

FINAL REPORT NO. 431

Planning for a two-tenure future



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Publication Date November 2024

DOI 10.18408/ahuri3130901

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ISBN

978-1-922498-98-4

Key words

tenure; rental; home ownership; Australia; policy; housing preferences

Series

AHURI Final Report

Number

431

ISSN

1834-7223

Publisher

Australian Housing and Urban Research Institute Limited
Melbourne, Australia

DOI

10.18408/ahuri3130901

Format

PDF, online only

URL

<https://www.ahuri.edu.au/research/final-reports/431>

Recommended citation

Baker, E., Beer, A., Leishman, C., Vij, A., Stone, W., Morey, C., Veeroja, P., Indraratna, K., Dunn, J., and Pomeroy, S. (2024) *Planning for a two-tenure future*, AHURI Final Report No. 431, Australian Housing and Urban Research Institute Limited, Melbourne, <http://www.ahuri.edu.au/research/final-reports/431>, doi: 10.18408/ahuri3130901

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Acknowledgements

This material was produced with funding from the Australian Government and state and territory governments. AHURI Limited gratefully acknowledges the financial and other support it has received from these governments, without which this work would not have been possible.

AHURI Limited also gratefully acknowledges the contributions, both financial and in-kind, of its university research partners who have helped make the completion of this material possible.

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Acronyms and abbreviations used in this report

ABS	Australian Bureau of Statistics
AHA	Australian Housing Aspirations
AHCD	Australian Housing Conditions Dataset
AHURI	Australian Housing and Urban Research Institute Limited
DCE	discrete choice experiment
HILDA	Household Income and Labour Dynamics in Australia
NHS	National Housing Strategy
ODSP	Ontario Disability Support Program
OW	Ontario Works
PRS	private rental sector
RQ	research question

Glossary

A list of definitions for terms commonly used by AHURI is available on the AHURI website ahuri.edu.au/glossary.

Executive summary

Key points

- **While home ownership remains the dominant tenure type, renting is on the rise in all capital cities across almost all age brackets.**
- **Only half of current renters expect to own a home in their lifetime.**
- **The ‘rental sector’ is far from homogenous and might be better described as a set of loosely related sub-sectors.**
- **Renters are willing to pay more for rent protection, property maintenance above minimum standards and the ability to extend their lease indefinitely.**
- **While private rental is becoming a long-term and mainstream housing option, there are inadequate policies targeted towards supporting this tenure change.**
- **Tenure decisions are not independent of property and financial asset investment decisions.**

Over recent decades, Australia’s tenure landscape has shifted. Australia was once a nation with a single, idealised housing ladder that people climbed towards home ownership. In this former tenure landscape, the private rental sector (PRS) was largely regarded as a ‘transition tenure’ – a place to pass through on the journey to home ownership. In 2024, Australia’s tenure landscape is very different. Many Australians are not climbing towards home ownership and a sizeable proportion will be lifetime renters. The rental sector is no longer a simple tenure of transition.

This project emerges from an acknowledgment among policy stakeholders of the shift towards renting as a dominant tenure in Australia. It is driven by concern for the nation's ability to adapt its housing market, governance structures and planning systems, and the population's ability to adapt its long-term aspirations. The purpose of the research is to identify the changes in Australia's tenure market, analysing housing tenure preferences, the suitability of the policy environment and implications of a changing tenure market. Specifically, this research will explore the current and future tenure landscape for Australia, following four guiding questions:

1. What are Australia's short- and long-term tenure trends?
2. What are the housing tenure preferences of Australian households now and over coming decades? What are the key components affecting decisions they make?
3. How could Australia's policy and regulatory environment better support the revealed tenure preferences of contemporary and future Australians?
4. What are the potential costs and benefits to the nation in an evolving tenure structure?

This project examined tenure change using a broad range of approaches. Building on the foundation of a descriptive analysis of national data, a discrete choice experiment (DCE) and stated preference analysis were conducted. We then used Delphi technique analysis and structured interviews to explore the policy environment. In response to the findings generated in the project, we commissioned an additional survey that enabled the testing, using econometric methods, of emerging cost-benefit questions.

Key findings

The descriptive analysis of national data from the Australian Bureau of Statistics (ABS) and the Australian Housing Conditions Dataset (AHCD) tracks a clear shift towards renting as a form of tenure in Australia. They also highlight the continued dominance of home ownership, both in terms of prevalence and as a preference.

Importantly, the profile of who rents in Australia is changing. The nation's rental sector is ageing. Whereas once private rental was seen largely as a tenure of transition in the early life stages on a journey to home ownership, renting now has a much more mainstream age profile. Renters are older, and elderly people are increasing likely to rent. An additional demographic trend is the lone-person shift, with renting becoming a key tenure option for lone-person households. Finally, the analysis suggests a growing trend towards 'strategic renting' in Australia, whereby a growing number of people appear to be choosing to rent to take advantage of the flexibility it may provide. While not a completely new trend, its prevalence appears to be increasing and expanding as more people participate in 'rentvesting' – that is, renting while also investing elsewhere in the property market.

The analysis of national data also reveals a series of key indications about the population's expectations and aspirations. Importantly, only half of all renters in the PRS expect to own a home in their lifetime, even though home ownership is still the dominant tenure aspiration for Australians.

Interrogating the reasons Australians aspire to home ownership, there is evidence that housing tenure is seen as being capable of delivering the key attributes of housing that Australians want: ontological security and control over one's home environment.

Among Australian renters, the great majority (almost 80%) want to attain home ownership. Relatively few (less than 20%) see renting as a tenure that meets their housing aspirations, and these are primarily young adults. As well as eventual home ownership, current Australian renters value many of the elements provided by home ownership: security of tenure, housing quality and conditions, and the ability to modify dwellings.

The cost of home ownership is the single biggest deterrent for renters, with almost 60 per cent not confident that they will ever be able to afford to buy a home. Renters are keen for protections that will allow them to extend their lease indefinitely, have limits on the size of rent increases and have good quality housing, and they are willing to pay for these types of protection (see Figure 1). For example, the analysis suggests that current renters are willing to pay \$127 in addition to their weekly rent to have a home that is above minimum standard.

Figure 1: Renters' willingness to pay additional weekly rent for different renter protections



Source: Authors' own research.

Overwhelmingly, renters, regardless of whether they are pet owners themselves, want the freedom to have the right to keep pets, consistent with the findings of Stone, Power et al. (2021).

The stakeholder consultation provided substantial insight into Australia's current policy and regulatory environment. Importantly, informants were mindful that Australia's tenure structure sits at an important crossroads with many other parts of the economy: housing assets not only underpin much of the nation's wealth, but also underwrite income support in older age and other supports, including for persons with a disability.

The panels highlighted that the unsustainability of Australia's housing structure has developed over time, reflecting a growing focus on housing as an asset rather than as a human need. Sustained underinvestment in social housing has had long-term negative implications for all Australians, and additional public housing construction is needed as a priority. However, community and social housing is unlikely to grow significantly over the next three years. This places even more pressure on reform of the PRS.

Finally, the cost-benefit analysis explored some of the potential costs and benefits in an evolving Australian tenure structure, focusing on three previously little-considered cost-benefit scenarios: the wellbeing dividend, the potential utility benefits of renting and the potential for non-housing investment. Reflecting the complexity of housing choices (alongside other lifetime investment decisions), this analysis suggests that tenure decisions are not independent of property and financial asset investment decisions. There are distinct differences between current superannuation balances, the ideal target retirement balance and the property investment aspirations of the demand groups or rental sub-sectors.

Policy development options

In 1974, Professor Hugh Stretton, historian and deputy chair of the South Australian Housing Trust, reflecting on the housing history of Australia, spoke of a landscape comprised of home owners and people who rent because they 'want to be tenants' (Stretton, cited in Dufty-Jones and Rogers 2015). This report shows Australia in 2024 to be a nation comprised of home owners, a few people who rent because they 'want to be tenants', and a growing number of people who rent but would rather not be tenants.

This report shows a clear shift in the Australian tenure landscape. It documents a rise (or return) in renting and a gradual change in the way that Australians see this tenure. Our findings also suggest, perhaps, the slowness of policy to acknowledge the shift to renting and to plan for it. While home ownership is still the dominant tenure in Australia, more and more Australians are renting, and the renting population is very different to that of previous decades.

The policy challenge is to know who rents and why, and to make renting a good housing outcome for renters. Of particular concern are lower-income, older renters with limited superannuation who have 'failed to transition' to home ownership. The analyses presented in this report suggest a significant growth in older Australians needing to be accommodated in the rental sector in the next 10 years. In previous decades, many of these lower-income, older renters could access the safety net of social housing. However, in 2024 there is a need to look beyond social housing to alternative solutions. Importantly, while older renters are not a new phenomenon in the private renting system, older renters at this scale are. This suggests that an important policy focus should be understanding the requirements of older renters and enabling them to rent because they want to be tenants.

Looking beyond older renters to the wider Australian population, it is worth highlighting the commonality of the desire to have a safe and secure place to call home, especially as people age. This ambition provides a very straightforward (and achievable) goal for policy – and one that is less prone to being challenged by the well-known problems of infrastructure supply. In short, the legislation controlling private tenancies should be reformed to better align the protections provided to tenants with contemporary needs.

The results of the DCE allow us, for the first time, to look inside the trade-offs that people make in the housing system. Unsurprisingly, housing affordability is a significant concern for Australians. However, our analysis demonstrates that people value the security of longer lease lengths, protection from rapid rent rises, property maintenance and the ability to have pets so much that they are prepared to pay additional rent to access them. These areas provide direct priorities for policy development.

It will be no surprise that the policy community highlights the challenges from sustained underinvestment in the social housing stock. Additional public housing construction is needed as a priority to house the growing population of Australians unable to sustain leases in the PRS. Considering this, it is worth reflecting on the cost-benefit analysis presented in Chapter 6. Household Income and Labour Dynamics in Australia (HILDA) survey data show that, on average, existing social housing tenants report some of the highest relative levels of satisfaction with their home (second only to outright home owners).

Finally, we note a concerning dearth of data capturing the evolving housing aspirations of Aboriginal Australians. Without this, policy responses are at risk of being poorly formed or haphazard. There is a role for AHURI or similar organisations in the creation of this knowledge foundation, but it should be guided by First Nations people.

The study

The research explored Australia's current and future tenure landscape, utilising a range of data resources and disciplinary methods:

- Large scale national datasets: the three most recent releases of ABS data (2011, 2016, 2021), ABS Population Projections up to 2031, and the last two releases of the AHCD (2020, 2022) were used to describe recent and likely future tenure patterns.
- Australian Housing Aspirations (AHA): this dataset was analysed to consider the tenure preferences of Australian households, and identify insights to inform original data collection for this research.
- Discrete Choice Experiment (DCE): a commissioned DCE tested the specific housing and tenure preferences of 965 participants. The survey objectives were to: 1) test the trade-offs that people make when deciding their preferred tenure arrangement; 2) identify the key components affecting their current and potential tenure decisions; and 3) understand the role of non-housing factors, such as residential stability, income and region, in driving those decisions.
- Policy stakeholder panel interview: a modified Delphi exercise was used to test the impacts and policy implications of several tenure scenarios for Australia, considering the impacts of each on the Australian people, broader social welfare system and public sector budgets. The implications for key stakeholders, including public housing providers, community housing associations, governments and the home building and home financing sectors, were also examined.
- 'People's panel' survey: to better understand the cost and benefit decisions of Australian householders, 55 participants from various Australian states and territories and at different life stages (young, mid-life and later life) were sampled using a commissioned recruitment company.

1. Introduction

- **Australia is gradually shifting from being a nation of outright home owners to being a nation where renting is a common lifetime tenure.**
- **More Australians are renting than ever before.**
- **Australia is ill-prepared for the expansion of private rental as a long-term, mainstream housing option.**
- **Through a series of analyses, this report provides insights to assist our transition to a new tenure future.**

Over recent decades, Australia's tenure landscape has shifted. Australia was once a nation with a single, idealised housing ladder that people climbed towards home ownership. In this former tenure landscape, the private rental sector (PRS) was largely regarded as transitional – a place to pass through on the journey to home ownership. In 2024, Australia's tenure landscape is very different. Many Australians are not climbing towards home ownership and a sizeable proportion will be lifetime renters. The rental sector is no longer a tenure of transition.

This project emerges from an acknowledgment among policy stakeholders of the shift towards renting as a dominant tenure and is driven by concern for the nation's ability to adapt its housing market, governance structures and planning systems, and the population's ability to adapt its long-term aspirations. The research explores Australia's current and future tenure landscape and is shaped by four guiding questions:

1. What are Australia's short- and long-term tenure trends?
2. What are the housing tenure preferences of Australian households now and over coming decades? What are the key components affecting decisions they make?
3. How could Australia's policy and regulatory environment better support the revealed tenure preferences of contemporary and future Australians?
4. What are the potential costs and benefits to the nation in an evolving tenure structure?

1.1 A brief research history of an evolving tenure shift

The Australian dream is a recent phenomenon, with home ownership only becoming the dominant tenure in the wake of World War II. In 1974, Hugh Stretton, in his Boyer Lecture, observed that at least 90 per cent of the Australian people who wished to own a home would own one. At that time, just under 70 per cent of Australians owned or were purchasing a home, and the remainder of the population were renting 'because they want to be tenants' (Stretton, cited in Dufty-Jones and Rogers 2015). Most Australian households that owned a home (84%) lived in detached houses, and 12 per cent lived in self-contained flats (Dufty-Jones and Rogers 2015). This distinction is a fascinating reminder of how attainable the Australian dream was some 50 years ago. Twenty years later, this dream was still manageable for most. In the 1990s, Beer wrote that the 'modest ambition' of owning a home was something that most Australians would accomplish (Beer 1993). In fact, regardless of class or wealth, at that time home ownership was something that 85 per cent of Australians would gain access to during their lifetime (Beer 1993).

In the twenty-first century, it is evident that home ownership is in decline. This trend is not unexpected, and it has parallels in other market liberal countries, including the United Kingdom, Canada, the United States, Ireland and New Zealand. Although it was once assumed that renting was a temporary stepping stone that preceded home ownership, research from the past two decades indicates that Australians are now more likely than ever to be long-term renters and never purchase their own home (Pawson, Hulse et al. 2017). One of the key drivers of this change is decreasing affordability, particularly for younger Australians. Australian Census data from the last 30 years reveal a significant decrease in home ownership for each successive generation of 25–39 year olds (ABS 2022a).

Over the next 20 years, rental rates are expected to keep growing while home ownership is forecast to fall from 67 to 63 per cent (Burke, Nygaard et al. 2020). Within this trend, variation exists regarding location and age group. Millennials, for whom private rental has become the primary tenure option, are being priced out of the housing market. Facing delayed or uncertain home ownership, some millennials appear to be placing less importance on home ownership and more on the perceived flexibilities offered by renting. This is reflected in a 0.34 per cent annual decline in home ownership among millennials over the Census periods of 2006 to 2016 (Lowies, Squire et al. 2022). As Alan Kohler has recently pointed out, 'it's basically impossible now for an average millennial family, earning the national average wage, with one adult working full-time and the other working three days a week, to buy a home for the national median price' (2023: 9).

Despite the growing rental market, home ownership is still deeply ingrained in the Australian culture and continues to be an aspiration for many (Bruce and Kelly 2013). This is especially the case for older demographic groups, such as the silent generation (born between 1928 and 1946) and baby boomers (born between 1946 and 1964), for whom home ownership has stayed at consistent levels. Contrary to expectations, home ownership has increased for generation X (born between 1965 and 1980) (Lowies, Squire et al. 2022).

