

JULY 2023

AUSTRALIA'S HOUSING SHORTAGE

International Student Intake
Exacerbating Nationwide
Housing Supply Shortfall

Morgan Begg
Director of Research

Dr Kevin You
Research Fellow



Contents

Key Findings	1
Introduction	2
Unprecedented international student arrivals to 2028	3
Impact of international student arrivals on housing supply	6
Compensating for the covid-19 decline	7
Conclusion	8

Key findings

- **Last financial year, the federal government oversaw the largest ever net intake of international students**, of more than 250,000 people, which was more than twice the previous high of 122,000 in the financial year ending 2009.
- Last financial year, on average across Australia, **new international students took up 70 per cent of the net new housing units supplied to the market**, leaving just 30 per cent for the rest of the nation, including other new migrants. The vast majority of students live in rental accommodation, and their entry into the rental market has been a major contributing factor to rental shortages and rapidly rising rental costs.
- Despite this, **the government is expected to bring in a further 187,000 net new international students this financial year**, with no apparent plan for where they will be housed, or how to absorb the extra pressure on infrastructure such as roads and public transport.
- This financial year, it is expected that international students will, on average across the nation, take up close to 55 per cent of net new housing supply.
- **From 2025 to 2028, it is expected that international students will take up approximately one-quarter of Australia's net new housing supply**, baring in housing shortages and rising rental prices.
- It was claimed that the increase to net international student intake compensates for the reduction in international student arrivals due to COVID-19. Yet the intake for the last, and expected intake for this, financial year **will result in more than 85,000 net arrivals above and beyond what would have been required to offset the COVID-19 decline.**



Introduction

Research by the Institute of Public Affairs (IPA) finds that over the six years to 2028, Australia is set to face a net housing supply shortfall of 252,800 units.¹ A key contributor to this housing crisis is the Commonwealth Government's inability to rein in the influx of migrants subsequent to the lifting of international borders after the COVID -19 pandemic. A net of 1.755 million new immigrants are set to call Australia home between 2023 and 2028.

The *Australian Financial Review* has attributed this steep rise in migration to 'a rebound in the number of people living in Australia on student visas'.² This was subsequently acknowledged in the May 2023-24 Budget:

The reopening of international borders has seen a rapid recovery in the stock of international students, skilled temporary visa holders and working holiday makers in 2022-23. Second and third-year students who were studying online during the pandemic have been returning, in addition to those arriving in Australia to begin their studies.³

Almost two-thirds of the more than 400,000 net new migrants in the financial year ending 2023 have arrived in Australia on student visas. Another two thirds of the subsequent year's net migration intake will be made up of international students.

Many international students come to Australia for the primary purpose of working and seeking permanent residency rather than getting an education. Indeed, part-time work opportunities and a pathway to permanent settlement are the major selling points of educational and immigration agents, as well as tertiary education institutions, seeking to attract international students.

This research report studies the impact that the present volume of international student arrivals has, and will continue to have, on Australia's housing shortage. The consequences of the unprecedented influx of international students are not just felt by Australians but also the international students themselves, whose educational experience suffers as a result of issues associated with a lack of housing availability, especially in Australia's capital cities.

-
- 1 Daniel Wild, Kevin You and Morgan Begg, *Mass Migration Induced Housing Shortage* (Institute of Public Affairs Research Report, June 2023).
 - 2 Michael Read, 'Migration to hit a record 400k this year amid a surge in students', *Australian Financial Review* (28 April 2023) <<https://www.afr.com/policy/economy/migration-to-hit-a-record-400k-this-year-amid-a-surge-in-students-20230428-p5d3zw>>.
 - 3 Commonwealth of Australia, *Budget 2023-24: Budget Strategy and Outlook: Budget Paper No. 1* (Treasury, Canberra, May 2023).

