

Get ready for another structural housing shortage

By [Leith van Onselen](#) in [Australian Property](#) at 12:10 am on October 23, 2019 | [15 comments](#)

Australians are going to have to get used to living in more cramped and crowded accommodation as housing supply once again falls below rampant immigration-fuelled population growth.

That's the view of Australia's largest listed developer, Stockland, who has [warned](#) that housing shortages are developing from coast-to-coast:

The country's largest listed residential developer Stockland has warned that housing shortages could emerge in every market in Australia as the property cycle accelerates...

"We expect you will see quite a considerable undersupply emerge in just about every housing market in the country," [CEO Mark Steinert said]...

Tim Johansen, the global head of capital at development financier Qualitas, [backed this view](#):

"There might be a lot of cranes on the skyline but that masks what is happening"...

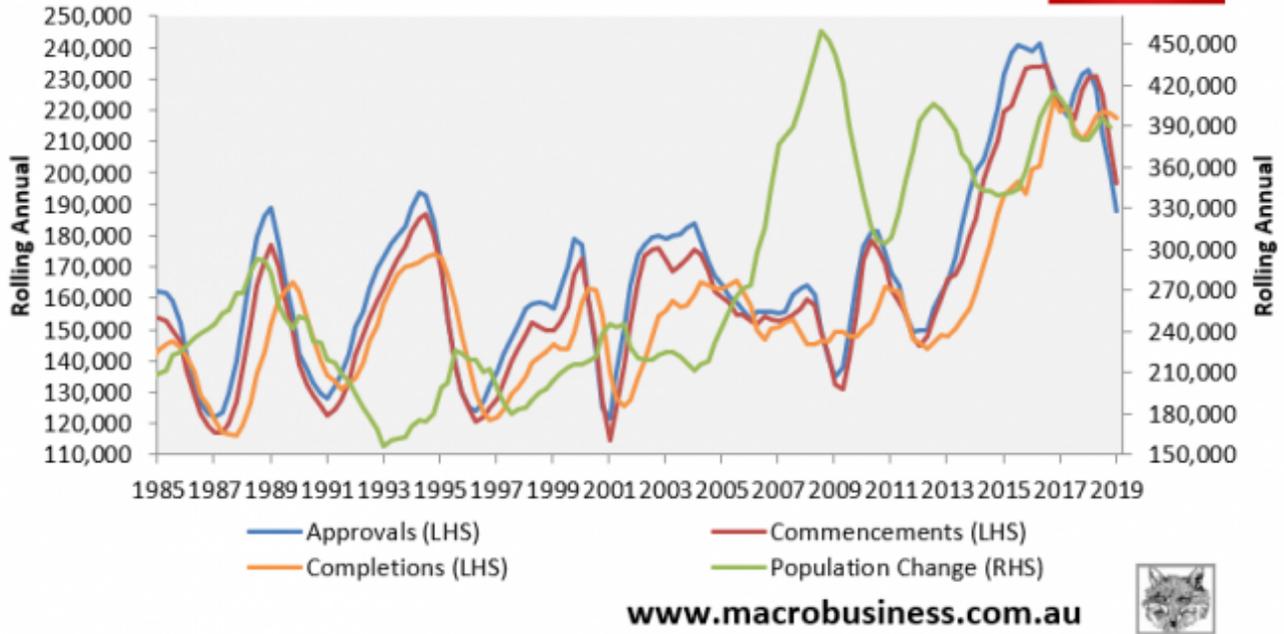
"We think the supply has dropped off big time and it's taking a lot longer to get a new development started"...

The [RBA](#), [CBA](#) and [BIS Oxford Economics](#) all made similar predictions last week.

It's hard to disagree. Both dwelling approvals and commencements have collapsed, meaning that dwelling supply will fall sharply over the next two years at least:

Dwelling Construction vs Population Change

Source: Australian Bureau of Statistics



Growing concerns over apartment quality, alongside growing developer bankruptcies, will also prevent construction from rebounding. Thus, we are looking at a protracted construction downturn.