The housing 'aspirations gap' continues to grow as young adults either remain in, or move in and out of, the family home, many experiencing a phenomenon referred to as 'generation rent' – that is, being locked out of home ownership and resorting to shared living (Baum and Wulff 2003; Bruce and Kelly 2013; Burke, Nygaard et al. 2020; Burke, Stone et al. 2014; Clapham, Mackie et al. 2014; Furlong, Woodman et al. 2011; Hoolachan, McKee et al. 2017; Kins and Beyers 2010). The situation is exacerbated by characteristics in the rental sector, such as poor housing conditions, that have been found to be directly related to the tightness of the rental market and low vacancy rates (Baker, Beer et al. 2020; Gurran and Phibbs 2016).

Low vacancy rates in the PRS, barriers to home ownership and increased costs of living in general have also significantly impacted how, and with whom, Australians are living. Share houses have traditionally been a temporary housing tenure to improve affordability while people are on lower incomes due to studying or being early career; however, it is now widely recognised that Australians are not just renting for longer, but also living in share houses for longer (Goodall, Stone et al. 2023; Maalsen 2020; McKee, Soaita et al. 2020). How people are cohabiting is also changing, with shared rental and co-living housing developments in structures and forms that differ from traditional rite-of-passage share house of the late twentieth and early twenty-first centuries rising in popularity across Australia and internationally (Druta, Ronald et al. 2021; Gurrán, Nasreen et al. 2023; Ronald, Schijf et al. 2023). Aside from the expected difficulties for older adults who wish to live independently or younger adults who wish to establish homes with their families, this increased sharing lifestyle has several impacts on society, including delaying major life course events that once tended to take place when people were in their 20s and 30s, such as family formation and buying a first home (Stone, Rowley et al. 2020).

Social housing in dual housing systems has been found to provide better psychosocial benefits over more insecure private rental (Fitzpatrick and Stephens 2007), but the stock of social housing remains small, standing at just 3 per cent in 2021 (ABS 2021b). In other words, only 1 in 20 Australians live in social housing (Morris 2024). This is concerning, especially given the transformative effect that social housing has been shown to have for those who manage to get in, despite the years-long waiting list. Some of these benefits include newfound stability and security, improved mental health and better prospects regarding social, familial and employment opportunities (Morris 2024). With the inevitable tenure change that we are facing, new aligned policies must be put in place to support Australia's dual tenure market.

1.2 Policy context

A range of policy initiatives are relevant to our consideration of Australia's shifting tenure landscape. In 2023, the Australian Government set out to develop a 10-year National Housing and Homelessness Plan, collaborating with state and territory governments. Some of its notable initiatives include a 15 per cent increase to the maximum rates of Commonwealth Rent Assistance; tax incentives to support build-to-rent developments; increasing Housing Australia's (previously National Housing Finance and Investment Corporation's) liability cap by an additional \$2 billion; and widening the remit of the National Housing Infrastructure Facility, enabling \$575 million to be immediately invested in social and affordable rental housing (Australian Government n.d.-a).

Other key initiatives include the National Housing Accord, with the goal to build 1 million new homes within five years (from 2024), revised to an additional \$350 million to support funding of 10,000 affordable homes (Australian Government 2022). To tackle homelessness, the National Housing and Homelessness agreement has been extended to one year, alongside expanded eligibility for the Home Guarantee Scheme, at an increased cost of \$67.5 million (Australian Government n.d.-a). Additionally, there is a \$2 billion Social Housing Accelerator payment to state and territory governments to increase the availability of social housing, amounting to 4,000 new and refurbished social homes (Australian Government n.d.-a).

As part of the New Homes Bonus, the Australian Government will deliver \$3 billion for states/territories that achieve more than their committed goals for the building of homes under the National Housing Accord. The \$500 million Housing Support Program will provide targeted funding for state, territory and local governments for their housing development and related initiatives (Australian Government n.d.-b).

There are concerns that these ambitious targets for increasing housing supply and affordability will not be met. Despite the initiatives that have been put in place, the national annual dwelling stock growth rate declined between June 2017 and June 2022. In June 2022, it grew by 146,931 dwellings (ABS 2022b). To meet government targets, 240,000 homes would need to be built each year between July 2024 and July 2029 (Australian Property Update 2023). The situation is exacerbated by projected population increases, especially with a growing ageing population. Further, there are concerns that initiatives intended to ease housing affordability pressures may simultaneously fuel demand, thus pushing up housing prices further.

1.3 Research methods

This project examined the issues and implications of tenure change using a broad range of approaches. From the foundation of a descriptive analysis of the national data, a discrete choice experiment (DCE) and stated preference analysis was conducted, before using Delphi technique analysis and structured interviews to explore the policy environment. In response to the findings generated in the project, we commissioned an additional survey that enabled further testing, using econometric methods of emerging cost-benefit questions.

Chapter 2 examines the three most recent releases of Australian Bureau of Statistics (ABS) data (2011, 2016, 2021), ABS Population Projections up to 2031, and the last two releases of the Australian Housing Conditions Dataset (2020, 2022). Using these datasets, we used cross-tabulation, descriptive analysis and projection modelling to determine short- and long-term tenure trends in Australia, focusing on each of the states and territories, and the capital cities.

Chapter 3 utilises the Australian Housing Aspirations (AHA) dataset to consider the tenure preferences of Australian households and to identify insights that can inform original data collection for this research that assesses stated preferences about housing options in 2023.

Chapter 4 focuses on the DCE that was commissioned for this project. Following a literature review to draft the survey instrument and several rounds of testing, the DCE went to field and tested the specific housing and tenure preferences of 965 participants. The survey objectives were to: (1) test the trade-offs that people make when deciding their preferred tenure arrangement; (2) identify the key components affecting their current and potential tenure decisions; and (3) to understand the role of non-housing factors, such as residential stability, income and region, in driving those decisions.

Chapter 5 presents the results of the policy stakeholder panel interviews. For this part of the research, we used a modified Delphi exercise to test the impacts and policy implications of tenure scenarios for Australia, and considered the impacts of each on Australian people, the broader social welfare system in Australia and public sector budgets. It also examined the implications for key stakeholders, including public housing providers, community housing associations, governments and the home building and home financing sectors.

The cost-benefit analysis presented in Chapter 6 is based on a 'people's panel survey'. Fifty-five participants from different Australian states and territories and at different life stages (young, mid-life, later life) were sampled using a commissioned recruitment company.

Chapter 7 provides a summary of the research presented in this report and considers how Australia's policy and regulatory environment could provide better support to Australians in a range of different tenure environments.

2. Existing and emerging tenure trends

- **The housing market in Australia is still dominated by home owners, but the proportion of renters is increasing in all capital cities and across almost all age brackets. In Sydney, the proportion of elderly renters is also increasing.**
- **Renting is emerging as the key tenure option for lone-person households, and it is becoming more expensive across the country, with Sydney and Canberra recording the highest weekly costs.**
- **Nationally, dwelling size has consistently increased over time.**
- **Although detached dwellings still dominate our residential infrastructure, the proportion of apartments and semi-detached houses in the stock of dwellings is increasing.**
- **Only half of all renters in the private rental sector expect to own a home in their lifetime.**

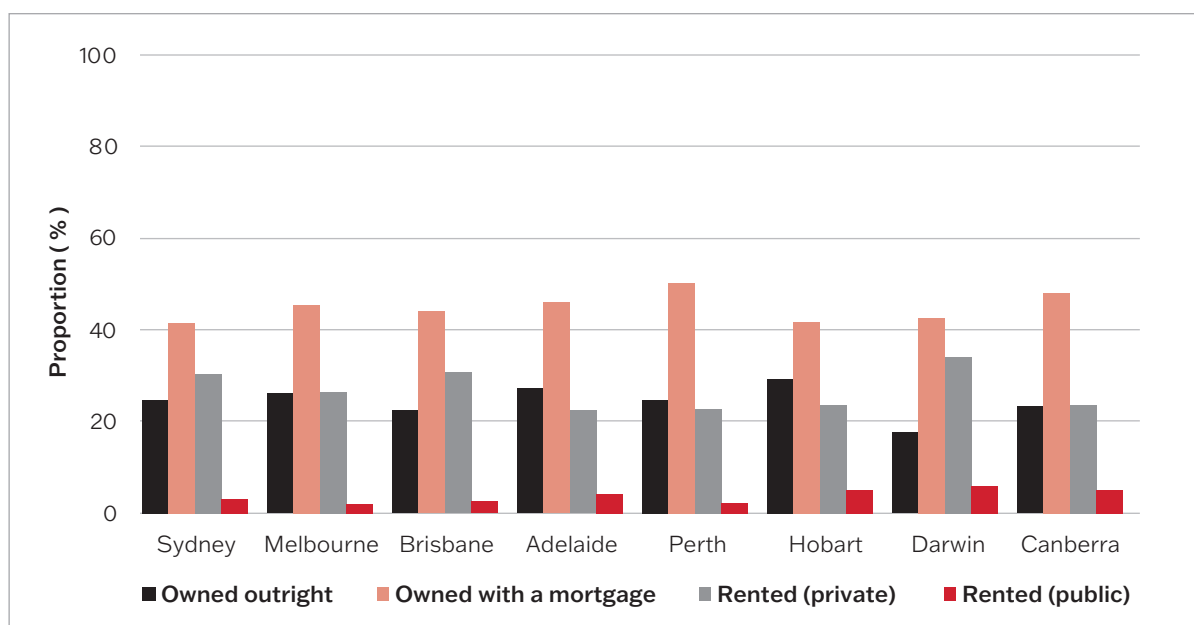
There is insufficient knowledge about current and emerging tenure trends in Australia. This chapter addresses this knowledge gap and charts the growth of renting. The first part of the analysis utilises ABS Census data from 2011, 2016 and 2021, supplemented with analysis from the most recent AHCD (Baker, Daniel et al. 2023). In 2022, the AHCD surveyed 22,550 Australian households, both renters and owner occupiers. In recognition of the emerging importance of renting and the call for detailed work on this type of tenure, the sampling frame was weighted to over-sample rental households. This is particularly useful for analysis of the shifting tenure environment in Australia.

In order to develop a comprehensive understanding of the tenure trends occurring in Australia over the past 10 years, selected variables were considered and compared against four key tenure groups: outright owners, owners with a mortgage, public renters and private renters.

2.1 Census tenure trends

There has been a shift in recent years towards renting, but the housing market in Australia is still dominated by home owners. Forty-four per cent of Australians own their own home with a mortgage, 27 per cent own their own home outright and 26 per cent rent privately, either through a real estate agent or from someone not in the same household. Comparatively few (< 5%) Australians are social renters.

Figure 2: Proportion of renters and owners in Australian capital cities, 2021



Source: ABS (2021a) accessed by ABS online TableBuilder facility.

Figure 2 shows that a similar proportion of renters and home owners exist across most Australian capital cities, but there are a few key differences. For instance, Hobart, Darwin and Canberra have the largest proportion of public renters (5%, 6% and 5%, respectively). Perth and Canberra have the highest proportion of home owners with a mortgage (50% and 48%, respectively). The largest proportion of outright owners live in Adelaide (27%) and Hobart (29%). Finally, Darwin has the highest proportion of private renters (34%) and public renters (6%), as well as the lowest proportion of outright owners (18%).

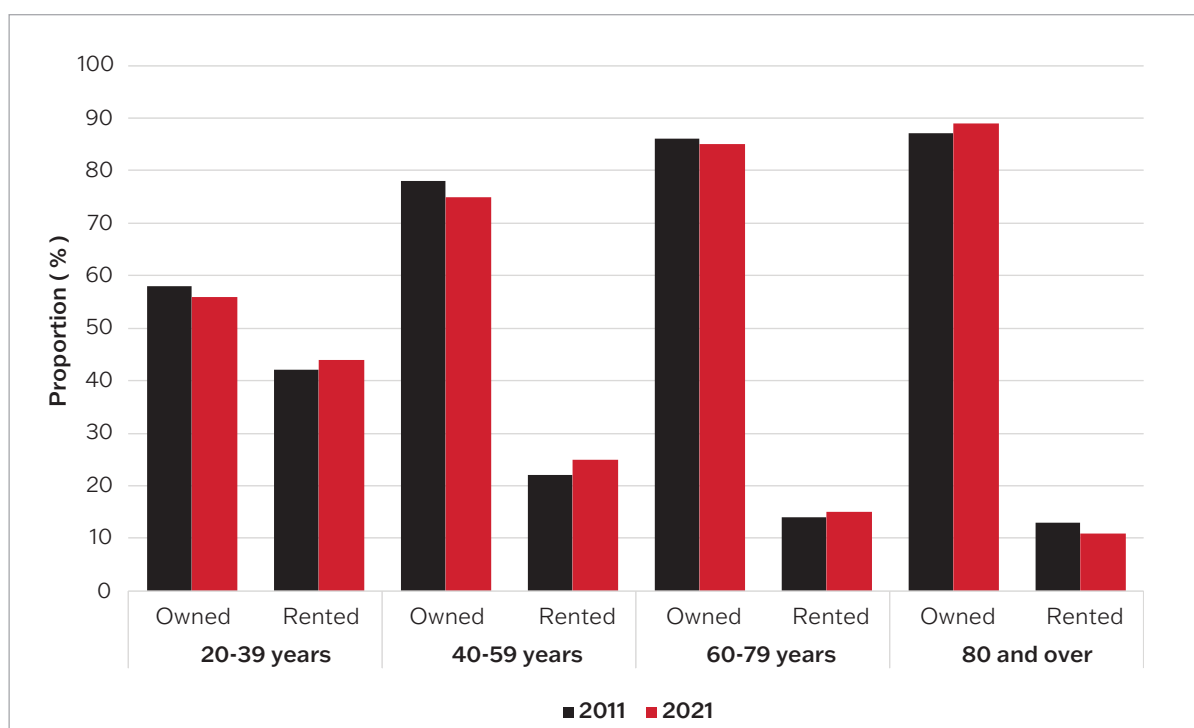
Digging deeper into this simple view of Australia's tenure profile, five key themes emerge from the Census data:

1. more older Australians are renting
2. household costs have increased for both renters and home owners (disproportionate to income growth)
3. more Australians are living in high-rise buildings
4. houses are getting larger
5. lone-person households have experienced the biggest tenure shifts.

2.1.1 More older Australians are renting, and for longer

An examination of changing housing tenure characteristics at major lifecycle stages (as summarised in Figure 3) suggests a shift in the decade to 2021 towards rental for all age cohorts (with the exception of people aged over 80 years). Although home ownership still dominates as a tenure at every age cohort, the ratio of owners to renters is greater in the older age groups (e.g. 89:11 in the 80 and over cohort) and lesser in the younger cohorts (e.g. 56:44 in the 20–39 cohort).

Figure 3: Proportion of renters and owners by age cohort, 2011 and 2021



Source: ABS (2011, 2021a) accessed by ABS online TableBuilder facility.

