential building industry. The Council’s model, developed to fulfil its legislative obligations, was used to advise on the suitability of the national housing target and fulfils this commitment under the Housing Accord. This report provides the Council’s analysis of the suitability of the national housing target.

Table B.1 Significant meeting dates

Meeting	Location	Date
Council meeting	Perth	28 June 2024
Council meeting	Canberra	5 September 2024
Council meeting	Melbourne	15 October 2024
Council meeting	Hobart	29 November 2024
Council meeting	Virtual	16 January 2025
Council meeting	Virtual	11 February 2025

Managing declarations of interest

Council members are statutory officials and are bound by legislation related to conflicts of interest. To manage potential or perceived conflicts of interest, the Council has established processes to declare and manage these interests, including maintaining an annual disclosure register and providing updates at each Council meeting.

Annual disclosure register

To uphold best practice in managing conflicts of interest, the Council provides an annual letter to the Minister noting how it manages its conflict of interest, and an annual disclosure register that lists relevant private interests declared by members. If members make a material declaration between these annual updates, the Minister will be notified, as per requirements under the *Public Governance, Performance and Accountability Act 2013*. Declarations are revised and resubmitted whenever there is a change in personal circumstances and/or a change in work responsibilities that could involve a new real or apparent conflict of interest.

On 9 October 2024 the Council provided an updated annual disclosure register to the Minister for Housing, the Hon Clare O'Neil.

Disclosure at each Council meeting

At the beginning of each Council meeting, the Chair asks members to declare any conflicts of interest relating to items on the agenda and to advise of any necessary changes in circumstances. Should a member be conflicted with an item on the agenda, they may be recused from the discussion. If this was to occur, it would be recorded in the meeting minutes and appropriate steps would be taken to manage the risk. Any additional declarations made at the meeting are recorded in the meeting minutes and updated in the Disclosure Register, which is provided to the Minister as an update to the annual record.

Appendix C: Report methodology

The Council’s *State of the Housing System 2025* provides an overview of the state of the housing system in 2024–25, including housing demand, supply and affordability.

Timeline and process

Under the *National Housing Supply and Affordability Council Act 2023*, the Council is required to submit an annual State of the Housing System report to the Minister no later than 10 months after the end of the financial year. The 2024–25 report was provided to the Minister for Housing, the Hon Clare O’Neil on 24 April 2025.

The Council led the report’s development with the assistance of the Office of the National Housing Supply and Affordability Council (the Office). The Office is staffed by Australian Public Service employees, who are made available to the Council by Treasury. The Office works under the direction of the Council.

Table C.1 National Housing Supply and Affordability Council members

National Housing Supply and Affordability Council members	
Ms Susan Lloyd-Hurwitz (Chair)	
Dr Marcus Spiller (Deputy Chair)	
Mr Michael Lennon	
Professor Rachel Ong ViforJ	
Ms Helen Waters Silvia	
Ms Gail McGowan PSM	
Ms Carolyn Viney	
Mr Neil Willmet	
Ms Victoria Anderson (ex-officio)	

Information sources

The Council used a range of information sources to inform its research and analysis, including existing housing literature (see references at Appendix D), government and non-government data, and insights from stakeholder consultations. The Council also considered international housing experiences where relevant.

Bilateral interviews and roundtable discussions

The Council convened a series of bilateral interviews and roundtable discussions between December 2024 and February 2025. These consultations consisted of:

- bilateral interviews with representatives from all state and territory governments, and 6 stakeholder organisations
- 4 roundtable discussions on academic perspectives on housing, the housing industry, the community housing sector and First Nations housing.

The Council is grateful to all stakeholders who contributed their time and insights to aid the development of the report (Table C.2).

Table C.2 Stakeholder consultations

State and territory government agencies
Australian Capital Territory ACT Treasury Suburban Land Agency
New South Wales Department of Planning, Housing and Infrastructure NSW Treasury The Cabinet Office
Northern Territory Department of Housing, Local Government and Community Development Department of Lands, Planning and Environment Department of Logistics and Infrastructure Department of Territory Families, Housing and Communities Department of the Chief Minister and Cabinet Department of Treasury and Finance
Queensland Department of Housing and Public Works Department of State Development, Infrastructure and Planning Queensland Treasury
South Australia Department for Housing and Urban Development Department of Treasury and Finance SA Housing Trust
Tasmania Department of Premier and Cabinet Department of State Growth Homes Tasmania
Victoria Department of Transport and Planning Department of Treasury and Finance Victoria Homes Victoria
Western Australia Department of Treasury

Table C.2 Stakeholder consultations (continued)

