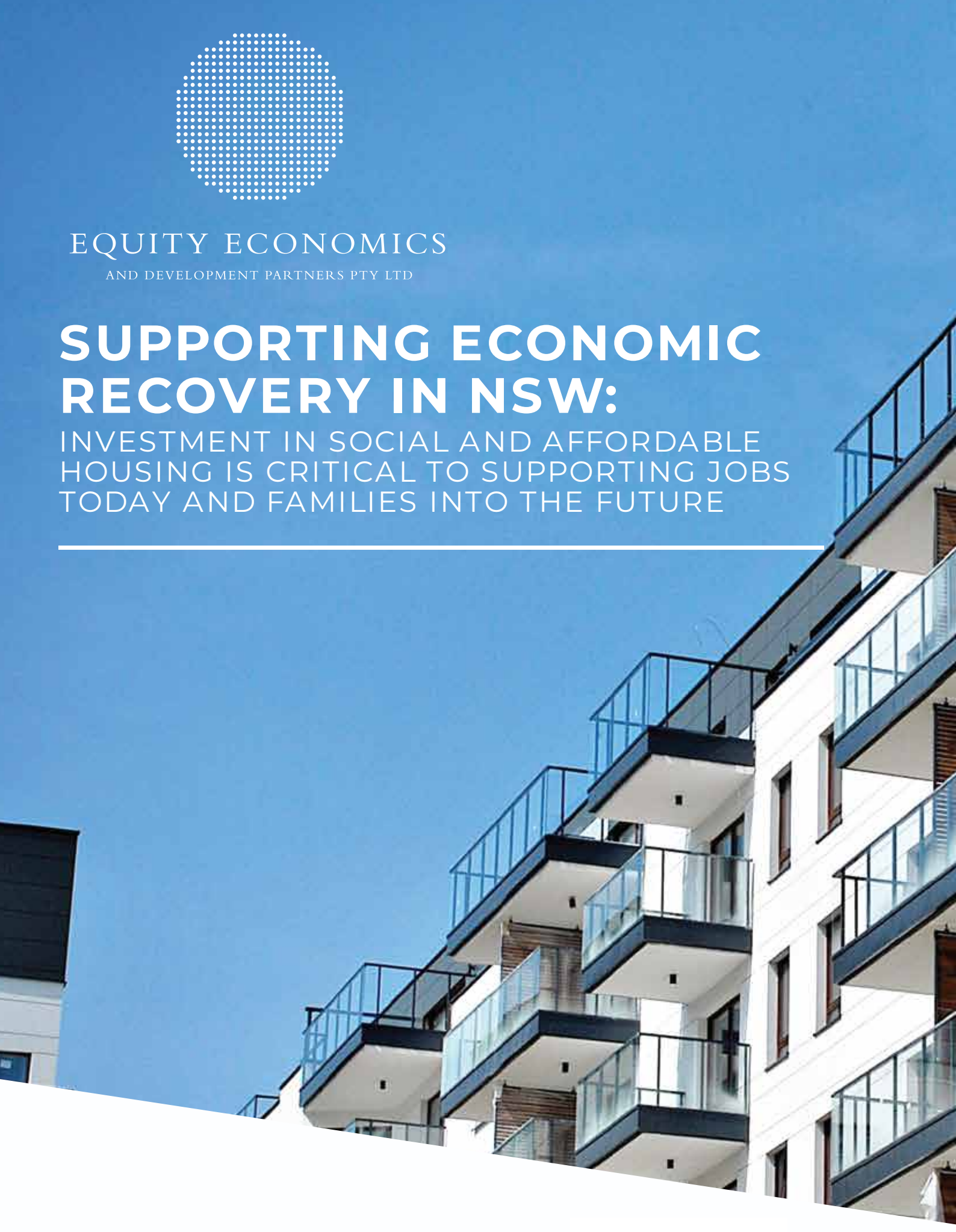
EQUITY ECONOMICS

AND DEVELOPMENT PARTNERS PTY LTD

SUPPORTING ECONOMIC RECOVERY IN NSW:

INVESTMENT IN SOCIAL AND AFFORDABLE HOUSING IS CRITICAL TO SUPPORTING JOBS TODAY AND FAMILIES INTO THE FUTURE



ncoss NSW Council of Social Service

Shelter NEW SOUTH WALES

COMMUNITY HOUSING INDUSTRY ASSOCIATION NSW

TENANTS' UNION OF NEW SOUTH WALES

Homelessness NSW

ECONOMIC SHOCK

THE ECONOMY IS FORECAST TO SHRINK BY 10% IN THE NEXT QUARTER

Unemployment is projected to increase from 5.2% to between 10% and 15% this year (equating to between 430,000 and 650,000 NSW citizens unemployed)

House prices are projected by a range of forecasters to decline by between 5% and up to 20%[1] - placing household spending and wealth at risk

Once the **Jobseeker** supplement is removed rents will remain beyond the reach of low-income households, with median rents needing to fall by between 55% and 75% to be affordable for those households

THE PUBLIC HEALTH MEASURES TAKEN TO SUCCESSFULLY CONTAIN COVID-19 HAVE RESULTED IN THE BIGGEST ECONOMIC SHOCK IN NEW SOUTH WALES' HISTORY.

Hundreds of thousands have lost their jobs and are facing financial hardship for the first time. The economy must now recover at a time of record levels of household debt and without the support of drivers of growth, including international migration. The NSW government will need to invest to sustain a recovery for the people of NSW, our communities and the economy.

The most immediate challenges emerging from the crisis are rapidly rising unemployment, widespread failure of small and medium enterprises (SMEs), falling incomes and wealth and, perhaps most concerningly, rising inequality and disadvantage. The optimal fiscal policy response will simultaneously address each of these challenges. Few policy levers present such a solution, the exception being greater investment in social and affordable housing.

[1]https://www.savings.com.au/home-loans/nab-coronavirus-impact-could-see-house-prices-drop-30

NEW MODELLING BY EQUITY ECONOMICS ESTIMATES THAT:

- The forecast drop in international migration will translate to **reduced demand for housing of 38,500 units over 2020 and 2021** – the equivalent of an entire year of residential housing construction in NSW
- **As a result, up to 85,000 jobs are at risk** in the residential construction sector across NSW over the next 18 months
- **97,000 SMEs dependent on residential construction are at risk** of not reopening their doors in NSW without additional investment
- **Rising unemployment is projected to increase homelessness** by between 7,905 and 16,140 people in NSW

  Increased homelessness is estimated to cost between $218 million and $445 million each year due to higher health and social service costs

SOCIAL AND AFFORDABLE HOUSING TICKS ALL THE POLICY GOALS FOR ECONOMIC RECOVERY

The goal of economic policy in the recovery phase are to support...				
Policy options	Jobs	Small & Medium Enterprises	Income & Wealth	Disadvantage Groups
Payroll tax cuts	✓	✗	✓	✗
Stamp duty reform	✗	✗	✓	✗
Grants to local councils	✓	✓	✗	✓
Grants for social services	✓	✗	✓	✓
Increase spending on major infrasructure (e.g, roads)	✓	✓	✓	✗
Invest in social and affordable housing	✓	✓	✓	✓

SUPPORTING THE RECOVERY

In this report we analyse the economic and social benefits of:

- Building additional social and affordable housing stock across NSW, to recharge the the economy
- Repairing old social housing stock, further boosting employment
- Rapidly acquiring available properties in the private market to find a permanent solution for rough sleepers and others in temporary/crisis accommodation

We find that these intiatives meet the recovery goals of:

RESPONDING TO RISING UNEMPLOYMENT:	The housing construction sector is a major employer and investment in social and affordable housing is critical to meeting affordable housing needs driven by higher unemployment;
SUPPORTING BUSINESS, PARTICULARLY SMEs, INCLUDING IN REGIONAL AREAS:	Investment in social and affordable housing will fuel SMEs and jobs right across NSW;
SLOWING THE DECLINE IN INCOME AND WEALTH:	Investing in the existing housing stock will address growing demand, while also supporting house prices, being a key component of wealth for NSW households;
EASING INEQUALITY AND DISADVANTAGE:	Investment in social and affordable housing supports the most vulnerable Australians, including those experiencing or facing homelessness and rising domestic violence, while aiding the economic recovery.