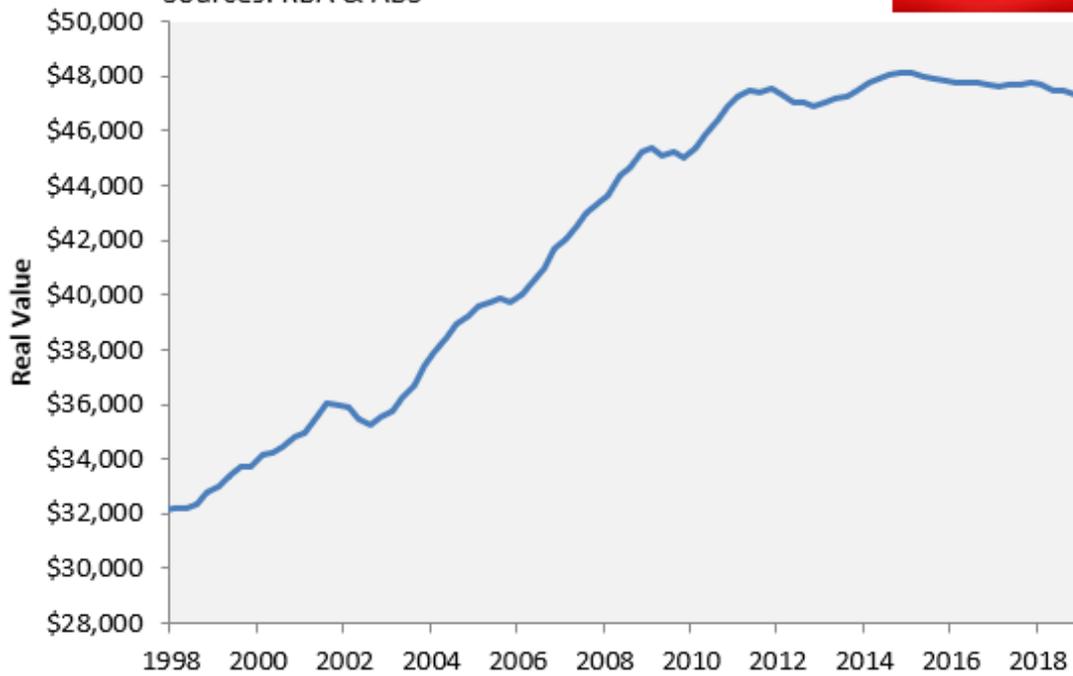
However, just because Australia's housing market is headed into structural undersupply doesn't automatically mean that prices and rents will surge.

Household income growth remains anaemic:

Real Household Disposable Income per Capita

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Sources: RBA & ABS

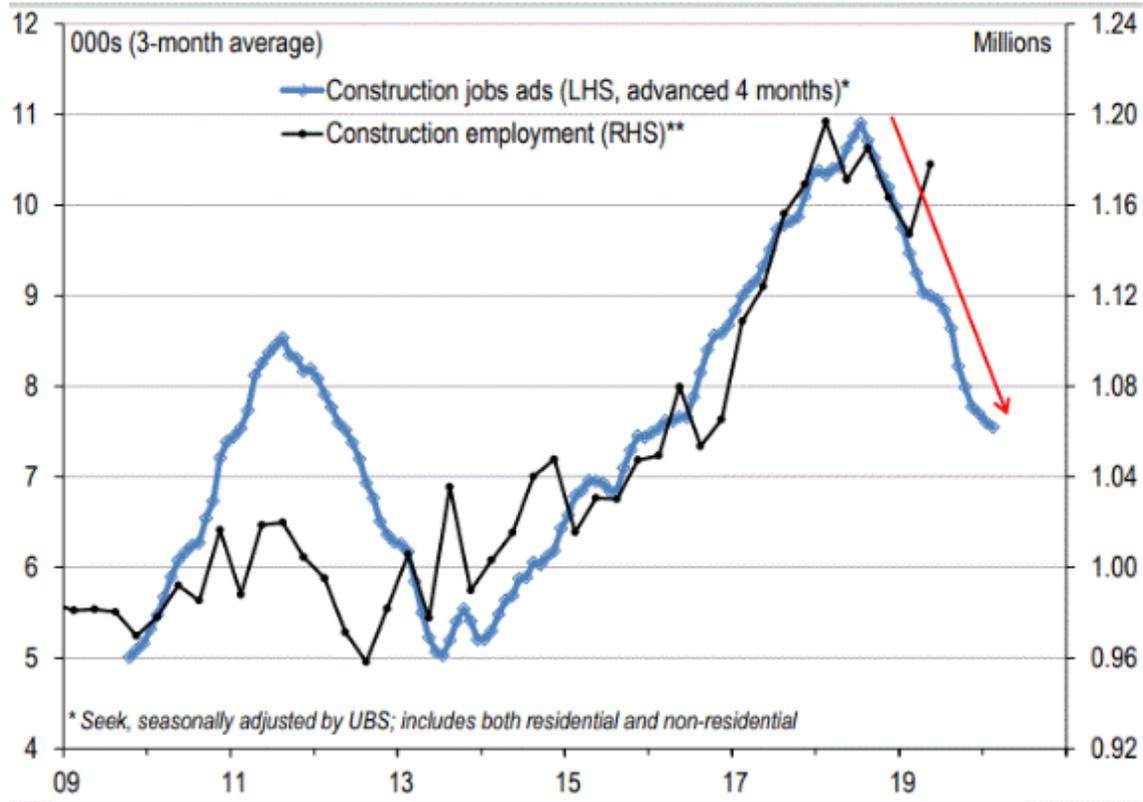


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Whereas unemployment is also set to rise, owing partly to the construction jobs bust:

Figure 24: The downturn in dwelling activity is 'confirmed' by a collapse in construction job ads, pointing to a material drop in construction employment ahead



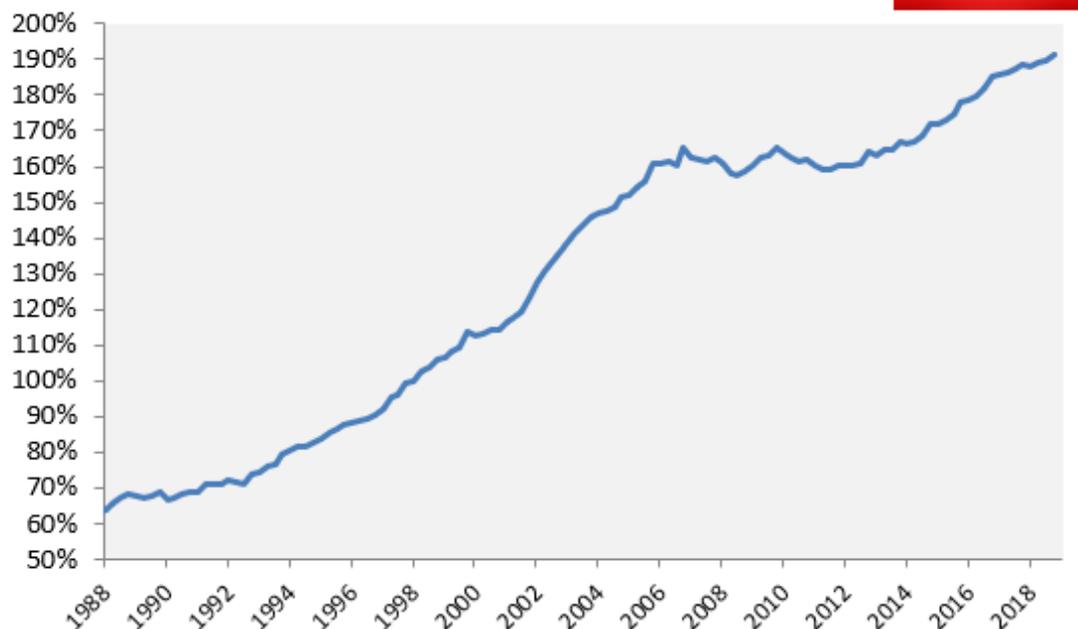
Source: ABS, Seek, UBS

Australian households are also carrying gigantic debt loads at the same time mortgage rates are approaching their structural bottom:

Australian Household Debt to Disposable Income

Source: Reserve Bank of Australia

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The likely scenario is that household formation will slow as more Australians hunker down together (e.g. youngsters will live with mum and dad for longer or in group homes).

Accordingly, the slowing housing supply will be met by slowing demand, thereby limiting any rent / price increases.