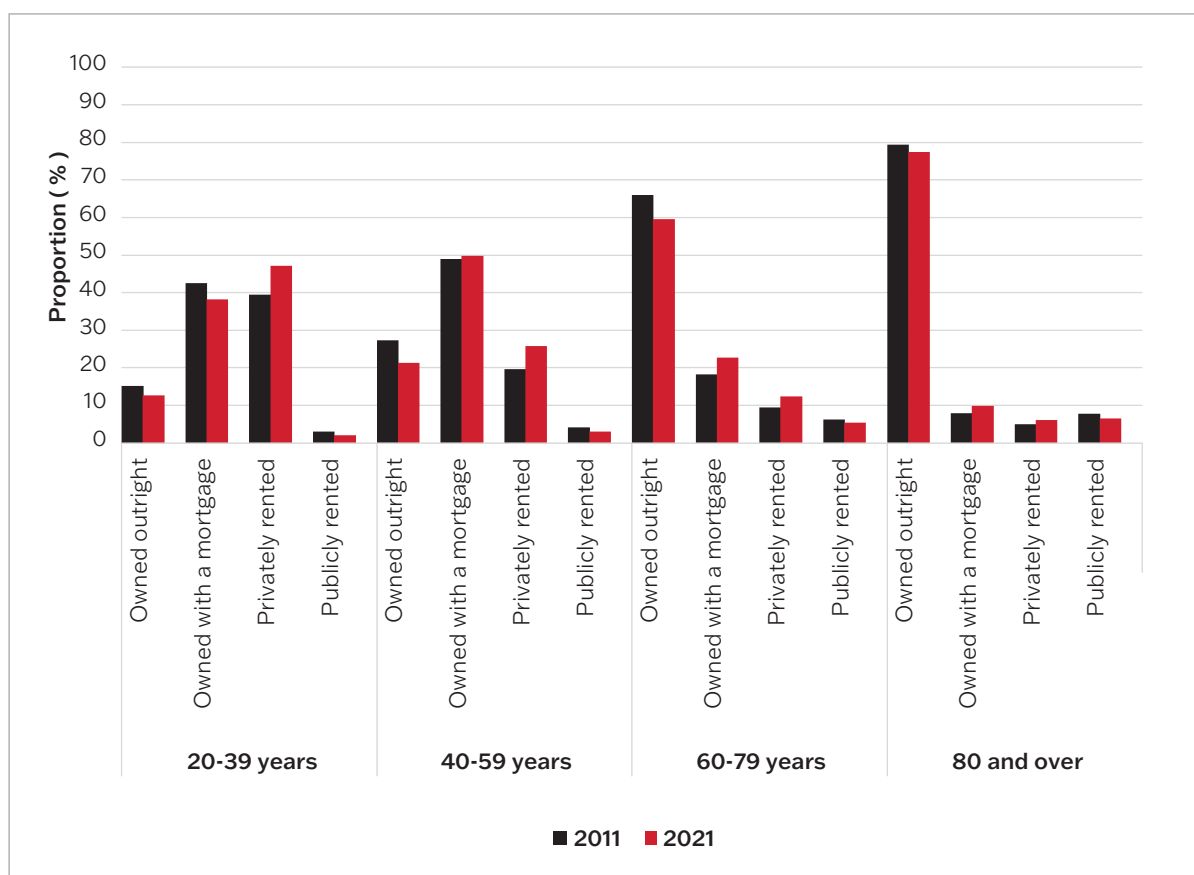
The proportion of Australians who own their homes outright has also decreased across all age cohorts (except the 80 and over cohort in most parts of the nation). Sydney provides a good illustration of this trend (see Figure 3). Here, all age cohorts show a decline in outright home ownership between 2011 and 2021. Interestingly, although there is a slight rise in the proportion with a mortgage among older (40+) cohorts, this trend is not seen in the younger (20–39 years) cohort, suggesting that they are, comparatively speaking, 'locked out' of entry to home ownership.

Unlike the rest of Australia, where private renting has increased for the youngest three age brackets, private renting in Sydney has increased across all age groups. This increase has been most pronounced in the 20–39-year-old cohort (39–47%), but it is still significant in the 40–59-year-old (20–26%) and the 60–79-year-old cohorts (9–12%). In the 80 and over group, private renting has increased from 5 per cent to 6.1 per cent. This trend is also evident in Brisbane (with an increase from 7.4% to 8.3%) and, to a lesser extent, in Canberra (2.9% to 3.3%), Adelaide (4.3% to 4.7%) and Melbourne (5.1% to 5.5%).

Melbourne experienced a similar age-dependent rise in private rental across the 10-year period under review (2011–21). There, private rentals increased from 38 per cent to 42 per cent for 20–39 year olds, 16 per cent to 21 per cent for 40–59 year olds, and 3 per cent to 10 per cent for 60–79 year olds. More consistent with the Australian average, the proportion of Australians aged 80 and over who were renting remained low (at 5%) in Melbourne. Overall, these trends suggest that the so-called ‘rise of renting’ is a multigenerational phenomenon affecting not just millennials, but generation X and baby boomers as well.

In terms of the housing market, Adelaide is one of the least expensive Australian cities. Yet it has also experienced a growth in renters across all age groups. However, younger people are still accessing home ownership there. The proportion of Adelaideans who own a home with a mortgage increased slightly between 2011 and 2021. The key difference between Sydney and Adelaide is the proportion of private renters across most age groups. As shown in Figure 4, Sydney had a far greater proportion of private renters in 2021 (47% of 20–39 year olds, 26% of 40–59 year olds and 12% of 60–79 year olds) compared to Adelaide (37% of 20–39 year olds, 18% of 40–59 year olds and 8% of 60–79 year olds). This speaks to the relative affordability of home ownership in Adelaide compared to Sydney: aspiring home owners have a better chance of entering the housing market in Adelaide than in Sydney.

Figure 4: Proportion of renters and owners by age, Sydney, 2011 and 2021



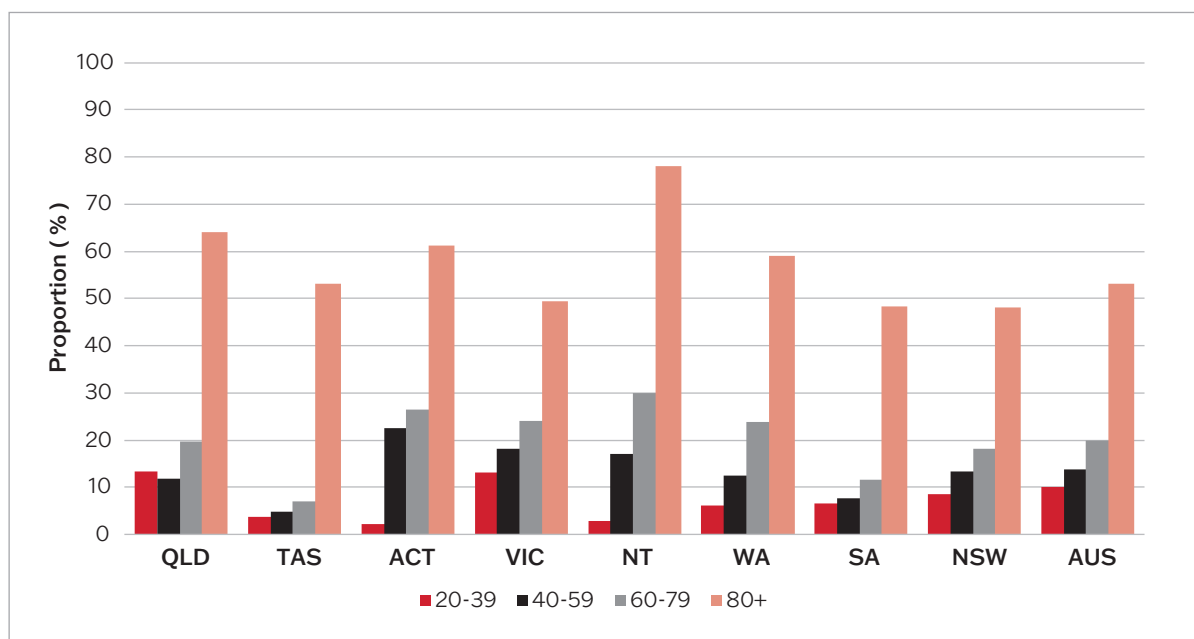
Source: ABS Census (2011, 2021b) accessed by ABS online TableBuilder facility.

2.1.2 An ageing population of renters

The age differentiation of tenure trends described above is even more important when we consider ABS population projections (ABS 2024). These projections suggest substantial growth of the older population to 2031: for example, the number of people aged 80 years and over is expected to increase by 53 per cent, and the population aged 60–79 years is expected to rise by 20 per cent, reaching almost 1 million people. These trends are expected to occur in all states and territories (as shown in Figure 5).

These projected demographic shifts are important to a consideration of the rental sector. A recent report, *Ageing in a housing crisis*, suggests that housing insecurity is affecting many Australians across all tenures and is particularly concerning for those who are older renters (Stone, Reynolds et al. 2023). This will only worsen as more Australians move into the older two age brackets over the coming decades. Evidence suggests that increasing numbers of lower-income Australians are moving out of social housing and into the private rental sector (PRS), where they are less protected against insecure elements of renting, such as rent increases and short leases. As a result, affordable rent will be an ongoing challenge for significant numbers of older people

Figure 5: Projected population change 2021–31 by age, state/territory



Source: ABS (2024).

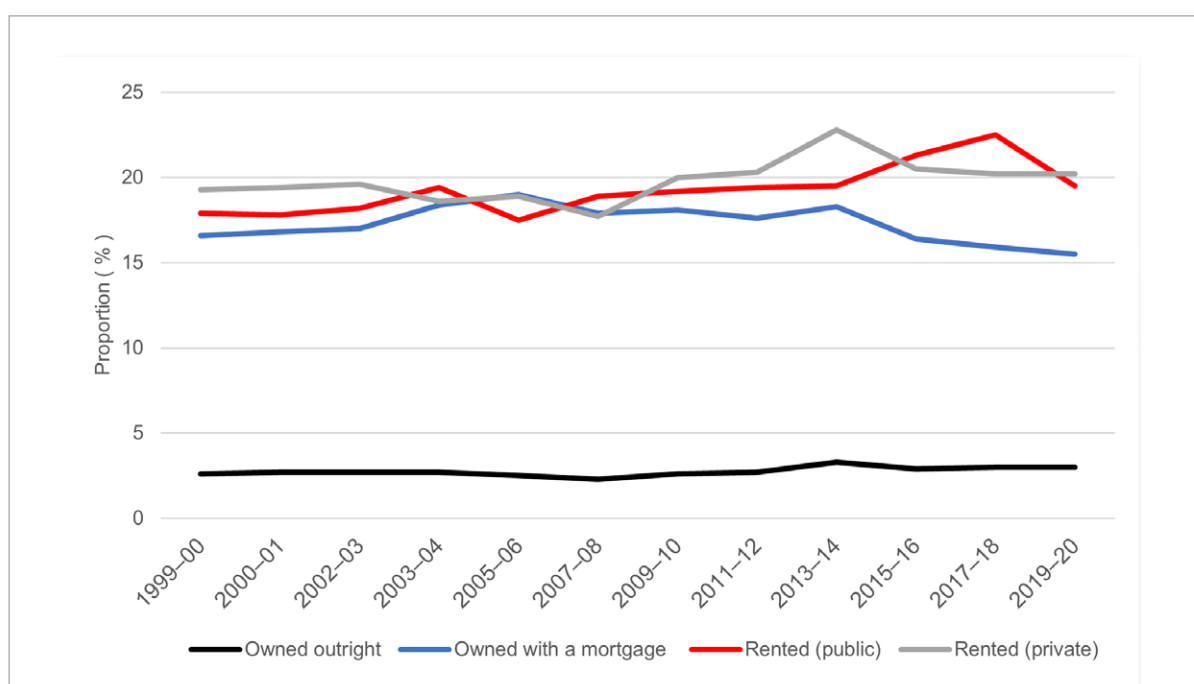
2.1.3 Household costs have increased for renters and home owners

Nationwide, rental costs increased between 2011 and 2021. ABS (2022c) data suggest that 50 per cent of weekly rents were in the highest price brackets (i.e. \$400–\$549 and \$550 and over) in 2021, compared to 23.3 per cent 10 years earlier. These nationwide averages reflect state and territory trends: for example, in 2021, 34 per cent of rental properties in the Australian Capital Territory and 32 per cent of rental properties in New South Wales had weekly rents over \$500. In comparison, just 6 per cent of rental properties in South Australia and 7 per cent of rental properties in Tasmania were in the \$550 and over per week bracket. Unsurprisingly, rents were generally higher than state averages in the capital cities, with Sydney having 40 per cent of its rental stock in the highest price bracket in 2021. Sydney also experienced the most significant increase from 2011, shifting from only 19 per cent of properties in the highest price bracket.

Dwelling costs are also rising for owners. From 2016 to 2021, the number of homes facing monthly mortgage repayments of \$5,000 and over increased by 60 per cent, while the proportion of homes within a monthly repayment bracket of \$3,000–\$4,999 increased by 23.2 per cent. Interestingly, according to the ABS Survey of Income and Housing, in 2019–20, the average weekly housing cost for owners without a mortgage was \$54, with a mortgage was \$493 and for renters was \$379.

As has been well documented, income changes have not kept up with housing-cost increases. At the same time, there has been a decline in housing affordability (i.e. ratio of housing costs to gross household income). Renters spend a higher proportion of their gross household income on housing costs compared to owners. In 2019–20, the housing affordability ratio stood at 20.2 per cent and 19.5 per cent in the PRS and social housing, respectively. By contrast, it was 15.5 per cent and 3 per cent for owners with mortgages and outright owners, respectively (as shown in Figure 6).

Figure 6: Housing costs as a proportion of gross household income, by tenure, 1999–2020

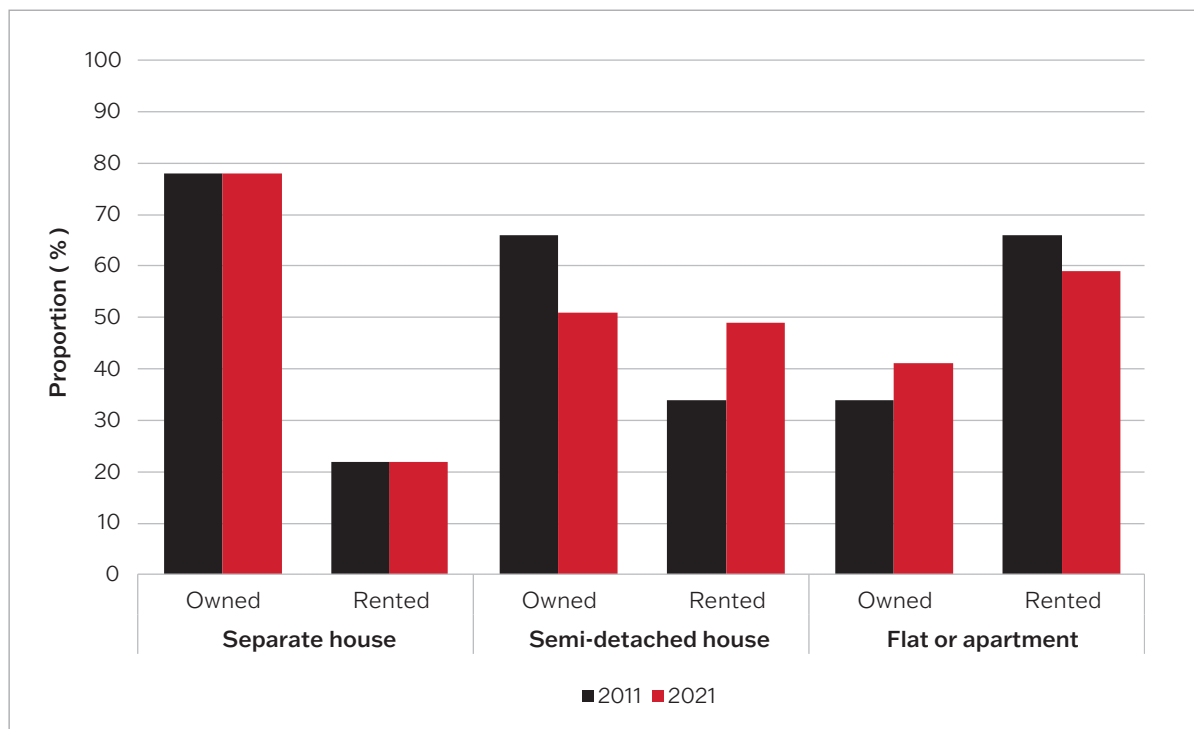


Source: ABS (2022c).