Unprecedented international student arrivals to 2028

The Commonwealth Government began admitting fee-paying overseas students in 1986, prior to which only scholarship holders were permitted to study in Australia as international students.⁴ Since then, student enrolment has risen rapidly. In 1987, there were 1,019 fee-paying international students enrolled in Australia's higher education institutions.⁵ By 1993 this number had risen to 35,282 students.⁶

Between January and April 2023, there were 590,566 international students participating in 648,700 courses across the country.⁷ Students from China and India alone make up close to 40 per cent of all international students in Australia.

The continued increase in the number of international students has been celebrated by universities awash with tuition revenues. Universities Australia, the peak body for Australian universities, boasted:

[International] education added over \$29 billion to the economy in 2022, with international students in Australia contributing \$25.5 billion and students studying online adding a further \$3.5 billion ... Education is our largest services export and the biggest product we don't source from the ground.⁸

However, this figure should be treated with scepticism. A large share of international students arrive in Australia with the expectation that much of their expenses and tuition will be paid for by working in Australia, not with money earned overseas.⁹ Moreover, the calculation of education exports is a consequence of the Australian Bureau of Statistics (ABS) treating international students as residents of their home countries for the duration of their study. As economist and writer Dr Cameron Murray notes:

Notice that for everyone *but* international students, if they are working and living in Australia the value of goods and services they consume is not an export. Only international students are treated this way, despite most of them working locally... This is the statistical trick at the heart of the education exports figure.¹⁰

4 Colin Walters, 'International students – returning their investment: Australia's reform program for international education' (Paper presented at the Going Global Conference, Hong Kong, 2011); Alison Moodie, 'Australia: Long history of international higher education', *University World News* (6 March 2011) <<https://www.universityworldnews.com/post.php?story=20110305121304874>>.

5 No earlier data were available prior to 1987.

6 Australian Bureau of Statistics, 'Participation in Education: Overseas Students in higher education' (Australian Social Trends 1995, released 20 June 1995) <<https://www.abs.gov.au/ausstats/abs@.nsf/2f762f95845417aeca25706c00834efa/de4fd4d0af435ad4ca2570ec007521f0!OpenDocument>>.

7 Department of Education (Cth), *International Student Data: Monthly Summary*. Note that there are more enrolments than students since a student can study in more than one course in one calendar year. Many students enrol in English language and their main courses of study simultaneously.

