

Cutting migration won't help housing

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There's no doubt that the more people there are living in Sydney and Melbourne, the higher property prices go. This has led to some commentary about migration levels needing to be cut so that we pay less for homes.

But it isn't that simple.

For a start, housing is not unaffordable everywhere in Australia.

The problem is most acute in Sydney where a person on a median income cannot afford to buy or rent a median-priced house without going into housing stress. In Melbourne, houses are unaffordable but not apartments.

Head to Adelaide and housing is still very reasonably priced. Some regional areas have very low-cost housing. The main driver of this differential is jobs.

Sydney and Melbourne are seeing strong rises in house prices because people are moving there for jobs. Cut the jobs enough and people move away. We saw it in Sydney between 2008 and 2012 when that city saw a strong flow of people move to Western Australia. Now the situation is being reversed. Perth is seeing people move away. The good news for Perth residents is that house prices are coming down, but not so great that there aren't enough jobs to go around. I don't particularly like Sydney's high prices but I certainly like my job.

At a city level, jobs growth drives migration, which in turn drives up house prices if there isn't enough housing to accommodate everyone. The main reason that Melbourne has remained so much more affordable than Sydney is supply. Over the past decade, 30 per cent less housing has been built in Sydney when compared to Melbourne. Melbourne was very well prepared back then for now. Sydney not so much.

At a country level, migration brings a large number of benefits to Australia. Migrants pay taxes and support our ageing population. They take on jobs that locals are not so keen on and they spend money that supports business growth. Cut migration and it will impact our standard of living. Sure, if you are a wealthy older Australian with private health insurance, you may not be so reliant on the positive impacts of migration. But if you are low income, are

ageing and on a pension or need our public hospitals, you are a beneficiary. If we are having a discussion about migration, house prices are only one part of the discussion.

What is the solution to Sydney and Melbourne's unaffordable house prices? One way is to build more houses where the jobs are. Increasing housing supply works — you only have to look at Melbourne apartment prices to see that. The second is that we could look to move the jobs. This is far more difficult.

Forcing major employers to move is near impossible; however, government employment can be decentralised more easily. But forcing people to move with the jobs is another problem.

The list of solutions to address affordability is long and could also include forcing banks to not lend so much and using the tax system to redistribute housing. Cutting migration is not the simple solution it at first seems and may not lead to lower house prices.

The unintended impact could be stifling economic growth and the standard of living that many enjoy.

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