2.1.4 More Australians are living in apartments and semi-detached houses

Nationally, the proportion of Australians living in separate houses stayed consistent between 2011 and 2021, with home owners comprising 78 per cent and renters comprising 22 per cent. Where we can see the most change over the decade is in the categories of semi-detached homes and flats or apartments (Figure 7). The proportion of Australians owning semi-detached homes decreased from 66 per cent to 51 per cent, while the proportion of renters rose from 34 per cent to 49 per cent. For flats or apartments, the proportion of owners increased from 34 per cent to 41 per cent, while the renter group saw an equivalent decrease from 66 per cent to 59 per cent.

Figure 7: Dwelling structure by tenure, Australia, 2011–21

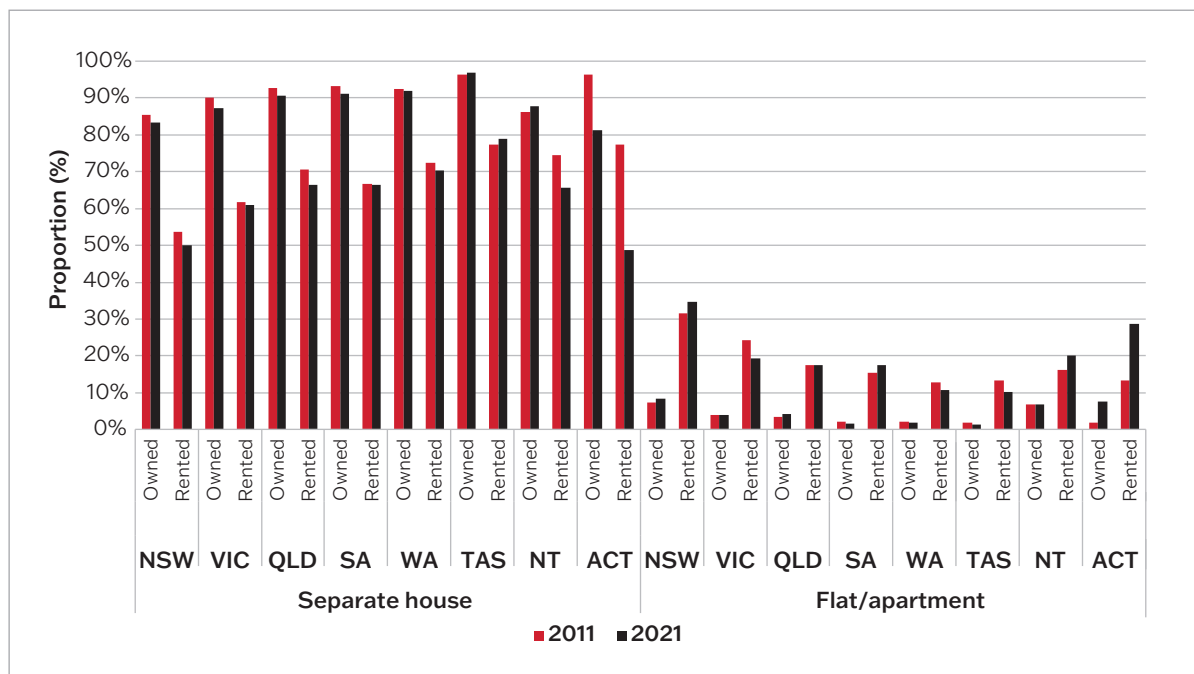


Source: ABS (2011, 2021c) accessed by ABS online TableBuilder facility.

Small shifts occurred in the separate house category across the period under review. For instance, outright owners of separate homes decreased slightly (by 1%), while owners with a mortgage increased equivalently. For flats and apartments, the substantial increase in owners was almost entirely comprised of owners with a mortgage (increase from 20% to 25%), while the proportion of outright owners saw a much smaller increase (14–16%). Regarding semi-detached houses, both outright owners and owners with a mortgage saw a similar decrease from 2011 to 2021 (26–20% and 39–31%, respectively). This can likely be explained by the significant increase in renters living in semi-detached houses; however, this growth is only made up of private renters (26–42%), with the proportion of public renters in semi-detached homes remaining at 8 per cent over the 10-year period.

As shown in Figure 8, across all states and territories, separate dwellings were the dominant dwelling type in 2011 and 2021. Tasmania consistently had the highest proportion of separate house dwellings, with more than 95 per cent of owned dwellings and close to 80 per cent of rented dwellings being separate houses structures. That being said, the proportion of separate houses within each state and territory (apart from the Northern Territory) declined during the 10-year period, with the Australian Capital Territory experiencing the most significant decline, especially in rented separate house dwellings (decline of 28.8%). Meanwhile, the change in the proportion of flats/apartments was less consistent, with select states and territories experiencing an increase. The Australian Capital Territory saw the most significant change for this dwelling structure, with owned flats/apartments increasing by 7.6 per cent and rented flats/apartments increasing by 28.6 per cent.

Figure 8: Dwelling structures by tenure and state, 2011 and 2021



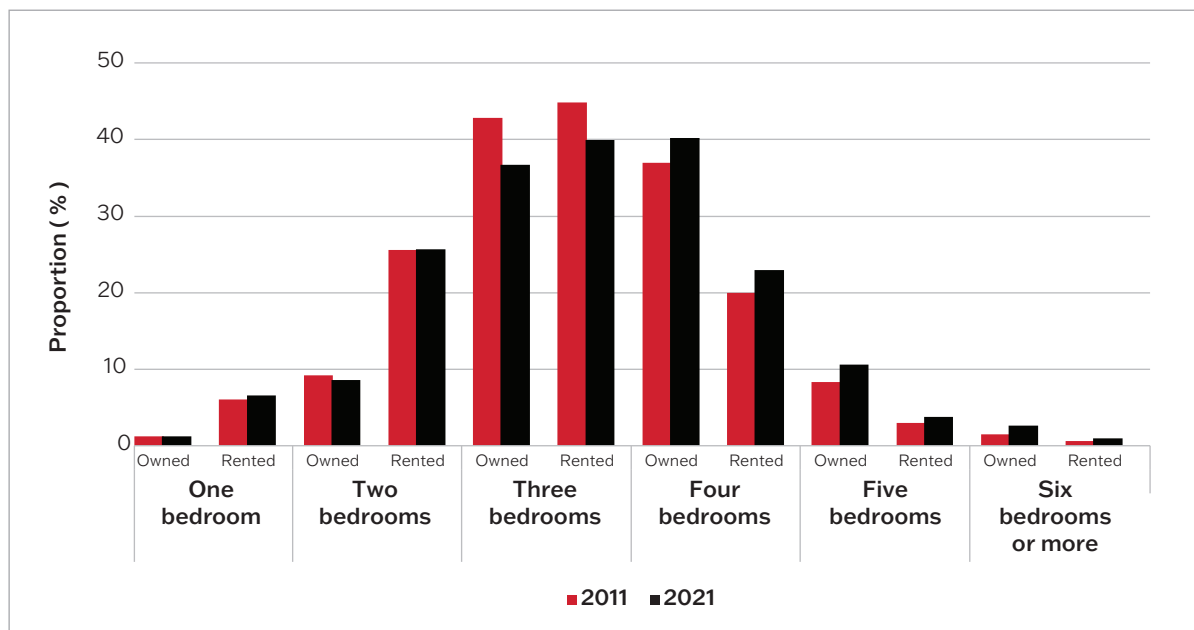
Source: ABS (2011, 2021d) accessed by ABS online TableBuilder facility.

2.1.5 Houses are getting bigger—at least in terms of number of bedrooms per household

Most homes in Australia have three bedrooms, with two-bedroom and four-bedroom homes being the next most popular. One-bedroom, five-bedroom and six-bedroom homes are less common. Dwellings with one bedroom, two bedrooms or three bedrooms are dominated by renters, while four-, five- and six-bedroom homes are dominated by owners. Although the proportion of one- and two-bedroom homes has stayed relatively stable between 2011 and 2021 across both tenures, the number of three-bedroom homes decreased over the 10-year period for both renters and owners. The number of four-, five- and six-bedroom increased over the same period across rented and owned tenures.

Similar trends are visible in Sydney, where three-bedroom homes remain the most common dwelling type for both renters and owners, but are in significant decline. Figure 9 shows that four-, five- and six-bedroom homes are on the rise across both tenure types in Australia as a whole. The most significant difference in Sydney compared to Australia is the proportion of rented two-bedroom homes. The proportion of owned two-bedroom dwellings is comparable for 2011 and 2021. However, compared to the Australian average for two-bedroom rented homes (26% for both 2011 and 2016), the figure is significantly higher in Sydney (36% and 37%, respectively). Both figures demonstrate that the most growth is being seen in four- and five-bedroom houses in Australia and Sydney, while three-bedroom dwellings are in decline.

Figure 9: Proportion of bedrooms in Australian dwellings by tenure type, 2011 and 2021



Source: ABS (2011, 2021e) accessed by ABS online TableBuilder facility.

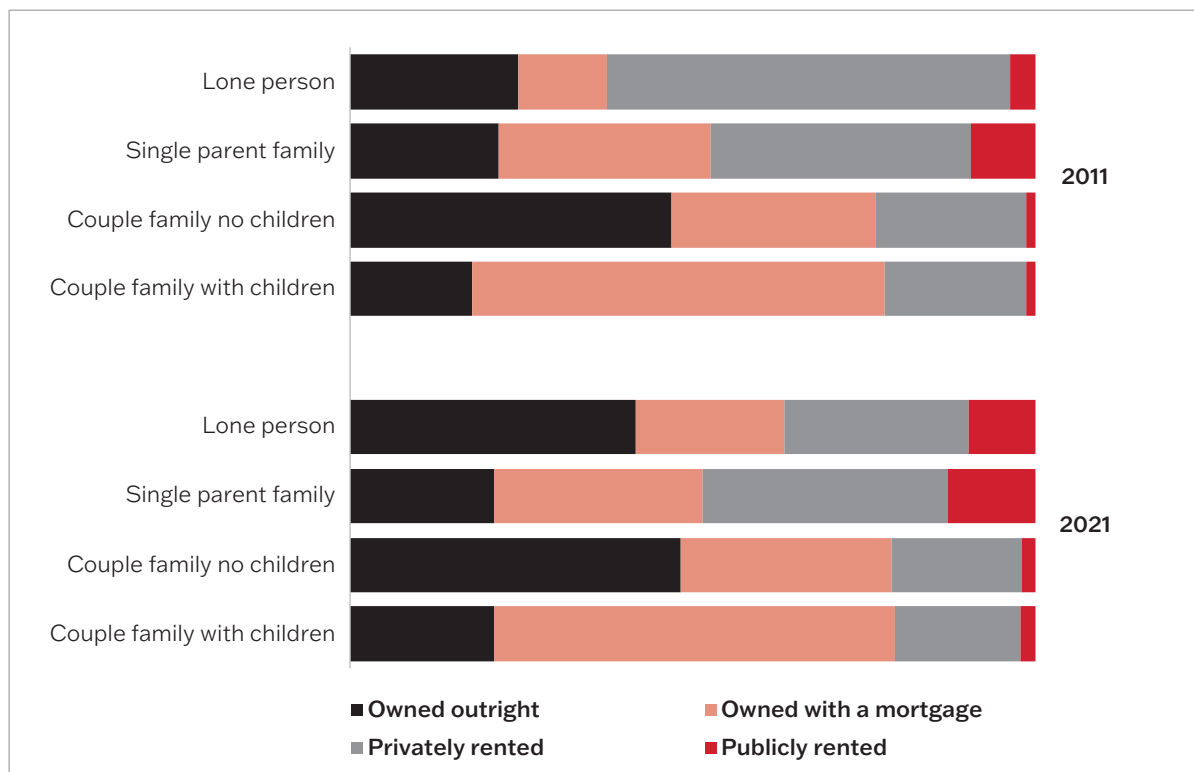
2.1.6 Lone-person households have experienced the biggest tenure shifts

Looking at the average in Australia, only group households and lone-person households experienced significant shifts between different tenure types during the period under review. Figure 10 shows that tenure stayed relatively stable for single-parent families, couple families with no children and couple families with children from 2011 to 2021. The main shift in these three categories reflects a proportional decrease in public renting. The greatest decrease in public renting is evident in lone-person households, with the percentage decreasing from 10 per cent to 4 per cent. The only category that shows an increase in public renting is group households, which rose from 4 per cent to 17 per cent.¹

In 2011 and 2021, couples without children were far more likely to own a home outright than their counterparts with children (48% down to 47%, and 21% down to 18%, respectively). Outright home ownership decreased across all categories too, but it was most significant in lone-person households, which decreased by 17 per cent by 2021. Owning a home with a mortgage followed a similar pattern for lone-person households and group households, while single-parent families, couple families without children and couple families with children saw a small increase in the number of households owned with a mortgage.

¹ Note: group households have been removed from this figure as the proportion of group households is much smaller; therefore, this change over the 10-year period appears to skew the other household composition categories.

Figure 10: Family household composition in Australia by tenure, 2011 and 2021



Source: ABS (2011, 2021f) accessed by ABS online TableBuilder facility.

2.2 Australian Housing Conditions Dataset (2022)

This second part of the analysis considers the most recent AHCD, which surveyed 22,550 renter and home owner households in 2022 (Baker, Daniel et al. 2023). The dataset is the third in a series of Housing Conditions Datasets, the first taking place in 2016 with a focus on rented and owned homes (Baker, Beer et al. 2019), and the second taking place in 2020 with a focus on only rental properties and an AHURI-funded COVID module (Baker, Beer et al. 2020). The 2022 dataset is the first to include two collection waves, the second of which will take place in 2024, bringing the total from both waves to 45,000 participants. Over the years of data collection, this project, funded by the Australian Research Council, represents a collaboration of six partner universities.

The most recent AHCD was modelled on the earlier two versions but with additional questions to account for gaps in the research and in other existing housing surveys. This includes questions around home ownership, such as whether participants own a home but choose to rent a property (to account for the rise of a group that has been termed 'rentvestors'), why people choose to own multiple homes and whether participants plan to purchase a house one day. These questions broadened the scope of the existing survey to provide additional details around the attitudes of Australians to their housing, as well as to supplement the aspirations of the AHA survey, which will be discussed in the following chapter.

Three key trends relevant to the tenure futures of Australian householders have been identified from the last two surveys:

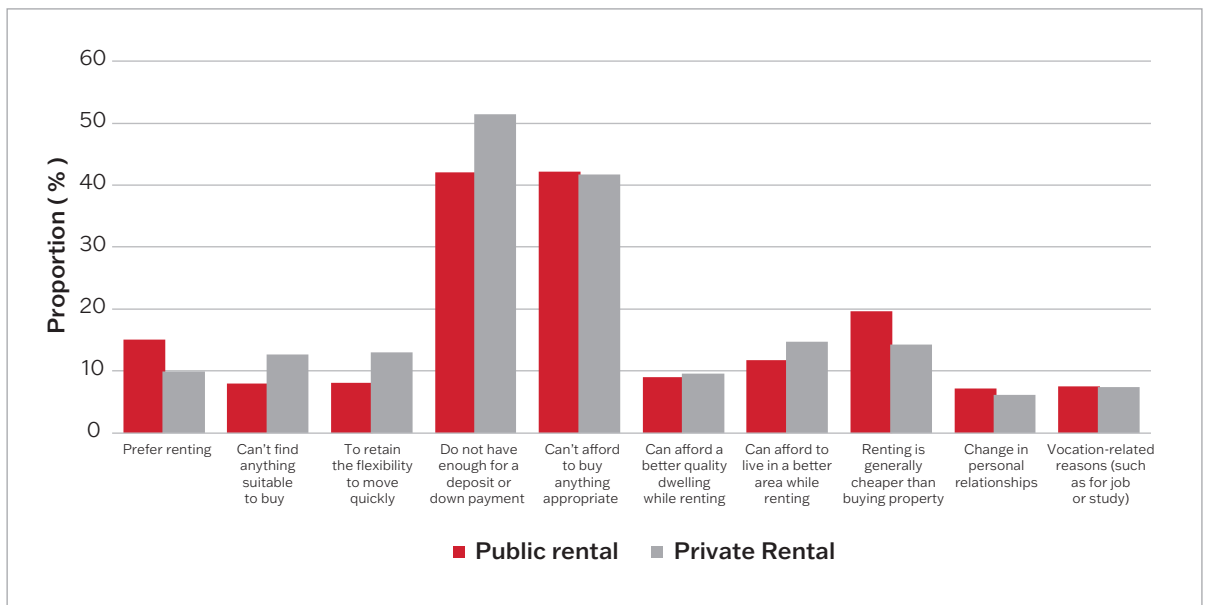
1. the key motivations for renting are financial
2. only half of Australians think they will own a home one day
3. the number of renters who also own property is growing.