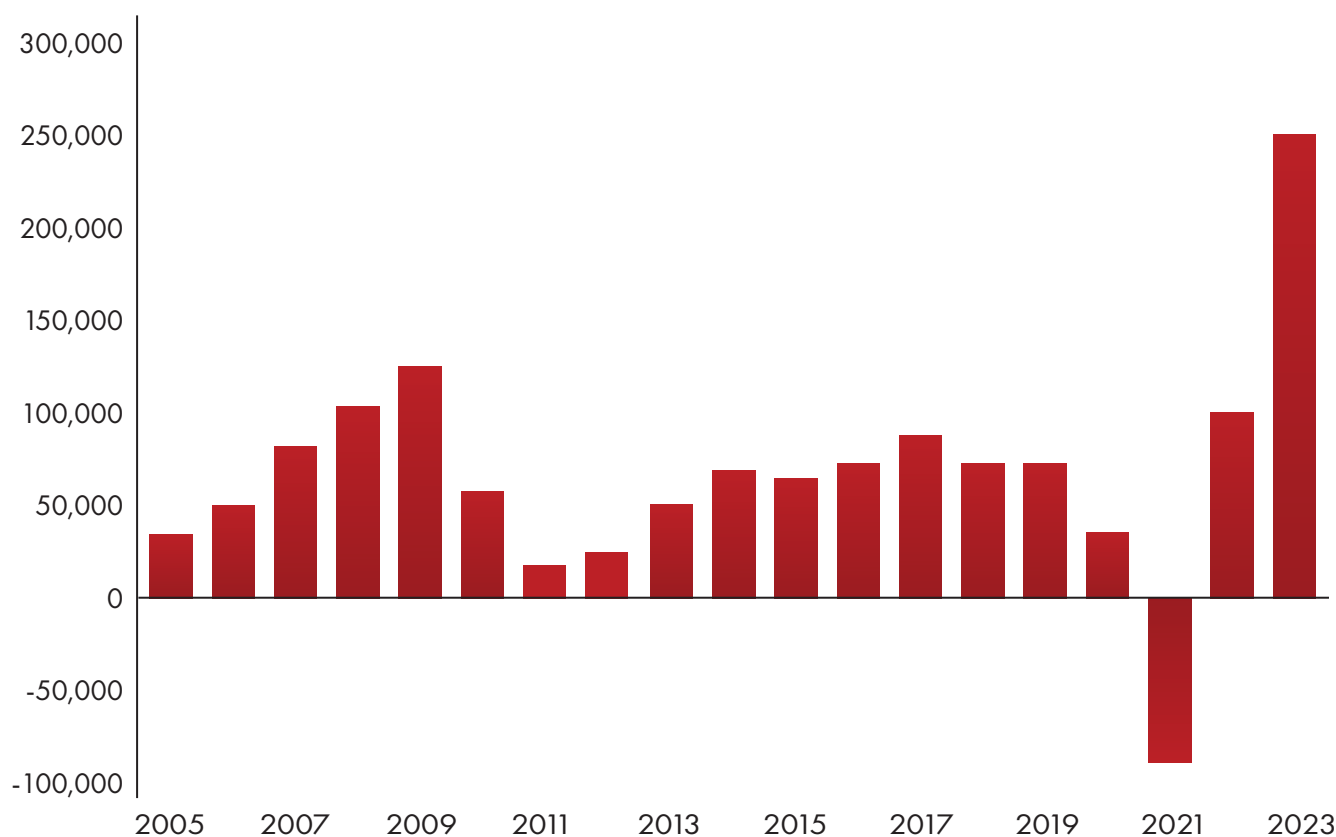
8 Catriona Jackson, 'International Education Adds \$29 Billion to the Economy', *Universities Australia* (28 February 2023) <<https://www.universitiesaustralia.edu.au/media-item/international-education-adds-29-billion-to-the-economy/>>.

9 Leith van Onselen, 'International Education was never a genuine export', *MacroBusiness* (13 April 2023) <<https://www.macrobusiness.com.au/2023/04/international-education-was-never-a-genuine-export/>>. For instance, Census data from the ABS reveals that 78 per cent of students from India, 81 per cent from the Philippines, 87 per cent from Nepal and 88 per cent from Colombia undertook paid employment to support themselves.

10 Cameron Murray, 'Australia's \$40 billion of education exports is a statistical trick', *Fresh Economic Thinking* (12 June 2023) <<https://www.fresheconomicthinking.com/p/australias-40-billion-of-education>>. See also Salvatore Babones, *The China Student Boom and the Risks it Poses to Australian Universities* (Centre for Independent Studies, Analysis Paper No 5, August 2019).

We have charted below, in Chart 1, the fluctuation in net international student intake since the financial year ending 2005.¹¹ It shows an increase to 2009, followed by a sharp two-year decline as a result of the global financial crisis, and then a gradual recovery between 2011 and the start of the covid-19 pandemic. Since then, net intake has risen sharply.

CHART 1: Net international student intake



Source: ABS, IPA

Our analysis of ABS data reveals that the financial year ending June 2023 saw the largest net international student intake on record, with a total of 253,940 new students settling in Australia.¹² This is the equivalent of 101,576 new households.

The average household in Australia – whether it be accommodated in an apartment, a detached house or any other type of housing – is made up of approximately 2.5 individuals. A household can consist of one or more people that live in the same housing unit, such as a nuclear family, a single person living alone or, indeed, a group of international students sharing an apartment.

