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Falling house prices in an economic crisis unlikely to increase home ownership in the future: report

- Home ownership is projected to decline from 67 per cent in 2016 to 63 per cent by 2040, and from 60 per cent in 1981 to 51 per cent for households in the 25–55 age bracket.
- No single policy failure, political decision or market or state failure has eroded the ability to achieve the ownership dream, the change has come from complex shifts throughout the entire institutional environment.
- An important finding in the present Covid-19 context, is that in an economic crisis such as the Global Financial Crisis (GFC) produced major falls in dwelling prices in many countries (less so Australia) but did not create a return to ownership.

Current seemingly high rates of home ownership in Australia are masking a long-term problem of serious housing inequality between older and younger generations and between wealthier and poorer households, new AHURI research reveals. This is not unique to Australia as the research also compares Australia's ownership performance with 14 other Western countries and finds home ownership is in retreat generally.

The research, '[Australian home ownership: past reflections, future directions](#)', undertaken for AHURI by researchers from Swinburne University of Technology examines the growth of home ownership and its tenure dominance in Australia after the Second World War, together with its fading, most notably for younger households (ages 25–44) over the last four decades.

While Australia's overall home ownership rate appears to have held up well—it was 68 per cent in 1976 and 67 per cent in 2016—the rate is projected to decline to around 63 per cent for all households by 2040, and to 51 per cent for households in the 25–55 age bracket, down from 60 per cent in 1981.

'A housing system in which one half—predominantly older homeowners—acquires wealth and the other half—generally younger renters—doesn't, is a recipe for long-term social problems' says lead researcher Professor Terry Burke of the Swinburne University of Technology.

The research suggests that while no single policy failure, single political decision or single market or state failure has eroded the ability to achieve the ownership dream, the change has come from complex shifts throughout the entire institutional environment.

While weakening affordability has been an important factor in this erosion, other factors should not be neglected including an increase in casualised employment, a financial and tax environment favouring rental investors, the emergence of new housing products largely designed for rental living, the inability of housing supply to match population and household growth, and the financialisation of housing.

'The financialisation of housing is an international factor and is best understood as the process where housing is treated as a commodity to be invested in rather than a home, meaning more and more money flows into housing but without any necessary improvement in housing supply or quality,' says Professor Burke.

An important finding in the present Covid-19 context is that crises such as the Global Financial Crisis (GFC) which produced major falls in dwelling prices in many countries (less so Australia) did not create a return to ownership. Fiscal austerity, lack of finance, weakened household income, purchasers being outbid by investors for available finance meant ownership in most Western countries fell sharply after the GFC rather than increased.

'Broadly, Australia now has an institutional environment which no longer supports ownership as it did in the past,' says Professor Burke. 'This means the housing system will become more inequitable irrespective of what incremental housing policy reforms are made. Given this, we have to rethink what sort of housing system is appropriate for Australia's future.'

'Either we embrace fundamental and broad-based reforms to rebuild ownership or we accept a retreat from its historical dominance, moving to a system which has more balance between rental and ownership—what we can call a dual tenure system.'

For governments, new policy instruments would be needed to give renters the opportunity achieve greater security, affordability and liveability in private rental, while also rebuilding social housing. But policies beyond housing are also important including enabling renters to create wealth and/or processes to redistribute some of the asset-generated wealth of owners. In addition, governments will need to supply greater income support for households in older age, as older renters on the age pension struggle with unaffordable rents. And none of these will be achieved unless Australia has a National Housing and Urban strategy to facilitate a policy conversation around our housing future.

The report can be downloaded from the AHURI website at <http://www.ahuri.edu.au/research/final-reports/328>

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