

7 September 2023

In the most recent full financial year, the federal government oversaw the largest ever net intake of international students, of over 250,000 people. This was more than twice the previous high of 122,000 in the financial year ending 2009.

Last financial year, ending in June 2023, on average across Australia, new international students took up 70 per cent of the net new housing units supplied to the market. This has left just 30 per cent of new housing units for the rest of the nation including couples, young Australian families, and 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 rapidly rising rental costs.

IPA analysis has found that there is a positive relationship between net student intake and rental prices, in that – based on historical data – for every net intake of 100,000 international students, there is an associated 1.5 percentage point increase to rental price inflation.

This has resulted in rent increases, on average, being higher by over \$20 per week - or \$1,040 per year in the financial year ending 2023 - compared to a scenario whereby onshore international student numbers were maintained rather than increased.

Methodology

Quarterly rental price index data were collected from the Australian Bureau of Statistics.¹ The data was annualised and then analysed against annual net international student intake covering the period between the financial year ending 2005 and the most recent full financial year.

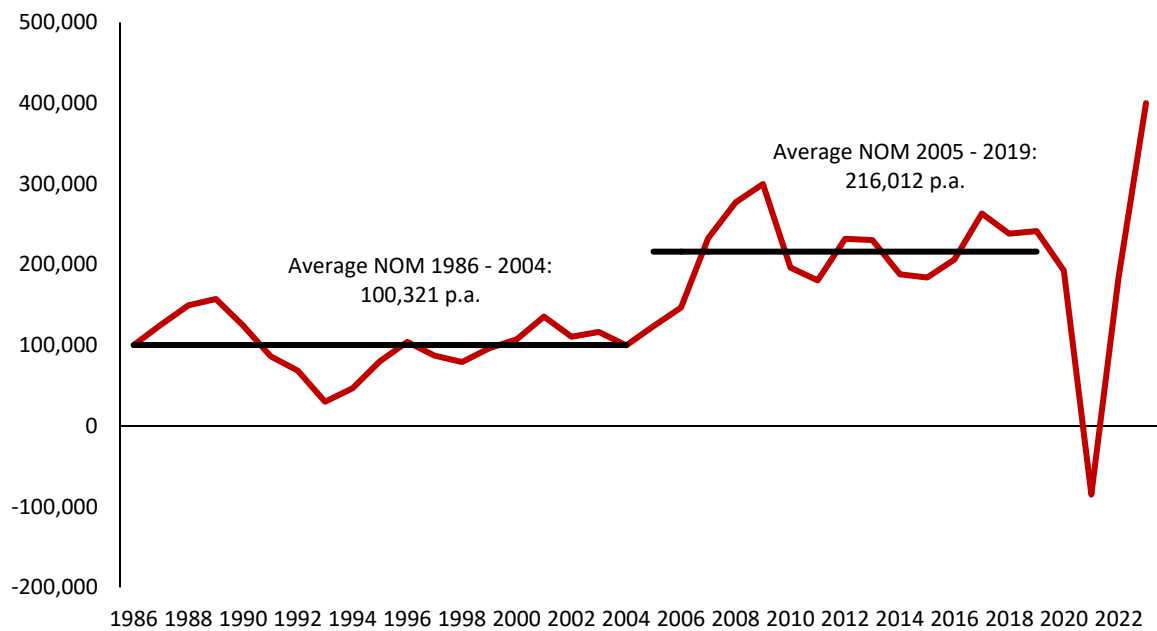
The financial year ending 2005 marks the beginning of the ABS' latest online record on total overseas arrivals and departures by visa group.² This database provides information on international student arrivals, departures, and net intake.

Moreover, the starting point of our analysis coincides with a long-term increase to net overseas migration into Australia. Net overseas migration surged in the early 2000s and remained at an elevated level up to, and beyond, the pandemic years. The average pre-pandemic net overseas migration between 2005 and 2019 (at 216,012 per annum) was double the average net overseas migration between 1986, when Australia commenced its international education sector, and 2004 (at 100,321 per annum).

¹ ABS (2023, July) Consumer Price Index, Australia, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/jun-quarter-2023>.