This report contains original analysis that confirms the burgeoning pressure on housing in NSW, and the critical role increased public investment in social and affordable housing can play in supporting NSW's economic and social recovery.

GROWING DEMAND

Before COVID-19 there was a wait list of 50,000 people for social housing in NSW[2] , and 231,000 low-income households paid more than 30 per cent of their income in rent.[3]

Nearly a third of Australians have reported that their household finances had worsened due to COVID-19, and 7.5 per cent are struggling to pay their bills.[4]

As unemployment grows more people in NSW will become at risk of homelessness.

HOW WILL RISING UNEMPLOYMENT IMPACT HOMELESSNESS?

Higher rates of unemployment cause more people to enter homelessness and less people to leave homelessness – increasing the overall numbers of people that are homeless.[5]

At the 2016 Census there were 37,715 people homeless in NSW, either sleeping rough or sleeping in inadequate and insecure housing.

Based on previous studies using data from Journey's Home we estimate that an increase in unemployment rate in NSW between 5 and 10 per cent will lead to an increase in the number of homeless people of between 22.8 and 46.5 per cent.[6]

[2]Davidson, P., Saunders, P., Bradbury, B. and Wong, M. (2020), Poverty in Australia 2020: Part 1, Overview. ACOSS/UNSW Poverty and Inequality Partnership Report No. 3, Sydney: ACOSS.
[3]Australian Bureau of Statistics (2019), Catalogue 4130.0 - Housing Occupancy and Costs, 2017-18
[4]Australian Bureau of Statistics (2020), Catalogue 4940.0 - Household Impacts of COVID-19 Survey, 14-17 Apr 2020
[5]Guy Johnson, Rosanna Scutella, Yi-Ping Tseng & Gavin Wood (2019) How do housing and labour markets affect individual homelessness? Housing Studies, 34:7, 1089-1116, DOI: 10.1080/02673037.2018.1520819
[6]See Appendix for methodology

THIS REPRESENTS BETWEEN 7,905 AND 16,140 ADDITIONAL PEOPLE WITHOUT A HOME OVER THE BASE CASE.

People who have never experienced homelessness will now do so for the first time.

Homelessness is costly in terms of additional health and social services that individuals require, and the lost income and reduced taxation. Based on previous estimates for Australia this can be expected to cost between $218 million and $445 million each year.[7]

This costing is conservative, noting a range of costs associated with homelessness have not been included here, including poor educational outcomes for children[8], higher temporary accommodation costs, lost rental bonds and legal costs.[9]

39 per cent of homeless service providers have already reported an increase in demand for services during March and April.

Increasing rates of domestic violence add to the number of people at risk of homelessness. 47.5 per cent of workers in domestic violence services reported that since the start of COVID-19[10] they had seen women who were accessing support for the first time.

The Tenants Union of NSW has recorded a 493 per cent increase in people accessing information on being behind in rent on their website during March and April. In the first week of March, calls to the Tenants Union doubled and have increased 10-20% per week since.

[7]See Appendix for methodology
[8]Australian Institute of Health and Welfare 2020. Australia's children. Cat. no. CWS 69. Canberra: AIHW. Page 280
[9]Mission Australia, From Homelessness to Sustained Housing, 2010-2013, Research report
[10]Women's Safety NSW (2020), UPDATE: Impacts on COVID-19 on Domestic Violence in NSW, 2 April 2020

CASE STUDY: HOUSING STIMULUS DURING THE GFC SUPPORTED CLOSE TO 10,000 JOBS

Joanne* is a 45 year old, single mother living on the Central Coast with her two daughters aged 16 and 11. Joanne has always worked hard holding down multiple jobs. To help manage costs, Joanne rented a house with a friend, Claire, sharing the $600 rent/week.

When COVID-19 hit and social isolation restrictions commenced, both Joanne and Claire immediately lost their jobs.

Without an income, Claire had no choice but to move out. Joanne was the only person nominated on the lease, leaving her to pay the full rent.