2.2.1 The key motivations for renting are financial

In the 2022 survey, the three top responses to the question of why people rent were, probably unsurprisingly, related to housing unaffordability and the inability to purchase property. As summarised in Figure 11, 42 per cent of public renters and 51.5 per cent of private renters stated that they rented because they did not have enough money for a down payment or deposit. Similarly, 42.2 per cent of public and 41.7 per cent of private renters said they could not afford to buy anything appropriate. The next most common reason for renting was due to the perception that renting is generally cheaper than buying property (19.6% for public renters and 14.3% for private renters). This is interesting considering 2023 findings that show that, at least for one-third of properties, renters would be better placed financially if they bought their properties and paid the costs associated with mortgage repayments rather than continued renting through consistent rent increases (Terzon 2023).

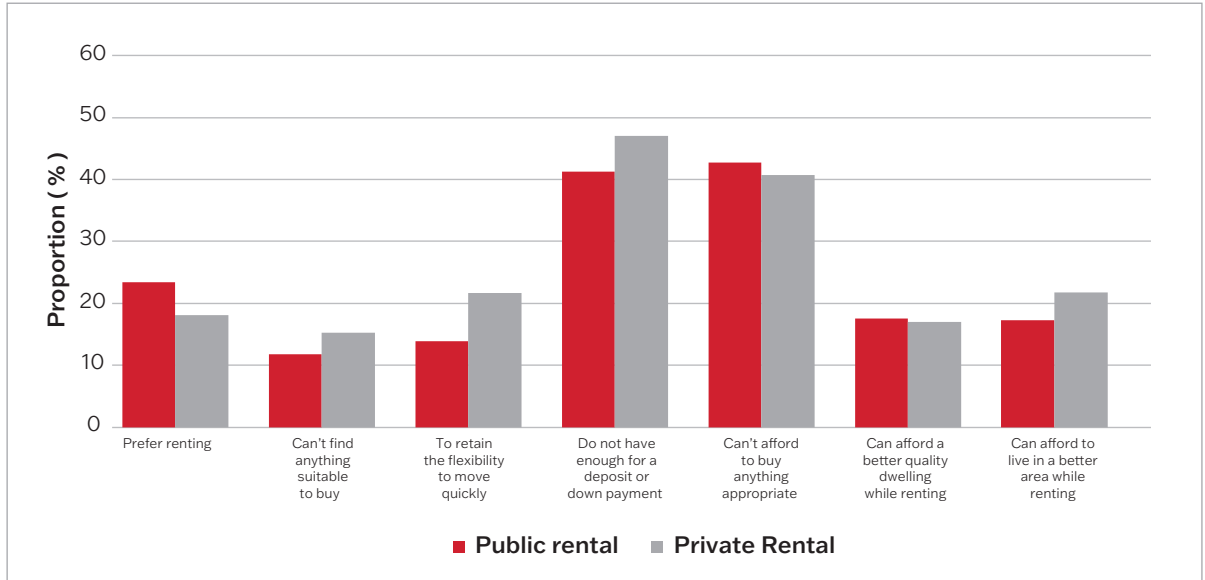
Looking at this same question in the 2020 survey (Figure 12), the main two reasons for renting – not having enough for a deposit or down payment and being unable to afford anything appropriate – are the same as in 2022 for both public and private renters. The proportion of renters choosing these two responses increased between 2020 and 2022, especially for private renters, with the proportion unable to buy anything appropriate increasing from 40.8 per cent in 2020 to 41.7 per cent in 2022, and the proportion not having enough for a deposit or down payment increasing from 47 per cent in 2020 to 51.5 per cent in 2022.

Figure 11: Main reasons for renting, 2022



Source: Baker, Daniel et al. (2023)

Figure 12: Main reasons for renting, 2020



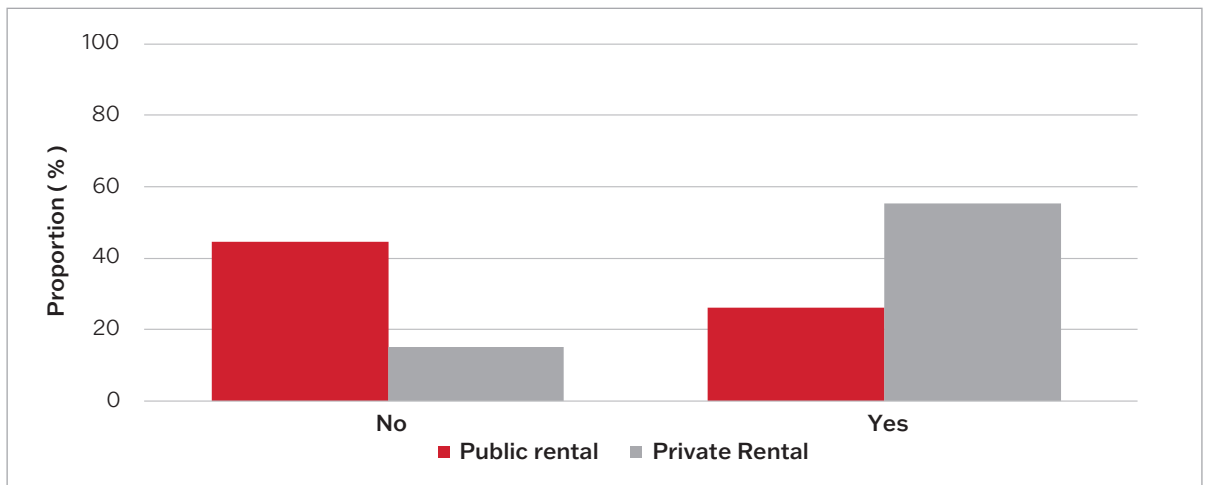
Source: Baker, Beer et al. (2020)

2.2.2 Only half of Australians think they will own a home one day

One of the most significant findings in the recent AHCD is the fact that only around half (55.4%) of private renters think they will be able to buy a property in Australia one day (Figure 13). Out of this cohort, 19.7 per cent foresee that happening within the next 2–5 years. Conversely, only 26 per cent of public renters think they will purchase a property in Australia, with the largest group hoping to purchase property in the next 5–10 years. The survey also tells us that 44 per cent of public renters and 15 per cent of private renters do not ever expect to buy property in Australia.

This shows a significant shift for Australian renters and also signals a considerable shift in Australian culture. Whereas previously anyone who desired home ownership would be able to move into that tenure in Australia, now more Australians are conscious that this dream may not be a possibility for them.

Figure 13: Renters on whether they will buy a property one day

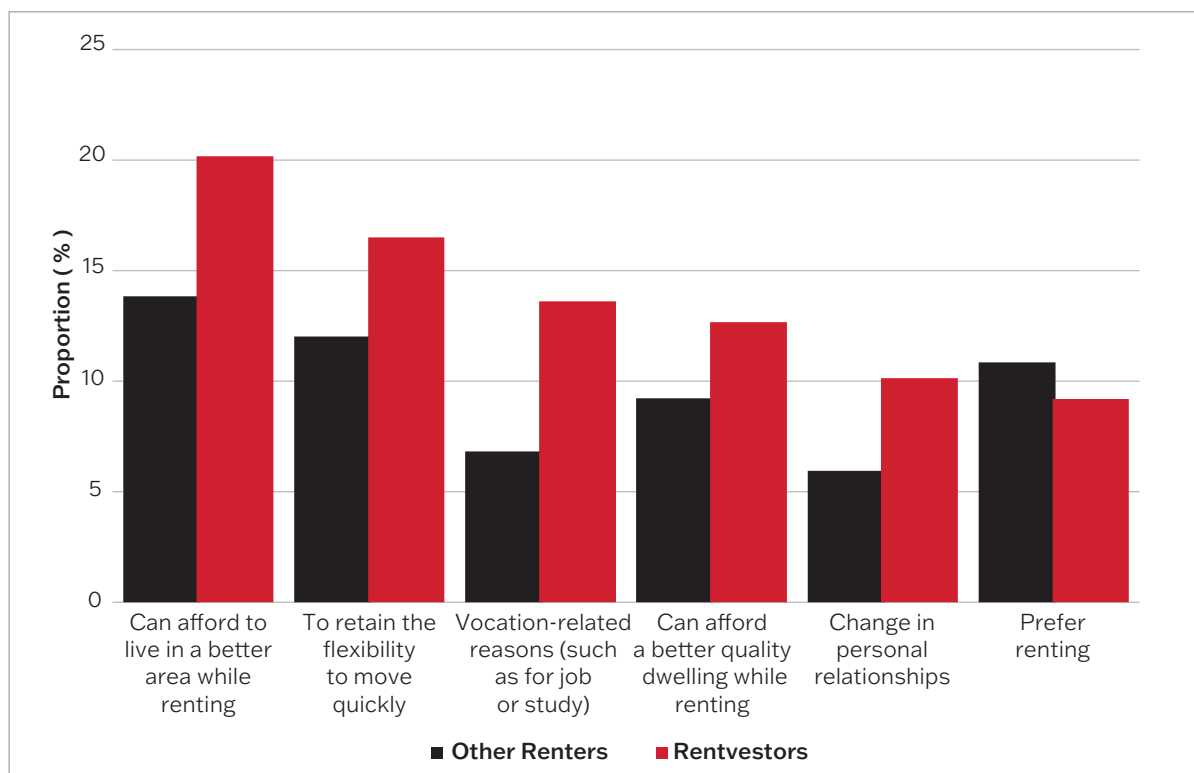


Source: Baker, Daniel et al. (2023)

2.2.3 The number of renters who also own property is growing

To date, there has been little research undertaken into the rise of so-called rentvestors. Baker and Leishman (2023), in the recent *Our housing Australia* report, define rentvestors as 'renter households who are also property owners'. The increase in this cohort of renters demonstrates that the traditional trajectory of renter to eventual owner is no longer relevant for many Australians. From the AHCD 2022, it is evident that at least 10 per cent of renters are rentvestors (Figure 14). The demographic of rentvestors is considerably different to the regular renter group, with the predominant rentvestor household being a mid-career couple with children. Other renters are, for the most part, younger and in early career jobs. While the below figure demonstrates that financial reasons are still a factor for rentvestors, this does not appear to be the primary motivation. Many rentvestors appear to choose to continue renting, despite owning their own property, for lifestyle reasons, such as living in a better area while renting or living closer to work; however, flexibility, especially the ability to be able to move more quickly, are also high priorities for these renters. For other renters, the choice to start renting may not be an intentional decision, but rather a by-product of life events such as a change in relationships or inheritance.

Figure 14: Reasons for renting, rentvestors compared to other renters



Source: Baker, Daniel et al. (2023)

2.3 What are the policy development implications of this research?

One of the most significant findings from this research is that many older Australians are moving into private rental. This is concerning, particularly for lower-income people who might have minimal superannuation or housing security in the PRS, and the problem will likely worsen over the next 10 or so years as the proportion of Australia's older population increases. This is also concerning due to the incredibly limited availability of social housing across Australia and the waiting lists that mean people are having to wait multiple years before they can live in social housing – if, indeed, they ever can. This shortage of social housing paired with repeated rent increases and short, insecure leases especially impacts older Australians on lower incomes who may not have sufficient savings or superannuation funds to depend on in times of crisis. This is also a concern for lower-income people, and First Nations people and people with disabilities, two marginalised groups who are disproportionately affected by housing stress and insecurity.

While interest rates have stabilised over the previous six months, household costs will continue to rise, becoming increasingly unaffordable for many home owners and aspiring home owners. Rent increases are also unlikely to slow down. A large proportion of renters have already crossed the threshold of not being able to afford to spend any more money on rent per week. In the face of high demand and limited PRS housing stock, as well as insufficient public housing stock in all Australian states and territories, private renting is becoming more and more troubling and insecure.

The goal of home ownership is becoming increasingly difficult for many Australians looking to move out of the PRS. This issue is not just relevant to lower-income Australians: current trends suggest it will increasingly affect Australians on average incomes. Recent research indicates that many young Australians are already delaying common life course events, such as moving out of the family home and in with housemates or partners, as well as moving cities or having children, due to concerns around money and housing insecurity.

3. Australian housing aspirations

- **Analysis of the Australian Housing Aspirations survey data highlights the ongoing significance of home ownership as the main aspiration for many Australians.**
- **Home ownership is perceived as the housing tenure that will deliver the key attributes of housing that Australians want.**
- **These attributes include security, quality, full ownership, flexible rent or mortgage payments, and the ability to modify the dwelling.**
- **Among private renters, few (19%) believe that renting meets their aspirations and the majority (78%) aspire to home ownership.**
- **Regardless of current income and desired tenure, in the longer term, the majority of respondents aspire to have somewhere safe and secure to call home, and security and control as they grow older.**
- **Without substantial reform and change, private rental housing will fall short of the housing Australians want and need.**

Building on the analysis of Census data and AHCD results addressed in the previous chapter, this chapter considers recent evidence regarding the aspirations and preferences of Australians about their housing, identifying aspects that can inform original data collection for this research. Specifically, the analysis addresses research question 2 (RQ2):

What are the housing tenure preferences of Australian households now and over the coming decades? What are the key components affecting decisions they make?

The question is addressed in two parts: first, by establishing existing housing preferences, or aspirations, and their drivers; second, by using these insights to design, conduct and analyse new data in the form of a preferences analysis.

In the original analysis presented below, we focus on the housing aspirations and preferences of private renters. The PRS is the fastest growing part of the Australian housing system, yet is also the least well regulated. It is known to include problems of insecure and poor-quality housing and is often identified as being less preferred by Australians than home ownership – despite the affordability challenges of purchasing a home. The PRS is the most adaptable part of the Australian housing system, being more open to policy intervention than home ownership, and is where a large proportion of both would-be home purchasers and households eligible for social housing reside.

The first part of RQ2 is addressed via analysis of existing housing aspirations data. The AHURI Inquiry into aspirations of Australian households, conducted between 2018 and 2020, established an original, wide-reaching national quantitative dataset via the AHA survey (Stone, Rowley et al. 2020a; 2020b).

The Inquiry developed a nuanced account of future aspirations, longer-term housing ideals, the housing and locational attributes associated with stated aspirations, and self-reported accounts of the impact of housing aspirations that were not met in the short-term and were unlikely to be in the longer-term:

Housing aspirations are the desires that households have in relation to their housing outcomes. These shape the decisions households make in response to how they navigate and make decisions within housing systems, markets and contexts, in relation to housing affordability, dwelling preferences and a host of other contextual factors, including access to employment, the nature and quality of the available stock, and locational preferences. They are based in values that are individual yet also fundamentally shaped by the wider social, cultural, political context. They are also shaped by generational influences affecting what cohorts across the life-course view as optimal, normal and achievable, and what they ultimately want from the 'housing bundle': the suite of shelter and non-shelter attributes associated with their housing. (Stone, Rowley et al. 2020b: 1)

As set out in the Technical Report (Stone, Rowley et al. 2020b) the AHA survey includes details regarding:

- current housing
- household circumstances
- housing required to meet the changing needs of the household, including preferences and trade-offs
- the importance of respective housing attributes (tenure, dwelling types, physical characteristics, location, amenities and financial components).

