


[Home \(/\)](#) > [Update \(/news\)](#)

11 February 2025 **Author(s):** Michael Spencer

How climate change is reshaping real estate and economic geography

Source(s): Monash University (/organization/monash-university)

 [Upload your content \(/upload-your-content\)](#)



Angus Veitch / flickr (CC BY-NC 2.0)

Climate change is an economic, affordability, and cost-of-living issue. Cost of living implications were made clear in recent Consumer Price Index (CPI) data released by the [Australian Bureau of Statistics](https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release) (<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release>). (ABS).

In the 12 months to December 2024, the CPI rose 2.4%. Insurance rose 11%.

Got it!

While it was slowing from a peak of 16.2% in December 2023, the relationship between insurance cost increases and extreme events would suggest we can expect more upward movement following fires in Los Angeles, flooding in Queensland, and fires in Victoria.

As we see stronger impacts of climate change, it's becoming a housing affordability issue and an economic management issue.

Insurance is a proxy for loss and damage associated with climate change. Loss and damage is what we're left with when we fail to reduce greenhouse gas emissions (mitigation), and fail to adequately adapt to the impact of a changing climate caused by those emissions (adaptation).

Loss and damage is financial or non-financial costs to human and natural systems. Financial cost to human systems is reflected in insurance premiums.

Extreme weather events - the most obvious being floods, fire, storm surges, hurricanes, etc - are major drivers of loss and damage and rising insurance costs.

Insurance Council of Australia (ICA) data published in the federal Treasury's Intergenerational Report (<https://treasury.gov.au/publication/2023-intergenerational-report>) shows insured losses from natural disasters rising steadily since the turn of the century. Following NSW floods and other disasters in 2022, they reached almost \$7 billion for that year.

Forgoing insurance in the face of costs

Australia isn't alone. A report produced by the US State Department (<https://unfccc.int/documents/645358>) just before the change in administration showed that the US experienced one billion-dollar disaster every four months in the 1980s. Now, there's one every three weeks on average. In 2024, there were 27 costing US\$182.7 billion.

People are increasingly forgoing insurance as costs escalate or insurance is simply not available. The ICA says that as extreme weather intensifies, and populations grow in high-risk areas, the global insurance protection gap widens.

In 2023, it was estimated (https://insurancecouncil.com.au/wp-content/uploads/2024/12/FINAL_ICA_Climate-Change-Roadmap-2024-1.pdf). 38% of global economic losses were not insured, leaving businesses and communities vulnerable and economies weakened.

In Australia, the ICA reported in 2023 that Swiss Re estimates (https://insurancecouncil.com.au/wp-content/uploads/2024/05/21044_ICA_AR_2023_FINALCOPY.pdf) the gap to be 35% and growing.

The insurance protection gap becomes a fiscal issue as those lacking insurance turn to government. Treasury's Intergenerational Report makes it clear natural disasters are contributing to growing fiscal pressures on all levels of government, particularly through disaster assistance.

UNDRR uses cookies to ensure you get the best experience on our website. Disaster recovery funding arrangements (DEFRA) are a cost-sharing arrangement between the Commonwealth and the states. It doesn't include other payments such as increased social security payments, foregone taxes and revenue loss due to reduced employment and economic

opportunities.



What Happens Next?

Will Climate Change Wipe Out the Indo-Pacific?

00:00 / 35:30

Disaster insurance increasing

Treasury projections show DEFRA disaster assistance could increase up to 3.6 times over the next 40 years - a cumulative \$130 billion in real terms, assuming global action to mitigate climate impacts is only sufficient to limit temperature rise to 3°C.

Work by the [McKell Institute for the Insurance Council of Australia](https://insurancecouncil.com.au/wp-content/uploads/2024/12/FINAL_ICA_Climate-Change-Roadmap-2024-1.pdf)

(https://insurancecouncil.com.au/wp-content/uploads/2024/12/FINAL_ICA_Climate-Change-Roadmap-2024-1.pdf), suggests the total societal cost for Australia of extreme events could be \$35.2 billion a year by 2050 if we limit temperature rise to 1.5°C.

That target has almost slipped away. The [Global Stocktake](https://unfccc.int/documents/637073)

(<https://unfccc.int/documents/637073>), released at COP28 pointed to an expected temperature rise of about 2.5°C on pre-industrial levels by the turn of the century - and that was before the US abandoned the Paris targets.

Insurance will impact equity and affordability. The 2023 Shepparton floods illustrated how extreme events impact poorer and more vulnerable members of a community living in properties more exposed to climate risks.