Out of work since March 9th and despite becoming an Uber driver to try and cover costs, Joanne was issued an eviction notice for March 15th. The landlord was unwilling to commence payment plans with Joanne.

Joanne only recently commenced receiving Jobseeker payments, arriving more than 4 weeks after her last pay cheque and too late to stay in their home. The $1,200 per fortnight

Joanne now receives would have temporarily helped covered rent, but would have left nothing for food, utilities and any other emergency expenses.

Joanne is now living in a crisis accommodation refuge with her two daughters. This is her first time homeless.
**Names changed for privacy*

WILL LOWER RENTS SOLVE OUR HOUSING AFFORDABILITY CRISIS?

Before the introduction of the Jobseeker Supplement, Less less than 1 per cent of rental properties in in NSWGreater Sydney and Illawarra were considered affordable for families without work, as measured by requiring less than 30 per cent of household income.[11]

The welcome introduction of the Jobseeker Supplement has improved rental affordability temporarily, with 10 per cent of properties in Greater Sydney and Illawarra now affordable.[12] However, the conclusion of the Jobseeker Supplement in September 2020 will return a record number of unemployed households to few, if any, affordable housing options.

COVID-19 is expected to drive down rents due to lower population growth and the consolidation of households. A fall in rents could help address housing affordability for some, but the evidence indicates that it may not help our most disadvantaged.

This is because rents at the lower end of the market tend to be more inelastic as landlords are already only covering costs. In addition, the affordability gap is so large that median rents would need to fall between 55 and 77 per cent in NSW for rents to become affordable for someone on the base rate of Jobseeker.

How much of a person's income does it take to rent a one-bedroom apartment in Sydney on Jobseeker?

Without Supplement – 131.9 per cent
With Supplement – 74.5 per cent

How much would median rents need to fall in Sydney to be affordable?

Without Supplement – 77.3 per cent
With Supplement – 59.7 per cent

How much of a person's income does it take to rent a one-bedroom apartment in the rest of NSW on Jobseeker?

Without Supplement – 68.1 per cent
With Supplement – 38.4 per cent

How much would rents need to fall in the rest of NSW to be affordable?

Without Supplement – 55.9 per cent
With Supplement – 22.9 per cent

Source: NSW Department of Family and Community Services, Rent Tables December Quarter 2019, https://www.facs.nsw.gov.au/download?file=779069 and authors analysis (see Appendix: Methodology).
Note: Based on an individual receiving JobSeeker and full rate rent assistance renting a one bedroom apartment. For consistency median rents are used in the calculations.

[11]Australian Bureau of Statistics (2019), Catalogue 4130.0 - Housing Occupancy and Costs, 2017-18
[12]Anglicare Australia (2020), Rental Affordability Snapshot: Greater Sydney and Illawarra Report April 2020

POLICIES FOR A STRONG RECOVERY

There is an urgent need to secure, in the short term, additional social and affordable housing to provide permanent, stable accommodation for people currently homeless or housed in temporary or crisis accommodation. With the social housing system at capacity, there is no solution currently available – other than the costly continuation of temporary hotel arrangements. Continuing with temporary arrangements does not deliver stability for this vulnerable group, nor optimal use of taxpayer funds.

As the economic downturn continues, there will be others whose housing situation breaks down and who need immediate access to an affordable, secure alterative or face becoming homeless, adding to existing pressure for social and affordable housing.

At the same time, investment in social and affordable housing provides a win-win policy option for social and economic recovery.

The following policy responses are critical to meeting the rising demand for social and affordable housing as a result of the crisis and likely sustained economic slowdown, while supporting economic recovery through jobs and investment.

1. BUILDING MORE SOCIAL AND AFFORDABLE HOUSING STOCK

Residential construction is the engine room of economic growth, providing high skilled jobs in local communities. As a result of COVID-19 there has already been a 7.3 per cent reduction in the number of people employed in the construction sector in NSW during the four-week period to 18 April 2020.14 This represents 27,600 jobs already lost in the sector.

We forecast that this number will rise over the next six to eighteen months, as the impact of lower house prices and reduced demand from international migration reduces new construction.