The survey was designed over a period of several months with reference to previous housing surveys conducted by Cassells, Duncan et al. (2014) and Duncan, James et al. (2016); the ABS Survey on Income and Housing; the British Household Panel Survey; and the broad literature around housing aspirations. The focus groups conducted as part of the research also informed the development of the survey questions.

Following an extensive period of research and survey design among diverse cohorts of people from a wide range of living situations across the nation, the survey was piloted and then refined. The final AHA dataset includes responses from 7,343 Australians. Population-based quotas were established across a range of characteristics, including age, income and gender, to ensure the most representative sample possible. Resource constraints limited the number of quotas applied, with associated implications for broader survey representativeness. Hence, caution should be applied, as with all surveys, when extrapolating or generalising findings. The AHA Technical Report (Stone, Rowley et al. 2020b) provides further survey and technical information regarding data development and collection.

The AHA survey includes respondents from across the income distribution nationally, enabling comparisons to be drawn between very low-, low- and moderate-income groups, as well as how these compare with higher-income groupings on key themes. The income group categories were based on 2018 income levels, as follows:

- very low income: up to \$31,000 per annum
- low income: between \$31,000 and \$59,999 per annum
- moderate income: between \$60,000 and \$89,999 per annum
- high income: between \$90,000 and \$150,000 per annum
- very high income: above \$150,000 per annum

Tenure and housing arrangements included those who owned their homes, rented privately, and rented from social housing agencies, as well as participants in marginal or other circumstances, including those living in residential parks and boarding houses. Main ownership and rental tenures were used for purposive sampling to ensure adequate and approximately representative samples of each were included in the survey:

- home owners: 61 per cent (n = 4,469)
- private rental tenants: 29 per cent (n = 2,116)
- social housing tenants: 5.6 per cent (n = 413)
- other living arrangements: 4.6 per cent (n = 334)

A key focus of the original survey design was on enabling differentiation and analysis of life stages, closely associated with age cohorts. In the original survey design, and in the analysis presented here, the sample comprised young adults aged 18–34 years, mid-life adults aged 35–54 years and later-life adults aged 55 years and over.

3.1 Existing Australian Housing Aspirations survey insights

The original analysis presented below focuses on the preferences and motivations of participants who were renting privately when the AHA survey was conducted in 2018. Existing evidence based on AHA data indicates that there were considerable differences in housing aspirations between those who were home owners, those who rented privately and those who rented from government/community housing providers. Such differences were strongly related to life stage and household income and were more apparent in relation to housing tenure than dwelling type or locational preferences. In addition, extant survey analysis shows that restrictions in the PRS act as ‘push factors’ for tenants who wish to move from rental to home ownership. These include the ability to live with autonomy and control, such as living with pets without restrictions.

With regard to tenure preferences, previous analysis of AHA data shows a very strong distinction between the extent to which owners and renters indicate their current tenure meets their aspirations. The vast majority (90%) of owners indicated that home ownership was their aspiration. By contrast, only 19 per cent of survey participants who rented privately indicated that this tenure met their housing aspirations. Very few social housing tenants (3%) felt that their housing aspirations were being met by their current tenure. Considered from another angle, just 6 per cent of home owners in the sample indicated that their preference was to move out of home ownership and into a privately rented dwelling; conversely, a large majority of private rental tenants (78%) indicated their aspiration of moving from private rental to home ownership (Stone, Rowley et al. 2020a: 24).

Consistent with Australia’s long-running suburban ideal, 67 per cent of the AHA sample who lived in freestanding homes indicated that this dwelling form met their housing aspiration. Forty per cent of those living in apartments, flats or units indicated that these forms of high-density living were their ideal aspiration (Stone, Rowley et al. 2020a: 24).

Where the current dwelling type or tenure did not meet the aspirations and needs of survey participants, a range of negative impacts associated with this 'aspirations gap' were reported, including spending too much time commuting, living too far away from the ideal location and living in housing not suitable for needs. In addition, around one-third of this group reported living in dwellings and living arrangements that 'did not feel like home' (Stone, Rowley et al. 2020a: 26).

Stone, Veeroja et al. (2024) examine the housing aspirations of survey participants who were living in social housing (community or government owned and managed) at the time of the 2018 AHA survey, considering differences between those who were living on very low incomes and low incomes. Their key finding is that social housing tenants overwhelmingly aspire to become home owners. They found that just over half of social housing tenants (55.1%) would prefer to own their own homes. Less than one-third (28.3%) expressed a preference for remaining in social housing, and a minority (7.2%) reported their ideal preference as privately rented housing (Stone, Veeroja et al. 2024: 40).

Restrictions and insecurity within the PRS appear to play a large role in the aspirations of most Australians not to rent long-term. For example, the ability to live with pets/companion animals and to modify dwellings are identified as 'push factors' away from this tenure type. The AHA survey is the first of its kind to include a dedicated suite of survey questions focused on the relationship between housing preferences and the ability to live with pets, animals and companion animals conducted across housing tenures both nationally and internationally. The data were explored in a recent analysis of housing options related to the ability of households to include pets in unrestricted ways, which identified the PRS as one of the most restrictive segments of the Australian housing system (Stone, Power et al. 2021). Analysis of AHA survey data undertaken within this study mirrored this finding: a large proportion of survey respondents, who had previously had to relinquish animals or restrict their housing choices and options for future moves due to having pets, were private renters. Sixty per cent of survey participants who had experienced such pet restrictions were living with low or very low household incomes. Seventy per cent of survey participants who were renting in the PRS reported that they could not have pets where they were currently living – a far higher rate than reported by either home owners (19%) or social housing tenants (7%) (Stone, Power et al. 2021: 61).

3.2 Understanding the aspirations and current experiences of private renters

The aspirations and experiences of private renters in the AHA survey were shaped primarily by age, life stage and income. We outline the sample based on these characteristics below. Overall, 2,116 AHA survey participants rented from a private landlord and 1,989 of these reported their age and income. In the younger cohort (participants aged 18–34 years), there were 532 participants with very low to low incomes (less than A\$59,999 per annum) and 423 participants with medium to very high incomes (above A\$60,000 per annum). In the mid-life cohort (participants aged 35–54 years), 421 participants had very low to low incomes, and 291 had medium to very high incomes. In the later-life cohort (people aged 55 years or above), 212 participants had very low to low incomes, and 110 participants had medium to very high incomes.

Younger adults

Approximately half of the participants in the PRS within the young age group (18–34 years) were female in both the very low- to low- and medium- to very high-income groups (52.3% and 51.4%, respectively). Nearly 60 per cent of the younger age group in the very low- to low-income bracket resided in single-person households, while 43 per cent of the young age group in the medium to high-income category lived in couple households without children. This discrepancy may be attributed to how the data were collected and organised for this analysis. The AHA survey posed questions about household income separately for couples and single persons, with data aggregated for the purposes of this analysis.

Among the younger age cohort, 60.5 per cent of those in the very low- to low-income bracket and 51.5 per cent of those in the medium- to high-income category lived in houses. Additionally, the majority of both groups (82.9% and 87.9%, respectively) reported that they felt at home in their dwellings.

When asked about their current financial situation, 84.4 per cent of the young cohort with low incomes and 96.5 per cent of the young cohort with medium to high incomes had sufficient funds left for essential expenses, which include daily necessities such as bills, basic food and drink, clothes and transportation, after paying rent. However, only 56 per cent of the low-income young cohort had enough funds for non-essential expenses, such as social activities, holidays, pay TV services like Netflix, and non-essential food and drink (e.g. alcohol), and only 43.4 per cent were able to save or invest. The proportion was slightly higher for young people in the medium- to high-income category, where 76.4 per cent were able to spend on non-essential expenses and 63.8 per cent were able to save or invest.

Mid-life cohort

Slightly less than half of the PRS participants in the mid-life cohort (aged 35–54) were female (46.4% of low- to very low-income participants and 49.1% of medium- to very high-income participants). In comparison to the younger cohort, a higher percentage of mid-life participants (31.4%) in the very low- to low-income bracket reported that they or someone in their household had an ongoing physical health condition that impacted their housing choices.

Among mid-life participants, 65.1 per cent of those with very low to low incomes and 59.1 per cent of those with medium to very high incomes lived in houses. Further, a high proportion (78.4%) of both groups felt at home in their dwellings.

Regarding their financial situation, 78.6 per cent of the very low-income PRS cohort in the 35–54 age group and 93.1 per cent of medium- to high-income participants in the same cohort had sufficient finances for non-essential expenses. Like the younger cohort, a considerably smaller proportion of the very low- to low-income PRS participants in the mid-life category had sufficient finances for non-essential expenditures (46.4% compared to 71.8% for medium- to very high-income participants) and savings or investments (25.7% compared to 49.5% in the higher-income bracket).

Later-life cohort

In the PRS cohort aged 55 years or above, 50.5 per cent of those in the very low- to low-income group and 39.1 per cent in the medium- to very high-income group were female. Around 47 per cent of the later-life cohort in the very low- to low-income bracket reported that they or someone in their household had a physical health condition that impacted their housing choices.

More than half of the later-life cohort, including 60.8 per cent of those in the very low- to low-income bracket and 62.7 per cent of medium- to very high-income participants, resided in houses and felt at home there (82.5% and 81.8%, respectively).

In terms of their financial situations, 85.4 per cent of the later-life cohort in the very low- to low-income bracket and 98.2 per cent in the medium- to very high-income bracket had sufficient funds for essential expenditures after paying rent. However, 46.2 per cent of the lowest-income older participants reported having enough funds for non-essential expenditures (compared to 74.5% in the higher-income bracket) and 22.6 per cent for savings and investment (compared to 49.1% in the higher-income bracket).

3.3 Dwelling and locational attributes important to private renters' housing aspirations

In the AHA survey, participants were asked about their dwelling preferences. The questions allowed for multiple responses, enabling participants to choose as many options as applicable. The most frequently selected attributes by PRS participants, regardless of income or age, related to secure, long-term and stable housing. The second most popular attribute was housing quality, namely well-maintained and safe housing. This option ranked second among young and middle-aged cohorts in the very low- to low-income category and also among the older cohort, followed by a preference for full ownership. Conversely, young and mid-life PRS participants in the medium- to very high-income group chose full ownership second, followed by housing quality.

Participants who aspired to live in a house were asked about their preferences. The number of bedrooms emerged as a crucial factor for all age and income groups. Additionally, participants in the younger cohort, irrespective of income level, as well as mid-life and later-life cohorts in the medium- to very high-income category, emphasised the importance of good internal and external housing quality. Mid-life and later-life individuals in the very low- to low-income bracket placed value on dwelling type, such as a separate house, townhouse or terraced house.

For young and mid-life cohorts in PRS who aspired to live in an apartment, the number of bedrooms was identified as one of the most important attributes, regardless of income. Very low- to low-income younger individuals also stressed the importance of access to high-speed internet, while middle-aged cohorts in the medium- to high-income range also considered factors like adequate parking and the size of living areas. Older participants with low to very low incomes found dwelling security to be of utmost importance, while those with medium to very high incomes prioritised the availability of adequate parking.

Regarding location, it appears that all life stage-based cohorts shared similar preferences. Safety and security emerged as the most frequently chosen attribute among all PRS participants, irrespective of income and age. The second most popular attribute for all PRS cohorts was access to local shopping. The third attribute differed based on age groups: younger and mid-life cohorts, regardless of income, valued a walkable neighbourhood, while the later-life cohort prioritised easy access to health services.

In this section, PRS participants were categorised based on their ideal housing tenure – that is, either as aspiring to own a home or as wishing to stay in the PRS. Regardless of their preferred tenure, age group or income level, a majority of PRS participants found it important or somewhat important to have a safe and secure place to call home, as well as to prioritise security and control as they grow older.

For the young cohort, regardless of tenure aspiration, wealth creation (83.5% for those aspiring to own a home and 80.2% for those preferring PRS), owning assets to leave for their children (68.4% and 67.2%, respectively), and having assets to fund retirement (80.1% and 75.7%, respectively) was important or somewhat important. Among the mid-life participants and later-life PRS participants aspiring to own a home, 74 per cent and 61.6 per cent, respectively, found wealth creation important, compared to 60.5 per cent in the middle-aged cohort and 40.5 per cent in the older cohort whose preference was PRS. Similarly, 61.5 per cent of the middle-aged cohort and 56.1 per cent of the older cohort aspiring to own a home considered it important or somewhat important to own assets to leave for their children or grandchildren, in contrast to 42.9 per cent of the middle-aged cohort and 25.3 per cent of the older cohort desiring to live in PRS. Responses were consistent regarding the significance of having assets for retirement funding, with 76.6 per cent of the middle-aged cohort and 65.9 per cent of the older cohort preferring home ownership finding it important or somewhat important, while 59.9 per cent of the middle-aged cohort and 36.7 per cent of the older cohort aspiring to rent from a private landlord regarded it as somewhat important or important.

3.4 Implications of existing aspirations for a two-tenure future

The original analysis of Australian housing aspirations reported here is focused primarily on the aspirations and preferences of private renters, as this cohort is the fastest growing group in the Australian housing system. Historically, renting has been a transitional tenure; however, for increasing proportions of Australians across all age brackets, it is becoming a long-term tenure or home for life. As shown above, private renters, as a cohort, face insecure and uncertain futures and tend to have limited incomes, reducing their ability to afford non-essential items.

Our analysis of AHA survey data focuses on housing and non-housing attributes and motivations that shape ideal preferences for housing, and we distinguish between survey participants who indicated a preference for either renting privately or owning their own home in the long-term. The findings presented here clearly indicate that both housing-related factors (e.g. those associated with the idea of 'home') and longer-term strategies (e.g. financial considerations) play a role in shaping the preferences of people across young, middle and older age groups and those living with lower- and higher-household incomes.

As indicated above, our analysis shows that, regardless of their preferred tenure and current life stage and income, a majority of private rental tenants reported that their key priorities were to have a safe and secure place to call home and the ability to prioritise security and control as they grew older.

The key priorities of the small minority of private renters who indicated a preference for continued private renting were strongly shaped by age, life stage and income. For the younger adults in the survey sample, motivations of wealth creation in future housing were identified as important, as was safe and secure housing. Those who indicated a preference for home ownership and those with preferences for renting shared long-term concerns about their ability to self-fund their own retirement and leave assets for their children/family.

The years following the collection of the AHA data in 2018 have seen considerable disruption to housing systems associated with COVID-19: for example, high cost of living increases, increased borrowing rates, and low vacancy rates nationally in metropolitan and regional areas. Consequently, the preferences reported here may have changed. Low vacancy rates within the PRS in both metropolitan and regional Australia coupled with increased rental costs make it likely that fewer people would aspire to make the PRS, in its current form, their long-term home.