In the financial year ending 2024, net student intake is estimated to reduce slightly from 2023, but will remain at an elevated level of 186,828 individuals, or the equivalent of 74,731 households.

¹¹ Net intake of international students is defined as student visa arrivals minus student visa departures.

¹² Australian Bureau of Statistics, 'Overseas Arrivals and Departures, Australia: Statistics on international travel arriving in and departing from Australia' (14 June 2023) <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>>.

This estimate is based on an average of the net student intake as a share of Australia’s population increase in the two years following the pandemic (i.e., at just over 41 per cent) and Australia’s expected population increase over the course of the year (i.e., at 454,300 people).¹³

Between the financial years ending 2025 and 2028, the net annual intake of international students is expected to stabilise to pre-pandemic levels. In the 15 years prior to the pandemic, between 2005 and 2019 (inclusive), net international student intake averaged approximately 18 per cent of overall population growth in Australia. We estimate that population growth between 2025 and 2028 to total 1,830,250 – or 457,563 per year.¹⁴ The share of international students will therefore be 330,246 people or 82,561 people per year.

TABLE 1: Estimated net international student intake to 2028

FINANCIAL YEAR ENDING	NET STUDENT INTAKE	EQUIVALENT HOUSEHOLD
2023	253,940	101,576
2024	186,828	74,731
2025	82,561	33,024
2026	82,561	33,024
2027	82,561	33,024
2028	82,561	33,024

Source: IPA

Between the financial years ending 2023 and 2028, we expect 771,012 net new international students to settle in Australia, which will be the equivalent of 308,405 households.

¹³ Centre for Population, ‘Budget 2023-24: Population projections, Australia, 2022-23 to 2033-34’ (Centre for Population Projections, 17 May 2023) <<https://population.gov.au/data-and-forecasts/projections>>.

¹⁴ We have opted to base this estimate on the IPA’s adjustment of modelling data from the National Housing Finance and Investment Corporation as opposed to directly on the Centre for Population’s prediction because the Centre’s longer term population forecast has not been reliable, as demonstrated in the considerable revision in net migrant intake numbers given to Treasury. The Centre’s forecast for the financial year ending 2024, however, is comparable to the IPA’s 2024 estimate.

Impact of international student arrivals on housing supply

In the years immediately prior to the pandemic, the share of new housing units claimed by international students averaged approximately 17 per cent. This is set to more than double to more than 36 per cent between 2023 and 2028 on the back of a continuing decline in housing supply and an increasing number of international students arriving in Australia.

TABLE 2: International students' share of new housing units 15

FINANCIAL YEAR ENDING	NEW NET HOUSING UNIT SUPPLY	NET ANNUAL STUDENT INTAKE	EQUIVALENT HOUSEHOLD	NEW STUDENTS TO NEW HOUSING PERCENTAGE
2023	148,500	253,940	101,576	68%
2024	138,200	186,828	74,731	54%
2025	127,500	82,561	33,024	26%
2026	134,600	82,561	33,024	25%
2027	155,700	82,561	33,024	21%
2028	162,400	82,561	33,024	20%

Source: IPA, NHFIC

The pressure put on the housing market following the surge in international student intake subsequent to borders re-opening has more than surpassed the supply recovery relief provided by the reduction in student intake in the midst of the pandemic.

Housing supply has declined, and is expected to continue to decline, from a high of almost 200,000 units annually, prior to the pandemic, to a low of 127,500 in 2025 before picking up again in a belated response to increased demand. The decline in supply has been attributed to a number of factors, including the inflation-induced rise in interest rates, the increasing cost of building materials, the increasing cost and scarcity of labour, and delays due to weather conditions and red tape.¹⁶

Moreover, the upsurge in housing demand attributable to the return of international students was unforeseen, with the Commonwealth Government having to make substantial revisions to its modelling between the October 2022 mini budget and May 2023 budget.