House prices have been forecast to fall from 5 per cent up to 20 per cent, which will reduce the supply of new housing and jobs in residential construction.15

The housing market has been supported by high rates of international migration, which have fuelled higher house prices and residential construction.[16]

We estimate that the forecast drop in international migration of 30 per cent in 2019-20 and 85 per cent in 2020-21[17] will translate to reduced demand for housing of 38,000 units over 2020 and 2021.[18] This is equivalent to two-thirds of the annual residential housing construction in NSW.19

We estimate that this will result in up to 85,000 job losses, or 23.5 per cent of the construction sector workforce over the next 18 months.

This would be equivalent to the job losses experienced during the 1990's recession when 21 per cent of the construction workforce lost their jobs in NSW.[20]

Investment in social and affordable housing is critical to avoiding severe job losses, a severe decline in housing wealth, and reduced economic activity as a result of reduced housing demand (except at the lowest end where social and affordable housing is severely undersupplied).

5,000 additional units of social and affordable housing would cost $1.88 billion in 2020-21 and would support 18,000 construction jobs across NSW.

[14]Australian Bureau of Statistics (2020) Catalogue 6160.0.55.001 - Weekly Payroll Jobs and Wages in Australia, Week ending 18 April 2020
[15]Oliver, Shane (2020), The threat to Australian house prices from Coronavirus, https://www.amp.com.au/insights/grow-my-wealth/the-threat-to-australian-house-prices-from-coronavirus
[16]Saunders, T and Peter, T (2019), RBA Research Discussion Paper 2019-01: A Model of the Australia Housing Market, Economic Research Department, Reserve Bank of Australia
[17]Truu, M (2020), Australia's migration intake to fall 85 per cent due to coronavirus, Scott Morrison say, SBS News
[18]See Appendix for methodology
[19]Australian Bureau of Statistics, Residential Dwellings: Values, Mean Price and Number by State and Territories

Building more social and affordable housing stock offers both short term stimulus to the residential construction sector and household wealth, as well as long term benefits due to improved housing security, health and economic participation. This investment can be spread out across NSW, generating employment in regional economies.

2. REPAIRING EXISTING SOCIAL HOUSING STOCK

International evidence finds that the optimal recovery measures following an economic crisis are those that rapidly roll out investment in support of employment and business, while fulfilling infrastructure gaps, including in the housing sector.[22]

Consistent with this finding, the NSW Government announced $60 million for housing repairs and maintenance as part of its response to the current crisis. This is a welcome investment at a critical time.

However, estimates of actual costs of the required repairs and maintenance to NSW's social housing stock are in the hundreds of millions.

Building on the initial announcement, a further increase in expenditure for repairs and maintenance of the social housing stock of $500 million has the potential to support 4,200 jobs, including in regional NSW.

At the same time, the 97,000 small businesses dependent on the residential construction and maintenance sector – such as tradespeople and suppliers of building materials, will be supported.

[20]In Victoria over 30 per cent of construction workers lost their jobs during the 1990s recession.
[21]See Appendix for methodology
[22]Jon Strand and Michael Toman, "Green Stimulus" Economic Recovery, and Long-term Sustainable Development, The World Bank Group, Policy Research Working Paper 5163, January 2010

CASE STUDY: HOUSING STIMULUS DURING THE GFC SUPPORTED CLOSE TO 10,000 JOBS

During the global financial crisis (GFC), measures focused on infrastructure, including housing infrastructure, were found to be the most effective in supporting economic recovery. International evaluations used fiscal multipliers to measure the relative effectiveness of policy options.

More effective policies achieve fiscal multipliers close to, or in excess of 1, which means output is increased by more than the additional spending. The IMF found government investment in infrastructure has the highest short run multiplier, followed by government consumption and spending.[23] Revenue measures such as corporate and personal income tax cuts have the lowest effects on GDP (see Table 1).