² ABS (2023, July) Overseas Arrivals and Departures, Australia, *Australian Bureau of Statistics*, Available from: <https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release#arrivals-international-students>.

Chart 1: Net overseas migration 1986 to 2023

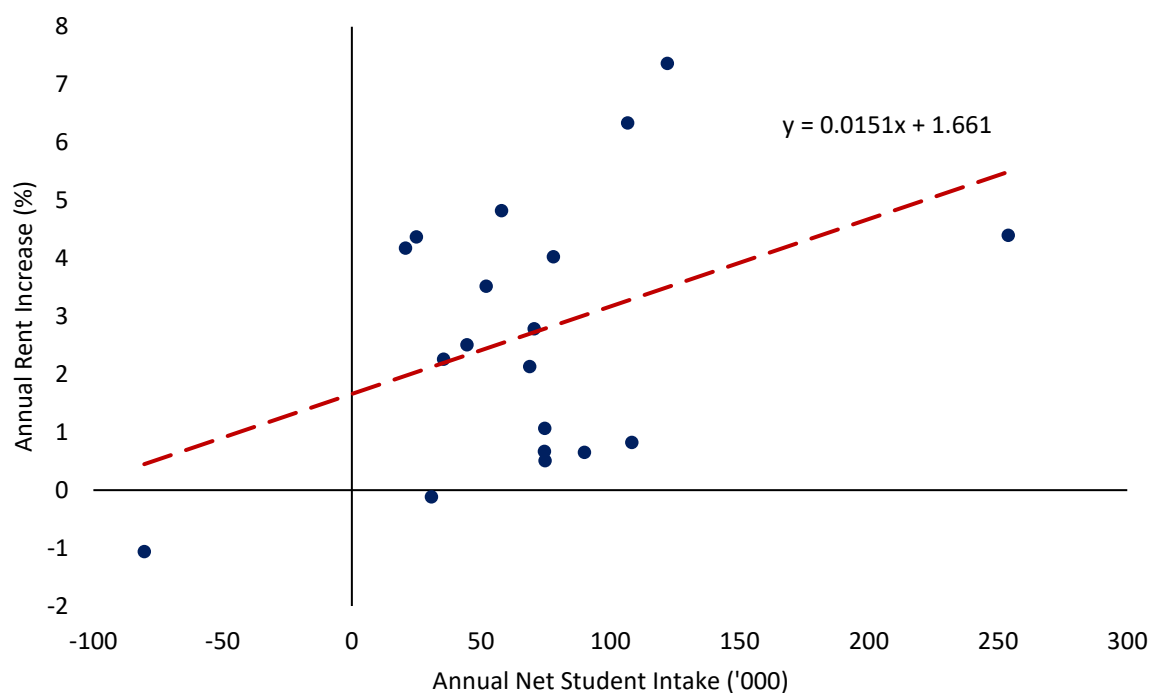


Source: ABS

Result

There is a positive and statistically significant relationship between international student intake and annualised increase in the rental price index, whereby every 100,000 increase in net international student intake is associated with a 1.5 percentage point increase in rental price inflation. A visual representation of this relationship is as follows:

Chart 2: Net student intake vs rent inflation



Source: ABS, IPA

The median weekly rent in Australia is estimated to be \$570 across all dwellings, as per CoreLogic's Quarterly Rental Review.³ Australia's net international student intake in the most recent full financial year exceeded 250,000 individuals.

The price increase associated with the net student intake is therefore estimated to be just under \$22 per week. This is the average additional rent increase which has coincided with the unprecedented net intake of international students in the financial year ending 2023.

In other words, had Australia kept the number of international students studying onshore the same as it was in 2022, then rent would have been cheaper by over \$20 per week or \$1,040 per year per household.

Conclusion

There is a positive relationship between net student intake and rental prices. Based on historical data, for every net intake of 100,000 international students, there is an associated 1.5 percentage point increase to rental price inflation.

In the last full financial year, ending 2023, net international student intake exceeded 250,000 individuals. This has resulted in rent increases, on average, being higher by over \$20 per week or \$1,040 per year.

³ CoreLogic (2023, April) *Quarterly Rental Review*, CoreLogic Australia: Sydney.