4. Discrete choice experiment analysis of renters' preferences

- **The cost of home ownership is the single biggest deterrent to home ownership for renters, with 59 per cent of survey respondents not confident that they will be able to afford to buy a home in their lives.**
- **Renters have a strong and statistically significant preference for protections that would allow them to extend their lease indefinitely. They are willing to pay \$72 per week more for this protection.**
- **The average renter in our survey is willing to pay \$77 more per week for rent control that protects them from rent increases in excess of 2 per cent per year.**
- **Tenants are willing to pay on average \$127 more per week for a property that is maintained above minimum standards.**
- **Renters want the ability to have pets, regardless of whether or not they are current pet owners.**

4.1 Insights from the literature on renters' preferences

Housing tenure in Australia has been relatively steady since the early 1960s, with approximately 70 per cent of Census respondents recording home ownership (with or without a mortgage) and around 30 per cent reporting that they rent (ABS 2022b; Baum and Wulff 2003). However, the 2016 Census recorded a drop in home ownership to 67.1 per cent, the lowest level recorded since 1954 (Parliament of Australia 2017). Further, as outlined in previous chapters of this report, in 2021 the Australian housing market 'flipped' or switched into a new phase in which renting is becoming increasingly important. This trend is evident in all capital cities and across various demographic groups (i.e. older Australians, lone-person households, and millennials) (Lowies, Squire et al. 2021) and is driven by cost of living and housing affordability pressures (Parliament of Australia n.d.). Post COVID-19, household costs are still increasing disproportionately to income growth. Renters face specific pressures in this landscape, with a recent report indicating that the pandemic exposed systemic challenges that have led Australian renters to 'the brink of a financial precipice' (Baker, Bentley et al. 2020).

To understand the preferences of renters in this context of housing stress and flux, we undertook a DCE survey of 965 Australian households and determined five primary areas of concern for renters.

4.1.1 Increasing house prices

Although home ownership is still a fundamental aspiration of the majority of Australians (Australian Institute of Health and Welfare 2023), it is increasingly becoming out of reach. Residential property prices rose by 23.7 per cent in 2021, the strongest annual growth on record (ABS 2022b). Traditionally, the strongest growth in housing prices has come from large urban areas in which agglomeration has negative impacts on housing affordability (Vij, Connor et al. 2021). However, the pandemic caused a surge in interest in regional living and house prices subsequently rose in some regional areas (ABS 2022d). In Australia, housing remains central to wealth creation and, concurrently, heightens inequality for those locked out of home ownership (Morris 2023). With home ownership also central to health (Baker, Mason et al. 2014), financial security and a 'decent life' (Morris 2023), unaffordable housing puts a secure future in jeopardy for many Australians.

4.1.2 Just cause protections: indefinite leases versus long-term leases

Just cause protections, such as the capacity to sign a rental tenancy lease for an unlimited period if conditions are met, have been applied internationally. In Germany, most tenancies are unlimited (known as 'indefinite') and the renter has rights over their tenancy that are not common in short- and long-term leases. This results in mean tenancies of 11 years and rare evictions, creating stability of housing and increased community cohesion (Sanderson 2019; Turner, Davies et al., 2017). A report from the United Kingdom found that indefinite leases had significant advantages over long- and short-term rental arrangements if precautionary conditions were met. Further, it found that financial incentives and tax relief would promote the uptake of such schemes (Whitehead, Williams et al. 2019). Research from Australia has shown that long-term leases do not necessarily result in longer tenancies; despite all states having the capacity to enact long-term leases, the average duration of a tenancy in Australia is around two years (AHURI 2017). This implies that the ability to secure a long-term lease does not necessarily result in a long tenancy, a key difference between long-term and indefinite leases.

4.1.3 Rent control

Rent control is used to regulate rental prices and provide cost protection to renters. Rent control can have unintended consequences, such as negative impacts on the quantity and quality of housing stock and the creation of excess demand, which can lead to discrimination and black-market activity (Albon and Stafford, 2024). Debate continues on these matters, with significant evidence emerging of positive effects (Jofre-Monseny, Martínez-Mazza et al. 2023; Mense, Michelsen et al. 2018). Despite this evidence, rent control remains contentious, with some governments revoking legislation due to public perceptions that the policy is ineffective (Mense, Michelsen et al. 2018). On balance, rent control has been shown to slow rental cost increases, but this comes with adverse effects that must be carefully considered (Kholodilin 2022).

4.1.4 Housing condition and maintenance

Poorly maintained housing has been linked to physical and mental health concerns by numerous scholars (Alidoust and Huang 2023; Baker, Lester et al. 2016; Howden-Chapman, Bennett et al. 2023). Given this voluminous body of work, there remains no doubt that poorly maintained housing causes significant negative health outcomes. Further, tenants report that housing condition and maintenance are key to their sense of feeling 'at home', wellbeing and comfort (Garnham, Rolfe et al. 2022; Morris, Hulse et al. 2021; Rolfe, McKee et al. 2023). Currently, Australian tenancy regulations restrict renters' agency and autonomy around creating a sense of 'home' (Bate 2021), and while regulations exist to ensure properties are clean, safe and habitable (AHURI 2018), there remains scope to further regulate housing condition and maintenance to facilitate significant gains for renters.

4.1.5 Pets

State-based residential tenancy legislation means that laws vary by state as to whether tenants or landlords have greater agency in the decision to keep pets in a rental tenancy. Companion animals can have a positive effect on people's health (Jegatheesan, Ormerod et al. 2023) and help renters to feel 'at home' in their rental property (Morris, Hulse et al. 2021). However, renters often report difficulties in securing housing that allows pets, and pet ownership can increase feelings of rental insecurity (Power 2017).

4.2 Findings from the DCE survey

This section reports findings from an online DCE survey of 965 Australian households conducted between September and October 2023. Section 4.2.1 describes the survey instrument; Section 4.2.2 outlines the sampling frame for data collection; Section 4.2.3 describes the design of the experiments; Section 4.2.4 describes the model framework; and Section 4.2.4 presents findings from our analysis of the survey data, in particular, the tenure preferences of household looking to rent or buy their next place of residence.

4.2.1 Survey design

The objectives of the survey were to:

- test the trade-offs that people make when deciding their preferred tenure arrangement
- identify the key components affecting current and potential tenure decisions
- understand the role of non-housing factors, such as residential stability, income and region, in driving those decisions.

The online survey was designed following a three-stage process. First, based on our literature review, we formulated a draft instrument. Second, the research team undertook multiple rounds of testing, amending the survey instrument to reflect issues and concerns that arose during testing. Third, the instrument was piloted with a sample of 49 respondents. Following analysis of these data, the instrument was revised a final time.

The final survey instrument comprised five broad sections:

1. **Screening questions:** the survey began with a set of screening questions to ensure respondents were eligible to take the survey, based on our definition of the sampling frame. In particular, study participants had to be at least 18 years old and anticipating moving residence in the next five years.
2. **Commercial property details:** this section was designed to understand the respondent's current place of residence, in terms of both the house itself (e.g. house type, number of bedrooms), as well as details pertaining to the tenure arrangement (e.g. monthly rent or mortgage repayments, lease period).
3. **Future aspirations:** these questions were designed to understand what respondents wanted from their next place of residence, both in terms of tenure type (e.g. house/apartment) and tenure arrangement.
4. **DCE:** this section presented respondents with eight discrete choice experiments, such as the one shown in Figure 15, in which they were presented with a hypothetical choice between four competing tenure arrangements: (1) buy outright, (2) buy with a mortgage, (3) rent through the private rental market and (4) rent through a public housing authority. The alternatives were further defined in terms of multiple attributes, such as cost and financing, autonomy, security and flexibility, as shown in Figure 15. For each scenario, respondents were asked to select their preferred tenure arrangement. Alternatives and scenarios were varied systematically across respondents. More details follow in Section 4.2.
5. **Socio-demographic characteristics:** the survey concluded by asking for respondents' socio-demographic characteristics.

At the end, an open text question sought to elicit feedback from respondents about the survey itself. The respondent feedback was largely positive and specific comments indicated a high level of engagement, for example:

Great survey. Loved the different options available to select. Owning a home is near impossible now. The deposits that are asked for by the banks are unattainable for many. It would be good if banks could look at your rental history instead.

As a millennial, I don't think I'll ever be able to afford a property in Australia.

Excellent survey. Australia needs to know its current demographics and housing situation. Australia also needs to know its future demographics so that it can plan for its future housing.

I think one question that should have been asked which pertains to our situation is have you ever owned your own home outright and are now renting. This concerns a lot of families who because of financial situations have had to sell and join the rental market.

Thank you – that was an interesting survey – the explanation of its purpose and invitation to participate as well as all questions/options were very clearly presented. Length was good.

Figure 15: Example discrete choice experiment to elicit respondent preferences for different tenure arrangements.

Scenario 1 of 8

You indicated that you would like your next place of residence to be a **separate house with 3 to 4 bedrooms**. Imagine that such a place is available in a neighbourhood of your preference under four different home tenure arrangements.

Even though you indicated that you are looking to rent a house, we are interested in understanding what factors, if any, might persuade you to buy a house outright and/or buy a house with a mortgage.

Assume further that you are able to rent through the private rental market, as well as through a public housing authority. We understand that the option to rent through a public housing authority might not be available to you right now, but we want you to indicate your preference assuming that such an option is available.

Indicate the arrangement that you would most prefer, if these options were available in the market, when you are looking to move in the next five years. Please assume that only these options are available to pick from and think about each scenario independently of the previous scenarios.

	Buy outright	Buy with a mortgage	Rent privately	Rent through a public housing authority
Financing conditions	Upfront purchase price of \$453,050	Upfront down payment of \$22,650, estimated monthly repayments of \$3,600 over 20 years at a fixed interest rate of 8%	\$1,000 rent per week	\$800 rent per week
Lease period			5 years	6 months
Ability to extend lease			Conditional on landlord / agent approval	Able to extend lease indefinitely subject to paying rent on time
Rent control			Rent could be increased by any amount at the end of the lease period	Rent cannot be increased by more than 2% every 12 months
Ongoing maintenance			Minimum standards	Above minimum standards (e.g. well-insulated, heaters/coolers upgraded regularly)
Autonomy and control			Need approval to make any changes to the property	Do not need approval to make minor changes to the property (e.g. hang painting, paint walls, plant a veggie garden)
Pets allowed			No	Yes, with no conditions
Option I would most prefer:	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Source: Authors' own research.

4.2.2 Sample description

Nine hundred and sixty-five respondents participated in the DCE survey, which was administered between September and October 2023. The respondents were recruited through a market research company. Only respondents that indicated they were considering moving to a new place of residence in the next five years were eligible to participate.

Tables 1–4 compare the distribution of our sample in terms of different housing-related characteristics, with analogous distributions from the 2021 Census. Broadly, our sample is representative of the general Australian population.

Table 1: Sample distribution by tenure

Tenure type	Sample		2021 Census (%)
	N	%	
Owned outright	273	28.3%	31.6%
Owned with a mortgage	311	32.2%	35.0%
Rented	369	38.2%	31.2%
Other	12	1.2%	2.2%

Source: Authors' own research.

Table 2: Sample distribution by dwelling structure

Dwelling structure	Sample		2021 Census (%)
	N	%	
Separate house	622	64.5%	70.5%
Semi-detached, row or terrace house, townhouse etc. with one storey	74	7.7%	7.0%
Semi-detached, row or terrace house, townhouse etc. with two or more storeys	53	5.5%	5.8%
Flat or apartment in a one or two-storey block	83	8.6%	4.4%
Flat or apartment in a three-storey block	37	3.8%	3.6%
Flat or apartment in a four- to eight-storey block	55	5.7%	4.1%
Flat or apartment in a nine or more storey block	31	3.2%	3.4%
Other	10	1.0%	1.3%

Source: Authors' own research.

Table 3: Sample distribution by number of bedrooms

Number of bedrooms	Sample		2021 Census (%)
	N	%	
None (includes studio apartments or bedsitters)	13	1.3%	0.7%
One bedroom	71	7.4%	5.6%
Two bedrooms	220	22.8%	19.3%
Three bedrooms	340	35.2%	39.3%
Four bedrooms	252	26.1%	28.1%
Five or more bedrooms	69	7.2%	6.8%

Source: Authors' own research.

Table 4: Sample distribution by weekly home payments

Weekly payments	Sample		2021 Census (%)
	N	%	
Nil payments	264	27.4%	34.5%
\$1-\$100	36	3.7%	1.9%
\$101-\$200	55	5.7%	5.8%
\$201-\$300	70	7.3%	9.5%
\$301-\$400	112	11.6%	14.3%
\$401-\$500	132	13.7%	12.5%
\$501-\$600	80	8.3%	7.7%
\$601-\$700	59	6.1%	4.5%
\$701-\$800	50	5.2%	2.9%
\$801-\$900	20	2.1%	1.9%
\$901-\$1,000	28	2.9%	1.2%
\$1,000 or more	83	8.6%	3.6%

Source: Authors' own research.

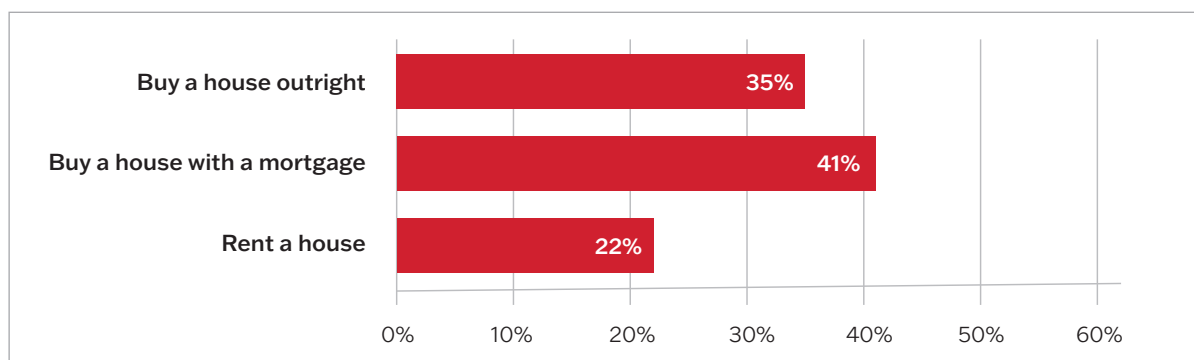
4.2.3 Experimental design

Survey respondents were asked about their current housing tenure, future aspirations and preferences for different tenure arrangements. Of our sample of 965 respondents, 217 respondents, or 23 per cent, indicated that they would like to rent their next place of residence, while the remaining 77 per cent indicated that they would prefer to own their next place of residence (Figure 15).

Each respondent was shown eight discrete choice experiments, such as the one shown above (see Figure 14), in which they were presented with a hypothetical choice between four competing tenure arrangements: (1) buy outright, (2) buy with a mortgage, (3) rent through the private rental market and (4) rent through a public housing authority. The alternatives were further defined in terms of multiple attributes, such as cost and financing, autonomy, security and flexibility, as shown in Figure 14.

Alternative attributes were systematically manipulated across respondents and scenarios to understand how different individuals value each of these attributes differently, across the range of values shown in Table 1 to maximise statistical efficiency. In particular, separate experiment designs were used for respondents who indicated they were looking to buy or rent their next place of residence.