Table 1. Fiscal Multipliers

	Lower Bound	Upper Bound
Tax cuts	0.3	0.6
Infrastructure Investment	0.3	1.8
Other 1/	0.3	1.0

1/ Includes additional spending on safety nets, transfers to state and local governments,assistance to small and medium enterprises, and support for housing markets. Source: IMF

Australia's experience during the GFC confirms these findings. As part of the Federal Government response, the Home Insulation Program insulated 1.1 million homes and 19,591 rental properties. The investment in home solar panels improved energy efficiency in over 225,000 houses.[24] These measures, despite serious challenges, supported 6,000 to 10,000 jobs and small businesses through the crisis, while achieving lasting gains for households.

[23]IMF, Group of Twenty, Meeting of the Deputies, January 31 – February 1, 2009, London U.K, page 19.
[24]Tienhaara, Kyla, Green Stimulus and Pink Batts: The Environmental Politics of Australia's Response to the Financial Crisis, 2014. https://ssrn.com/abstract=2440147 or http://dx.doi.org/10.2139/ssrn.2440147

3.ACQUIRING EXISTING STOCK

While building additional housing stock and repairing existing stock will provide a much needed boost to the construction sector, there is an immediate need for additional housing to meet the public health needs of COVID-19.

The individual and community risk of 2000 rough sleepers during the COVID-19 pandemic has been recognised by the NSW Government, which is currently providing free hotel accommodation and additional rental assistance.

At the conclusion of this support, there is currently no housing or alternative accommodation arrangements for these people.

Continuing this hotel and additional rental assistance program until a vaccine is hoped to become available (estimated within 18 months) would cost a further $182 million.[25]

Given the inadequacy of hotel accommodation for rough sleepers, a far more effective and sustainable use of these funds is to acquire existing housing stock for immediate use.

Acquiring properties in turnkey or ‘scaffold ready’ developments that are at or near completion is one possible option for the Government to consider.

A number of apartment development projects may face issues in the coming months with purchasers unable to complete transactions due to changed financial circumstances and lending requirements.

Government purchasing of these units could help mitigate the disruptive impact on the apartment sector, and provide much needed emergency accommodation.

[25]Based on current programme costing $14 million for six weeks, and the costs of extension for 78 weeks from 1 July 2020 to 31 December 2021.

CASE STUDY: THERE MUST BE A PATH TO A HOME AFTER HOTEL STAY

“Matthew has slept rough on-and-off for 22 years but this week he stuffed all his possessions into a bag and prepared to make the walk to his new temporary home — a luxury hotel in Central Sydney.

Thousands of people like Matthew who are experiencing homelessness across NSW are being moved into three, four and five-star hotels under a State Government scheme to enable them to socially distance properly.

But the hotel offer is currently only for 30 days.

Ravi, a man who's been sleeping on a park bench for around three years, was sceptical. "Thirty days of accommodation isn't going to help me in terms of coming back and sleeping in the rain," he said.

Homeless services want the government to extend that period and hope this pandemic will set a precedent for it to provide more permanent housing for rough sleepers...

Grace Rullis, manager of homelessness services for the [Haymarket Centre] foundation, hopes the scheme can be the beginning of a revolution for how society deals with homelessness.

"This is the nicest thing that's come from this whole pandemic — that equalisation, of everyone deserves the same," she said.

She said while the hotel stay is an exciting opportunity, sudden changes and new living arrangements won't be easy for many, especially those with complex mental health issues or chronic illness. The really exciting part, she said, was that this could lead to systematic change for people experiencing homelessness.”

Extracted from SMH article, From sleeping rough to four-star hotels: How coronavirus is changing our approach to homelessness, 24 April 2020. https://www.abc.net.au/news/2020-04-25/homeless-put-up-in-four-star-hotel-during-coronavirus/12176942

“With house prices being forecast to fall by up to 20 per cent, andsignificantly reduce household wealth[26] there is a role for immediate government purchase of existing properties suited to social housing.”

This would meet the needs of rough sleepers through the pandemic and beyond.

While lower house prices may suggest greater affordability, starting from historically high house prices in NSW means that even with falling prices, affordability will remain beyond the reach of most low-income households.

Government purchasing of additional housing stock will support house prices at a critical time. Increased public investment will support stability in the housing market and preserve household spending, being critical to economic recovery.