Recent [work by First Street](https://firststreet.org/research-library/property-prices-in-peril) (<https://firststreet.org/research-library/property-prices-in-peril>) in the United States found insurance costs have risen from 7-8% of mortgage costs, to more than 20% of payments, while the [New York Times](https://www.nytimes.com/interactive/2024/07/08/climate/home-insurance-climate-change.html) reported (<https://www.nytimes.com/interactive/2024/07/08/climate/home-insurance-climate-change.html>), that average premiums jumped 33% between 2020 and 2023.

Redrawing the real estate map

Increasing natural disasters, chronic environmental stressors and rising insurance costs are redrawing the real estate map in the US, and creating divergent futures for communities.

Climate-resilient communities attract new residents due to moderate increases in insurance, driving a rise in property values and economic growth. Other regions face a future of declining property values and economic contraction.

UNDRR uses cookies to ensure you get the best experience on our website.

Local governments face eroding tax bases just as adaptation needs grow. These shifts, the First State report argues, are not just reshaping housing markets, they're reconfiguring the economic geography of the US, reshaping patterns of development and migration.

The report anticipates \$1.47 trillion of net property losses over the next 30 years due to climate-related risks. Some communities will approach a climate-driven tipping point.

In Australia, these trends coincide with governments that are already facing serious fiscal deficits due to historical COVID expenses and, in the case of Victoria, exuberant infrastructure expenditure.

This is evident in the dilemma Melbourne faces as it reviews flood zoning based on new climate predictions.

In the City of Yarra, for example, more than 20,000 homes were moved into new flood zones, but there is no capacity to improve stormwater infrastructure. As a result, property owners are expected to literally sink or swim.

Read the original story here (<https://lens.monash.edu/@business-economy/2025/02/11/1387336/climate-change-a-cost-of-living-and-housing-affordability-issue>)

Editors' recommendations

- Dangerous climate tipping points will affect Australia. The risks are real and cannot be ignored (<https://www.preventionweb.net/news/dangerous-climate-tipping-points-will-affect-australia-risks-are-real-and-cannot-be-ignored>)
- Extreme weather and real estate: A case study of the Jamaican housing market (<https://www.preventionweb.net/publication/extreme-weather-and-real-estate-case-study-jamaican-housing-market>)
- How extreme weather and costs of housing and insurance trap some households in a vicious cycle (<https://www.preventionweb.net/news/how-extreme-weather-and-costs-housing-and-insurance-trap-some-households-vicious-cycle>)
- Rising risks of climate disasters mean some communities will need to move – we need a national conversation about relocation now (<https://www.preventionweb.net/news/rising-risks-climate-disasters-mean-some-communities-will-need-move-we-need-national>)
- Rebuilding homes after a disaster is an opportunity to build back better – why isn't the insurance industry on board? (<https://www.preventionweb.net/news/rebuilding-homes-after-disaster-opportunity-build-back-better-why-isnt-insurance-industry>)

Explore further

Hazards [Flood \(/hazards/flood\)](/hazards/flood)

UNDRR uses cookies to ensure you get the best experience on our website.

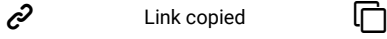
Themes [Disaster risk management \(/themes/disaster-risk-management\)](/themes/disaster-risk-management)

[Insurance and risk transfer \(/theme/insurance-risk-transfer\)](/theme/insurance-risk-transfer)

Social impacts and social resilience (/theme/social-impacts-social-resilience)

Country and region Australia (/countries-regions/oceania/australia)

Share this



i Please note: Content is displayed as last posted by a PreventionWeb community member or editor. The views expressed therein are not necessarily those of UNDRR, PreventionWeb, or its sponsors. See our terms of use (/terms-and-conditions-use-preventionweb)

Is this page useful? **Yes** **No** Report an issue on this page
(/contact/website-feedback)

Cont act us (/con tact)	Newsletter (/subscribe- preventionw eb-updates)	Submit your content (/submit- your- content)	Blog pitche s (/cont act)	Submission and publishing policy (/upload-your- content/content- submission-policy)	About (/about- preventi onweb)
-------------------------------------	--	---	---------------------------------------	---	---

PreventionWeb is the global knowledge sharing platform for disaster risk reduction (DRR) and resilience (/about-preventionweb).

(//www.undrr.org)

UNDRR uses cookies to ensure you get the best experience on our website.

UNDRR is the lead UN agency for the coordination of disaster risk reduction. We help decision makers across the globe better understand and change their attitude to risk (<https://www.undrr.org/about-undrr/our-work>).

