

# Internal Migration and House Prices in Australia

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## Abstract

Australia is one of the most mobile countries in the world due to internal migration, which is an often-overlooked part of population change. This study provides the first empirical evidence of the impact of internal migration inflow on house price changes across 237 statistical regions in Australia from 2014 to 2019. Employing a spatial correlation approach and a manually constructed instrumental variable that matches the shift-share instrument used in the immigration literature, the paper indicates that population mobility increases housing prices in migration-receiving regions. Internal migration that amounts to 1% of the initial local area population is associated with a 0.7% to 0.8% increase in house prices in the three most populated states of Australia. The results suggest further evidence that migration inflow has had a significant positive effect on house price changes in metropolitan areas of Sydney (capital of New South Wales) and Melbourne (capital of Victoria) – rather than non-metropolitan regions.

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