At the same time, boosting the social and affordable housing stock will reduce the risk of homelessness confronting more and more NSW families for the first time.

[26]May, D., Nodari, G. and Rees, D.M. (2020), Wealth and Consumption in Australia. Australian Economic Review, 53: 105-117. doi:10.1111/1467-8462.12364

APPENDIX: METHODOLOGY

Increase in Homelessness Due to Unemployment Increase

We model two scenarios consistent with forecasts from economists that predict unemployment could rise by between 5 to 10 per centage points.[27]

In the 2019 study *How do housing and labour markets affect individual homelessness?*, Johnson G et al found that a one percentage point increase in unemployment within a local area increased the probability of people at risk of homelessness becoming homeless by 0.9 percentage points to 8.9 per cent and reduced the probability of someone exiting homelessness by 0.8 percentage points to 40.5 per cent.

The study sample was randomly selected from Centrelink clients deemed at risk of homelessness and included 5503 housed and 1112 homeless observations across 6 waves.

We assume from this ratio that given there were 37,715 people homeless in NSW at the 2016 Census, there are currently 149,464 people 'at risk' of homelessness.

Conservatively, we do not assume any increase in the people 'at risk' of homelessness due to COVID-19 and the economic impact. Instead we calculate how the increase in unemployment will effect the numbers of people entering and exiting homelessness within a six month period.

This means that our base case assumes a reduction in the number of people homeless within a 6 month period, as more people leave homelessness than enter homelessness.

While this is unlikely to be the case and may reflect the study not capturing everyone at risk of homelessness, we can still model the impact of unemployment increasing on homelessness against the base case.

Scenarios	Base Case	10 per cent	15 per cent
Number at Risk	149,464	149,464	149,464
Number Homeless at Start of Period	37,715	37,715	37,715
Number Entering Homelessness	11,957	18,414	25,140
Number Exiting Homelessness	14,973	13,525	12,016
Net Change	(3,016)	4,889	13,124
Increase Over Base Case	-	7,905	16,140
Total Number Homeless - ASSUMPTION ONE		42,604	50,839
Total Number Homeless ASSUMPTION TWO		45,620	53,855

ASSUMPTION ONE – BASE CASE DECLINE IN NUMBERS OF HOMELESSNESS
ASSUMPTION TWO – NO BASE CASE DECLINE DUE TO UNOBSERVED PEOPLE AT RISK ENTERING HOMELESSNESS

[27]https://www.abc.net.au/news/2020-04-13/coronavirus-unemploymentcovid-19-treasury-figures-jobless-rate/12145542

COST OF HOMELESSNESS

THE ESTIMATES OF THE COST OF HOMELESSNESS ARE TAKEN FROM TWO STUDIES:

•Study A : The Cost of Homelessness and the net benefit of homelessness programs, a national study.[28]
•Study B: The Case for Investing in Last-Resort Housing.[29]

Study A estimated the cost of homelessness at $29,450 per year in 2013 dollars. This includes health, justice, welfare and taxation foregone and the cost of children placed in care. In 2020 dollars this equates to $35,000 per homeless person.

Study B estimated the savings from reducing homelessness at $25,615 per year in 2017 dollars. This includes health, justice, individual costs, improved human capital and other. In 2020 dollars this equates to $27,584.

Using these estimates we can provide a range based on our forecast increase in the number of people becoming homeless in NSW.

	STUDY A	STUDY B
Cost of Homelessness	**$ 35,006.80**	**$ 27,584.55**
10 per cent Unemployment		
Number of Additional Homeless	7,905	7,905
2020-21 Additional Cost	$276,732,865	$218,059,162
15 per cent Unemployment		
Number of Additional Homeless	16,140	16,140
2020-21 Additional Cost	$564,996,266	$445,204,122

DECREASE IN DWELLING DEMAND

Australia is forecast to experience a reduction in net overseas migration of 30 per cent in 2019-20 and 85 per cent in 2020-21.

Based on historical trends in migration to Australia and NSW and forecast levels of migration during this period, this will result in 40,611 less people moving to NSW in 2019-20 and 87,847 less people moving to NSW in 2020-21.