¹⁵ The new net dwelling supply estimates were derived from Wild, You and Begg, *Mass Migration Induced Housing Shortage* (Institute of Public Affairs Research Report, June 2023). For the purpose of this report, each calendar year's dwelling supply estimate is assigned to the financial year that ends on 30 June of that calendar year.

¹⁶ NHFIC, *State of the Nation's Housing 2022-23* (National Housing Finance and Investment Corporation Report, April 2023).



Net overseas migration in the financial year ending 2022 was 23 per cent higher than expected in the October budget. Intake for the financial year ending 2023 was 70 per cent higher than anticipated. Intake for the following year is expected to be 34 per cent higher than anticipated. And the steady state migration intake going forward will be approximately 10 per cent higher than anticipated. This constitutes a demand shock, for which the already struggling supply side of the housing market has failed to prepare.

The supply crisis has taken a toll not just on Australians but also on international students themselves. In May, ABC News broke a story about an international student experiencing insomnia and severe anxiety directly as a result of the stress associated with finding permanent accommodation upon arrival in Australia. Another student was forced to live in a hotel for almost a year before settling into a four-bedroom home with eight other migrants.¹⁷ These are not isolated incidences.

At the start of the new financial year, *News.com.au* exposed a concerning trend of 'hot-bedding' among international students, whereby two or more strangers split the rent of a bedroom and rotate the use of a bed based on their study and work schedules.¹⁸

The consistent message from recent international students is that the housing crisis they encountered upon arrival in Australia was not at all what they had expected. Many were enticed by the promise of a better life in Australia by their agents and educational institutions – and they would have had second thoughts had they known they would face the prospect of homelessness upon arrival.

According to census data released in March 2023, there were already 122,494 homeless people in Australia on census night.¹⁹ Given the continuing housing crisis, fuelled by the uncontrolled influx of migration and international student intake, this figure is likely to have increased since then.

¹⁷ Annika Burgess and Kelly Wu, 'International students faced with housing and cost-of-living stress say they were misled about Australia', ABC News (19 May 2023) <<https://www.abc.net.au/news/2023-05-19/international-students-migrant-housing-crisis-living-costs/102355508>>.

¹⁸ Georgina Noack, "'Hot-bedding' grows in popularity among international students in desperate move to beat rising rent', *News.com.au* (1 July 2023) <<https://www.news.com.au/finance/real-estate/renting/hotbedding-grows-in-popularity-among-international-students-in-desperate-move-to-beat-rising-rent/news-story/40d9255bb3489c3056360bd10b9f83c7>>.

¹⁹ Australian Bureau of Statistics, 'Nearly 1 in 200 people homeless on Census night in 2021' (22 March 2023) <<https://www.abs.gov.au/media-centre/media-releases/nearly-1-200-people-homeless-census-night-2021>>.

Compensating for the covid-19 decline

Claims have been made that the dramatic expansion to Australia's net international student intake is, in part, designed to offset the decline which occurred during covid-19. Yet, this claim is not supported by an analysis of the official figures.

Specifically, in the five years prior to the pandemic, net student intake averaged 76,524 per year. In the financial year ending 2020 that intake dropped to 30,750, and to negative 80,310 in 2021.

Had the intake across those two years been consistent with the pre-covid average, the total intake would have been 153,048.

The pandemic-induced student deficit over those two years was therefore 153,048, plus the total deficit during that period of 49,560, for a total of 202,608.

Yet, in the 2023 financial year, the government is estimated to have allowed a net of 253,940 international students to enter Australia – and is expected to allow a further 186,828 students this financial year, for a total of 440,768 students.

If the government had kept the intake of international students at the pre-covid average of 76,524, the intake for the financial years ending 2023 and 2024 would be 153,048.

The total number of net student arrivals in the current and previous financial years, which would have compensated for the pandemic related decline, in order to maintain the pre-covid average intake, is therefore 355,656 net new students.²⁰

Given the expectation of a net intake of 440,768 students over this period, the notion that the influx of students in the last two financial years is merely to compensate for the covid-19 decline is unjustified.