Stakeholder organisations
Aboriginal Community Housing Limited
Aboriginal Housing Northern Territory
Aboriginal Housing Office NSW
Aboriginal Housing Victoria
Australian Alliance to End Homelessness
Australian Government Department of Social Services
Australian Housing and Urban Research Institute
Australian Local Government Association
Birribee Housing
Coalition of Peaks
Community Housing Industry Association
Community Housing Industry Association NSW
Curtin University
Domain
First Peoples Disability Network
Henley
Homelessness Australia
Housing Australia
Indigenous Business Australia
Master Builders Australia
Metricon
National Indigenous Australians Agency
National Shelter
Planning Institute of Australia
PowerHousing Australia
Property Council of Australia
RMIT University
Shelter NSW
Tasmanian Aboriginal Centre
University of Adelaide
Urban Development Institute of Australia
Yindjibarndi Nation Limited

Disclaimers

Hilda Survey Disclaimer

This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS or any of DSS's contractors or partners.
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Appendix E: Selected housing data, financial year, 2018–19 to 2023–24

Indicator	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	Change	
							1y	5y
Dwelling approvals ^(a)	188,504	173,692	220,737	202,791	177,194	164,221	-7.3%	-12.9%
Houses	112,322	104,529	146,911	125,398	107,328	106,058	-1.2%	-5.6%
Higher-density	76,183	69,163	73,828	77,394	69,870	58,164	-16.8%	-23.7%
Public housing	2,420	2,731	3,904	3,956	2,972	2,733	-8.0%	12.9%
Dwelling completions ^(b)	214,906	191,846	180,278	172,714	173,986	176,748	1.6%	-17.8%
Houses	121,546	105,175	104,657	115,760	110,812	114,354	3.2%	-5.9%
Higher-density	91,668	85,429	74,614	56,045	62,462	61,525	-1.5%	-32.9%
Public housing	2,587	2,253	2,826	2,432	3,181	3,288	3.4%	27.1%
Net new dwellings ^(c)	192,500	167,600	155,800	145,600	153,100	155,500	1.6%	-7.2%
Housing prices (\$) ^(d)	531,052	543,154	592,500	709,398	717,581	764,013	6.5%	43.9%
Capital cities (\$)	609,843	626,730	671,238	789,608	782,776	839,778	7.3%	37.7%
Regional areas (\$)	376,275	387,502	434,132	546,620	581,298	610,738	5.1%	62.3%
Advertised rents (\$) ^(e)	412	409	426	454	516	579	12.2%	40.7%
Capital cities (\$)	433	430	440	461	530	603	13.8%	39.1%
Regional areas (\$)	353	357	385	432	473	507	7.3%	43.4%
Rental vacancy rate (%) ^(f)	2.6	2.7	3.1	2.6	1.6	1.6	0.0pp	-1.1pp
Mortgage cost-to-income ratio, new mortgage (%) ^(g)	32.1	29.8	30.3	34.5	42.7	48.7	6.0pps	16.6pps
Rent-to-income ratio, new lease (%) ^(h)	27.3	26.6	26.7	28.2	30.0	31.9	1.9pps	4.6pps
Years to save a 20% deposit ⁽ⁱ⁾	8.6	8.6	9.1	10.4	10.0	10.3	3.4%	19.2%
Homelessness ^(j)	122,494							
Homelessness services ^(k)	290,317	290,462	278,275	272,694	273,648	280,078	2.3%	-3.5%
House construction material costs (index) ^(l)	117.7	119.0	121.9	138.0	154.7	158.2	2.3%	34.4%
Construction sector wages (index) ^(m)	130.2	132.3	134.0	137.6	142.8	148.7	4.1%	14.2%
RBA cash rate target (%) ⁽ⁿ⁾	1.25	0.25	0.10	0.85	4.10	4.35	25bps	310bps
Population ('000) ^(o)	25,335	25,649	25,685	26,014	26,653	27,194	2.0%	7.3%
Average household size ^(p)	2.54	2.57	2.53	2.53	2.52	2.53	0.6%	-0.2%

Note: c) Net new dwellings is new market housing minus housing demolitions. d) Financial year-average, national estimated median sales value. e) Financial year-average, national median advertised weekly rental rate (rolling 3-month period). f) Financial year-average. g) Percentage of gross household income needed to service a new mortgage, financial year-average. h) Percentage of gross household income needed for rent on new lease, financial year-average. i) Financial year average. j) Homelessness figures released on a 5-year basis at Census. k) Clients assisted by specialist homelessness services. l) Input costs to house construction index, financial year-average. m) Private sector construction wage index, financial year-average. n) Cash rate target as of 30 June each year. o) Estimated resident population.

Source: a) ABS Building Approvals. b) ABS Building Activity. c) ABS Building Activity; NHSAC. d) CoreLogic. e) CoreLogic. f) REIA. g) CoreLogic and ANU. h) CoreLogic and ANU. i) CoreLogic and ANU. j) ABS 2021 Census. k) Productivity Commission; Australian Institute of Health and Welfare. l) ABS Producer Price Indexes. m) ABS Wage Price Index. n) RBA. o) ABS National, state and territory population. p) ABS Labour force status of families; Treasury.