Year	2019-20	2020-21
Net Overseas Migration - Australia	**271,700**	**271,300**
NSW share of Net Overseas Migration	100,920	100,771
COVID NSW Share of Net Overseas Migration	60,309	12,923
Reduction in NSW Net Overseas Migration	40,611	87,848

There are two sources used for converting the reduced amount of net overseas migration into the number of dwellings demanded.

STUDY A: Housing affordability: Re-imagining the Australian dream.[30]
STUDY B: The Housing Aspirations of New Settlers to Australia.[31]

The authors take full responsibility for the methods used and conclusions drawn using data from these reports.

	Pre-Covid 19		Post-Covid 19		Difference	
	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21
Study A						
Net Overseas Migration	100,920	100,771	60,309	12,923	40,611	87,848
Person per House	2.5	2.5	2.5	2.5		
Housing Demand	40,368	40,308	24,123	5,169	16,244	35,139
Study B						
Net Overseas Migration	100,920	100,771	60,309	12,923	40,611	87,848
Person per House	3.3	3.3	3.3	3.3		
Housing Demand	30,582	30,537	18,275	3,916	12,306	26,621

Study A estimated that an additional 450 to 550 homes were needed for each 1000 new residents once demolitions were accounted for, assuming that an additional 2 to 2.5 persons lived in each additional home.

[30] Daley, J., Coates, B., and Wiltshire, T. (2018). Housing affordability: re-imagining the Australian dream. Grattan Institute.
[31] Deloitte Access Economics (2011). The housing aspirations of new settlers to Australia Scoping Study for the National Housing Supply Council.

Study B estimates the additional demand from various streams of migration but overall assumed based on a survey of migrants that 3.3 persons lived in each new home. This equates to 300 additional homes for every 1000 new migrants.

Because STUDY B is focused on migrants, we use this as the basis of our estimates in the report but show the results from using STUDY A above.

Job Losses in Construction Sector

We use two approaches to calculate the likely loss of construction jobs:
Approach One – Apply the forecast job losses in the construction industry in NSW from Shutdown: estimating the COVID-19 Employment Shock.[32]
Approach Two – Use historical relationship between the value of construction work, the units added and the number of jobs per unit to estimate the scale of job losses.

Year	2019-20	2020-21
Pre-Covid 19 Construction Jobs NSW[33]	364,375	364,375
Approach One		
Grattan Institute Job Losses	0	0
Employment Loss in NSW	71,210	71,210
Value Per Job in Construction Sector (Average. 2018, 2019)[34]	$ 116,363	$ 116,363
Approach Two		
Reduction in Units	(12,232.29)	(26,460.21)
Value Per Unit[35]	$ 364,822	$ 377,018
Jobs Lost	(38,350.62)	(85,731.36)

Approach One is limited in that it may not incorporate the larger loss in activity in the medium term, as the modelling focused on the immediate impact of the economic lockdown. Given the nature of housing construction, we would expect the employment effects to not be fully felt for six to twelve months.

Approach Two is limited because the imprecise categorisation of employment in the residential and non-residential construction industry means that we have to assume a constant price per job across residential and non-residential construction. However, it is conservative because it underestimates the impact on employment in residential construction due to residential construction being more labour intensive than non-residential construction.

In both approaches however estimates are based on a number of assumptions, and while indicative of the size of likely job losses in the sector, should not be viewed as precise estimates.

Increase in Employment from Housing Investment

Using figures from above we assume that $116,363 in additional expenditure on construction will translate to one additional person employed, both part and full time in the construction sector.

This does not include the multiplier effect of this spending, and is conservative.

[32]Coates, B., Cowgill, M., Chen, T., and Mackey, W. (2020). Shutdown: estimating the COVID-19 employment shock. Grattan Institute.
[33]Australian Bureau of Statistics, Catalogue 6291.0.55.003 - Labour Force, Australia, Detailed, Quarterly, Feb 2020
[34]Australian Bureau of Statistics, Catalogue 8752.0 - Building Activity, Australia, Dec 2019
[35]Australian Bureau of Statistics, Characteristics of new residential dwellings - A 15 year summary