By the end of this financial year, it is expected that there will be an excess of 85,112 international students over and above the net intake had the pandemic not taken place.²¹ This is the equivalent to 34,045 new households or approximately 34 per cent of the housing supply shortfall over the course of the period.

In other words, 34 per cent of the housing supply shortfall in Australia over 2023 and 2024 is the equivalent to the excess of the net international student intake above and beyond pre-pandemic levels.

²⁰ This number being equal to the two-year steady state average of 153,048 plus the 202,608 pandemic-induced decline in net student intake.

²¹ i.e., if net intake remained and continued to be at pre-pandemic volume.

Conclusion

Australia is in the midst of a housing crisis: a crisis that has been exacerbated by the unprecedented flow of migrants through Australia's borders.

Almost three-quarters of the 400,000 net new migrants in the financial year ending 2023 have arrived in Australia on a student visa. Almost two thirds of the subsequent year's net migration intake will be made up of international students.

Out of the 1.755 million new migrants expected to stay in Australia by the year 2028, close to half will enter the country on a student visa.

This IPA research report studies the impact that the current international student intake has and will continue to have on Australia's housing shortage. The consequences of the unprecedented inflow of international students are not just felt by Australians but also the students themselves, whose educational experience suffers from the housing shortage.

- **Last financial year, the federal government oversaw the largest ever net intake of international students**, of over 250,000 people, which is more than double the previous high of 122,000 in 2009.
- Last financial year, on average across Australia, **new international students took up 70 per cent of net new housing units supplied to the market**, leaving just 30 per cent for the rest of the nation, including other new migrants. The vast majority of these students live in rental accommodation, and their entry into the rental market has been a major contributing factor to rental shortages and rapidly rising rental costs.
- Despite this, **the government is expected to bring in a further 187,000 net new international students this financial year**, with no apparent plan of where they will be housed, or how to absorb the extra pressure placed on infrastructure such as roads and public transport.
- This financial year, on average across the nation, it is expected that international students will take up close to 55 per cent of net new housing supply.
- **And from 2025 to 2028, it is expected that international students will take up approximately one-quarter of Australia's net new housing supply**, baking in housing shortages and rising rental prices.
- It was claimed that the increase to net international student intake compensates for the reduction in international student arrivals due to covid-19. Yet the intake for the last financial year and the expected intake for this financial year **would result in more than 85,000 net arrivals above and beyond what would have been required to offset the covid-19 decline.**

About the Institute of Public Affairs

The Institute of Public Affairs is an independent, non-profit public policy think tank, dedicated to preserving and strengthening the foundations of economic and political freedom. Since 1943, the IPA has been at the forefront of the political and policy debate, defining the contemporary political landscape. The IPA is funded by individual memberships, as well as individual and corporate donors.

The IPA supports the free market of ideas, the free flow of capital, a limited and efficient government, evidence-based public policy, the rule of law, and representative democracy. Throughout human history, these ideas have proven themselves to be the most dynamic, liberating and exciting. Our researchers apply these ideas to the public policy questions which matter today.

About the authors

Dr Kevin You is a Research Fellow at the IPA. His background is in the fields of political economy, industrial relations and organisational studies. Prior to joining the IPA, Kevin worked in academia - both as a teacher and research associate. His articles have been published in such periodicals as the Review of Social Economy, Journal of Industrial Relations, Journal of Global Responsibility, Labour and Industry, and International-Journal of Employment Studies.

Morgan Begg is the Director of Research at the IPA. Morgan joined the IPA in 2014 to advance the IPA's work on legal rights, the rule of law, and extending the rights and freedoms of Australians. Since joining the IPA, Morgan has been published on a variety of topics, from judicial appointments, public health restrictions and emergency powers, and the preservation of constitutional government.



www.ipa.org.au