[Our work \(https://www.undrr.org/our-work\)](https://www.undrr.org/our-work)

[DRR knowledge-sharing \(https://www.preventionweb.net/\)](https://www.preventionweb.net/)

[Understand risk \(https://www.preventionweb.net/understanding-disaster-risk\)](https://www.preventionweb.net/understanding-disaster-risk)

[Risk data \(https://www.preventionweb.net/understanding-disaster-risk/disaster-losses-and-statistics\)](https://www.preventionweb.net/understanding-disaster-risk/disaster-losses-and-statistics)

[International Recovery Platform \(IRP\) \(https://recovery.preventionweb.net/\)](https://recovery.preventionweb.net/)

[ARISE Private Sector Alliance \(https://www.ariseglobalnetwork.org/\)](https://www.ariseglobalnetwork.org/)

[Sendai Framework Voluntary Commitments \(SFVC\) \(https://sendaicommitments.undrr.org/\)](https://sendaicommitments.undrr.org/)

[MCR2030 \(https://mcr2030.undrr.org/resilience-roadmap\)](https://mcr2030.undrr.org/resilience-roadmap)

[Sendai Framework Monitor \(SFM\) \(https://sendaimonitor.undrr.org/\)](https://sendaimonitor.undrr.org/)

[Training \(https://www.undrr.org/our-work/training\)](https://www.undrr.org/our-work/training)

[Events \(https://www.undrr.org/our-impact/event-calendar\)](https://www.undrr.org/our-impact/event-calendar)

[Research and publications \(https://www.undrr.org/publications\)](https://www.undrr.org/publications)

[The tip of the iceberg: uncounted costs-of-disasters-2023](https://www.undrr.org/explainer/uncounted-costs-of-disasters-2023)

The estimated insured losses from disasters in 2023 are a staggering US \$95 billion – but they represent just the tip of the iceberg.

[Complex disaster risks call for urgent action-arab-region](https://www.undrr.org/news/complex-disaster-risks-call-urgent-action-arab-region)



Update (<https://www.undrr.org/news-type/updates>)

Arab States Region: Complex disaster risks call for action

[Sixth Arab regional platform for DRR concludes adoption-kuwait-declaration](https://www.undrr.org/news/sixth-arab-regional-platform-drr-concludes-adoption-kuwait-declaration)

UNDRR uses cookies to ensure you get the best experience on our website.



Update (<https://www.undrr.org/news-type/updates>)

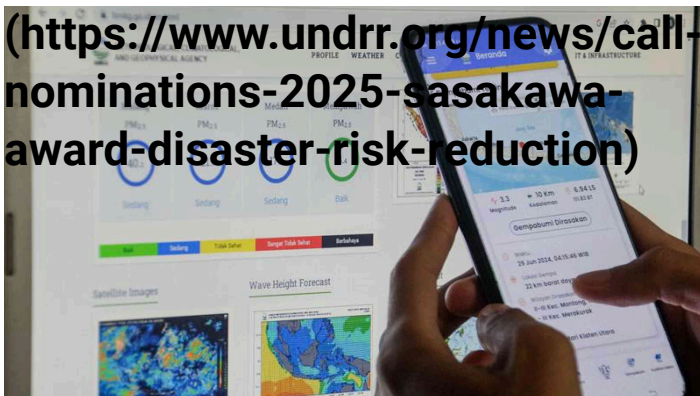
6th Arab Regional Platform for DRR concludes with Kuwait Declaration



(<https://www.undrr.org/news/tracking-funding-life-saving-early-warning-systems>)

Update (<https://www.undrr.org/news-type/updates>)

Tracking funding for life-saving early warning systems



(<https://www.undrr.org/news/call-nominations-2025-sasakawa-award-disaster-risk-reduction>)

Community announcement (<https://www.undrr.org/news-type/community-announcement>)

Call for Nominations to ensure you get the best experience on our website. 2025 Sasakawa Award for Disaster Risk Reduction

f	in	X				Newsletter	Contact
(https://www.facebook.com/undrr/)	(https://www.linkedin.com/company/undrr/)	(https://www.twitter.com/undrr)	(https://www.flickr.com/photos/isdr)	(https://www.youtube.com/UNISDR)	(//www.undrr.org/rss.xml)	(https://www.undrr.org/subscribe-undrr-updates)	(https://www.undrr.org/contact-us)

©**UNDRR** [Fraud Alert \(https://www.undrr.org/fraud-alert\)](https://www.undrr.org/fraud-alert).
[Privacy Policy \(https://www.undrr.org/undrr-privacy-policy\)](https://www.undrr.org/undrr-privacy-policy).
[Terms of Use \(https://www.undrr.org/terms-and-conditions-use-undrrorg\)](https://www.undrr.org/terms-and-conditions-use-undrrorg).



SENGAI FRAMEWORK

FOR DISASTER RISK REDUCTION 2015-2030

(<https://www.undrr.org/implementing-sendai-framework/what-sendai-framework>)



(<https://sdgs.un.org/goals>)

UNDRR uses cookies to ensure you get the best experience on our website.