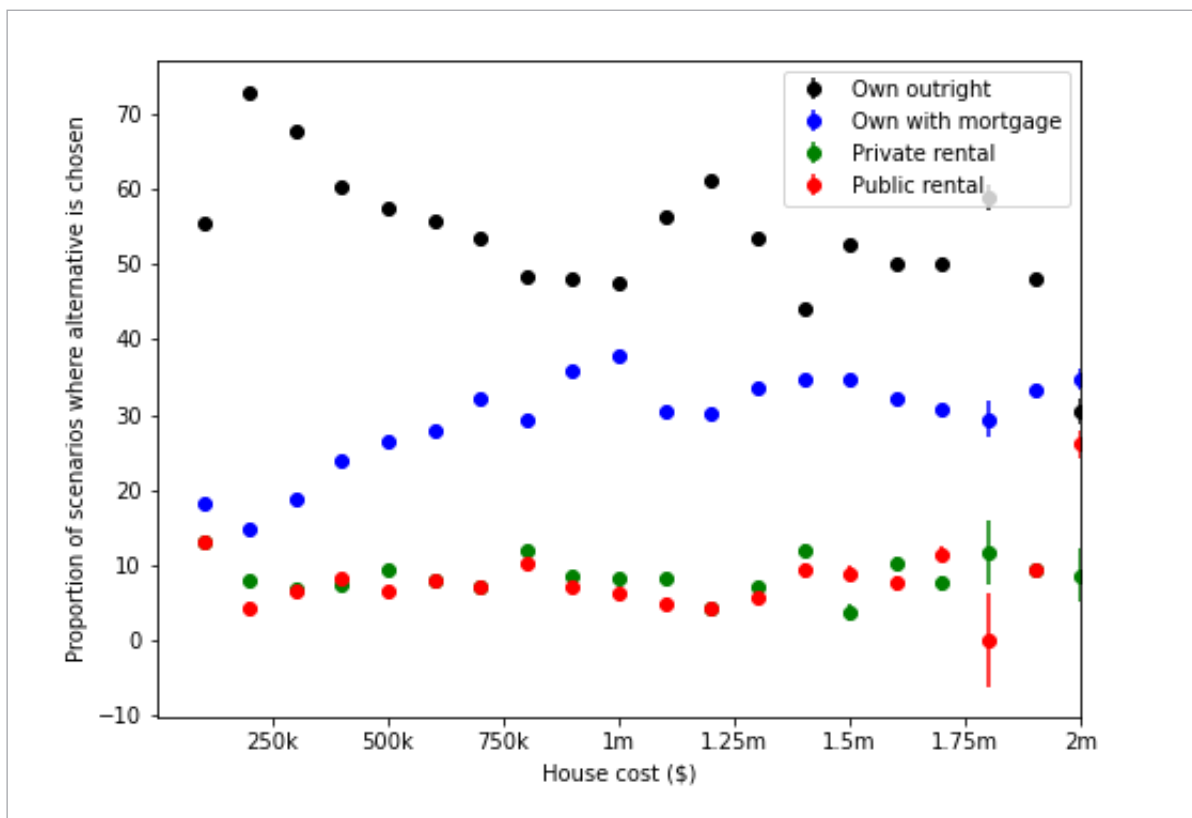
Figure 16: Preferred tenure arrangement of survey respondents for their next place of residence



Source: Authors' own research.

Importantly, we did not find the experimental data for individuals looking to buy their next place of residence to be very informative. Figure 16 shows the proportion of scenarios in which each of the four tenure arrangements was selected as a function of the home price for the 'buy outright' alternative. The proportion of scenarios in which outright ownership was selected declines with price up to roughly \$1 million, and plateaus thereafter. Relatedly, the proportion of scenarios in which ownership with a mortgage is selected increases up to the same point, and plateaus thereafter. But the proportion of scenarios in which either of the two rental options is selected stays roughly the same, regardless of the cost of home ownership. In general, these individuals seem intent on home ownership (outright or with a mortgage) to the exclusion of renting, regardless of how the rental alternatives are specified. Consequently, these individuals are excluded from our detailed analysis in the next section. Instead, we focus on individuals looking to rent their next place of residence.

Figure 17: Proportion of scenarios in which a particular alternative was chosen as a function of the home price shown in the 'own outright' alternative for individuals looking to buy their next place of residence



Source: Authors' own research.

4.2.4 Model of tenure choice

Data from the 217 respondents who indicated that they would like to rent their next place of residence is used to estimate a multinomial logit model of how these individuals decide between different competing tenure arrangements and the trade-offs that they make between different attributes corresponding to each arrangement. In this section, we provide a detailed theoretical exposition on discrete choice models in general, and the multinomial logit model in particular. Estimation results are reported in the following section.

Assume that household h is currently on the market looking for a new house to buy or rent. Assume further that a house that meets their criteria in terms of dwelling type is available in a neighbourhood of their choice under four different tenure arrangements, as described in the SP experiment scenarios. Let r_j denote the cost of living in the house under tenure arrangement j , denoted either by periodic rent or mortgage payments, and/or the total cost of ownership, depending on the tenure arrangement. Let x_j be a vector of other non-pecuniary attributes of the house, such as rent control and ability to have pets, which also differ across different tenure arrangements. The utility u_{hj} derived by household h from the house under tenure arrangement j may be expressed as a function of each of these variables, and some stochastic component ϵ_{hj} that captures the residual effect of unobserved variables:

$$u_{hj} = u_h(r_j, x_j) + \epsilon_{hj} \quad (1)$$

, where we have assumed implicitly that utility is additively separable in the systematic and stochastic components. Assume further that the systematic component of utility is linear in parameters as follows:

$$u_h(r_j, x_j) = \alpha r_j + \beta_h \cdot x_j + \epsilon_{hj} \quad (2)$$

, where α denotes the marginal utility associated with the cost of tenure arrangement j , and β_h is a vector of parameters denoting sensitivity of household h to other non-pecuniary attributes. From equation (2), the marginal willingness to pay or compensate the rent differential for the k^{th} non-pecuniary attribute x_{jk} can be calculated as follows:

$$\text{WTP}(x_{jk}) = \frac{\beta_{hk}}{\alpha} \quad (3)$$

Assuming that all workers are seeking to maximise their utility, the preferred tenure arrangement t_h for household h is that which yields the maximum utility:

$$t_h = \underset{j}{\operatorname{argmax}} u_{hj} \quad (4)$$

Assuming that ϵ_{hj} is i.i.d. Gumbel with location zero and scale 1 across households and different tenure arrangements, the probability that household h prefers arrangement j can be given by the familiar multinomial logit expression (McFadden 2001):

$$P(t_h = j) = \frac{\exp(\alpha r_j + \beta_h \cdot x_j)}{\sum_{j'} \exp(\alpha r_{j'} + \beta_h \cdot x_{j'})} \quad (5)$$

Assuming further that the marginal utility of different non-pecuniary job attributes is the same across households (i.e. $\beta_h = \beta$), this yields a model that assumes homogenous preferences across households, with the following probability function:

$$P(t_h = j | \alpha, \beta) = \frac{\exp(\alpha r_j + \beta \cdot x_j)}{\sum_{j'} \exp(\alpha r_{j'} + \beta \cdot x_{j'})} \quad (6)$$

, where α and β are the model parameters that need to be estimated. Equation (5) can be combined iteratively across different SP scenarios and households in our dataset to yield the sample likelihood function, which can subsequently be maximised to recover estimates for the model parameters α and β . All models for this study were estimated using the software package PandoBiogeme (Bierlaire 2023).

4.2.5 Preferences for tenure arrangements of households looking to rent their next place of residence

As mentioned previously, data from the 217 respondents who indicated that they would like to rent their next place of residence is used to estimate a multinomial logit model of how these individuals decided between different competing tenure arrangements and the trade-offs they made between different attributes corresponding to each arrangement. Estimation results are reported in Table 5. Wherever appropriate, we have also added the distribution of responses to other related questions in the survey.

Our findings may be summarised in terms of five key points.

First, the cost of ownership is the single most important deterrent to home ownership for individuals looking to rent their next place of residence. As shown in Figure 17, roughly 40 per cent of our sample is looking to rent their next place of residence because they cannot afford to buy anything appropriate, or they do not have enough money for a down payment or deposit. Even more troubling, 59 per cent of our sample is not confident that they will be able to afford a home of their own at some point in their life (see Figure 18). In Figure 19, we use our multinomial logit model of tenure preferences to examine how the likelihood that an individual in our sample would prefer to own a home (outright or with a mortgage) varies as a function of house price, assuming that they are able to rent a comparable home for \$600 per week (the average approximate weekly rent in Australia). In general, roughly half our sample would prefer to buy outright if a house were available for less than \$500,000, but preferences for outright ownership decline rapidly with rising prices. At prices exceeding \$1 million, less than 10 per cent of our sample would prefer to buy outright, and up to 45 per cent of our sample would prefer to buy with a mortgage, but the latter proportion declines rapidly with rising prices. Interestingly, all else being equal, respondents in our sample would prefer higher initial deposits and lower monthly repayments than vice versa.

Second, in terms of preferences for rental security and flexibility, respondents in our sample slightly prefer longer lease periods, but the effect is small and statistically insignificant. However, there is a strong and statistically significant preference for extending a rental lease indefinitely, subject to the tenants paying their rent on time. The average tenant in our sample is willing to pay \$72 more in rent per week to have these 'just cause' protections. Note that just cause protections have been adopted in recent years by over 20 cities in the United States, such as San Francisco, Boston and New York City, in response to similar housing crises as those faced by major Australian cities. In summary, our findings show that, while most tenants would prefer shorter lease periods, giving them the flexibility to change their place of residence if the need arises, most tenants would be willing to pay extra for just cause protections that offer them some measure of long-term security.

Third, rent control is popular. The average tenant in our sample is willing to pay \$77 more in rent per week if it meant that the landlord could not increase rent by more than 2 per cent every 12 months. Rent control laws have been implemented in cities and regions across seven states in the US, though 37 states either prohibit or preempt rent control. In Germany, similar rent control regulations were enacted in Berlin in 2020, strongly limiting the ability of landlords to increase rents indiscriminately; however, the regulations were deemed unconstitutional and declared null and void by a constitutional court in 2021. Rent control regulations remain contentious but they could be considered as a possible policy instrument to control and regulate an overheated rental market.

Table 5: Estimation results from multinomial logit model of preferences for different tenure arrangements of renters

Variable	est.	t-stat	p-val	Odds ratio ^a	Compensating weekly rent differential ^a
Own outright					
Alternative-specific constant	0.00	-	-	-	-
Cost (\$1,000,000s)	-4.13	-8.35	0.00	-	-
Own with a mortgage					
Alternative-specific constant	-0.280	-0.69	0.49	-	-
Monthly repayments (\$1,000s)	-0.456	-4.71	0.00	-	-
Initial deposit (\$1,000,000)					
Linear effect	-2.69	-0.51	0.61	-	-
Quadratic effect	10.2	0.53	0.60	-	-
Payback period (years)	0.0303	0.35	0.73	-	-
Interest rate (%)	0.0546	1.22	0.22	-	-
Rent					
Rental type					
Private rental	-0.231	-1.17	0.24	-	-
Public housing authority	-0.199	-1.02	0.31	-	-
Weekly rent (\$1,000s)	-2.44	-6.30	0.00	-	-
Lease period (years)	0.000475	0.02	0.98	-	-
Ability to extend lease					
Conditional on landlord / agent approval (reference)	0.00	-	-	-	-
Able to extend lease indefinitely subject to paying rent on time	0.175	2.62	0.01	1.19	\$72
Rent control					
Rent cannot be increased by more than 2% every 12 months	0.188	2.12	0.03	1.22	\$77
Rent cannot be increased by more than 5% every 12 months	0.047	0.51	0.61	1.06	\$19
Rent could be increased by any amount at the end of the lease period (reference)	0.00	-	-	-	-
Ongoing maintenance					
Minimum standards (reference)	0.00	-	-	-	-
Above minimum standards (e.g. well insulated, heaters/coolers upgraded regularly)	0.309	4.74	0.00	1.35	\$127

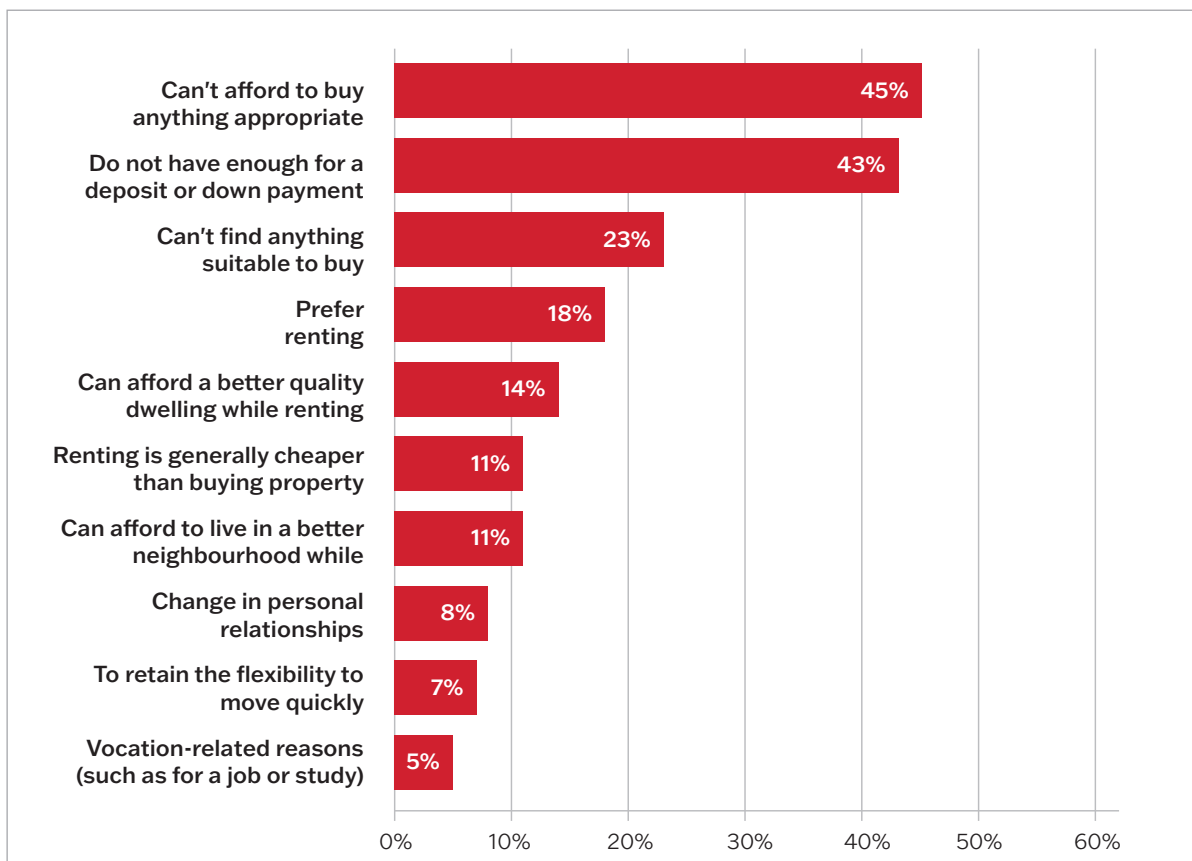
Table 5 (continued): Estimation results from multinomial logit model of preferences for different tenure arrangements of renters

Variable	est.	t-stat	p-val	Odds ratio ^a	Compensating weekly rent differential ^a
Autonomy and control					
Do not need approval to make minor changes to the property (e.g. hang painting, paint walls, plant a veggie garden)	-0.0849	-0.78	0.44	-	-
Ability to add cost-saving / environmental fixtures (e.g. solar panels, rainwater tank, water-saving shower head)	-0.316	-2.93	0.00	-	-
Ability to attend to problems immediately without any penalty or additional rent-rise (e.g. plumbing issues, broken windows or fixtures)	-0.277	-2.60	0.01	-	-
Need approval to make any changes to the property (reference)	0.00	-	-	-	-
Pets allowed at property, when respondent has pets					
No (reference)	0.00	-	-	-	-
Yes, with no conditions	1.15	10.60	0.00	3.16	\$471
Yes, with a pet bond of 10% of monthly rent	1.15	9.94	0.00	3.16	\$471
Pets allowed at property, when respondent does not have pets					
No (reference)	0.00	-	-	-	-
Yes, with no conditions	0.448	4.23	0.00	1.57	\$184
Yes, with a pet bond of 10% of monthly rent	0.447	3.95	0.00	1.56	\$183

^a Odds ratio and compensating weekly rent differentials calculated with respect to the reference category for categorical variables

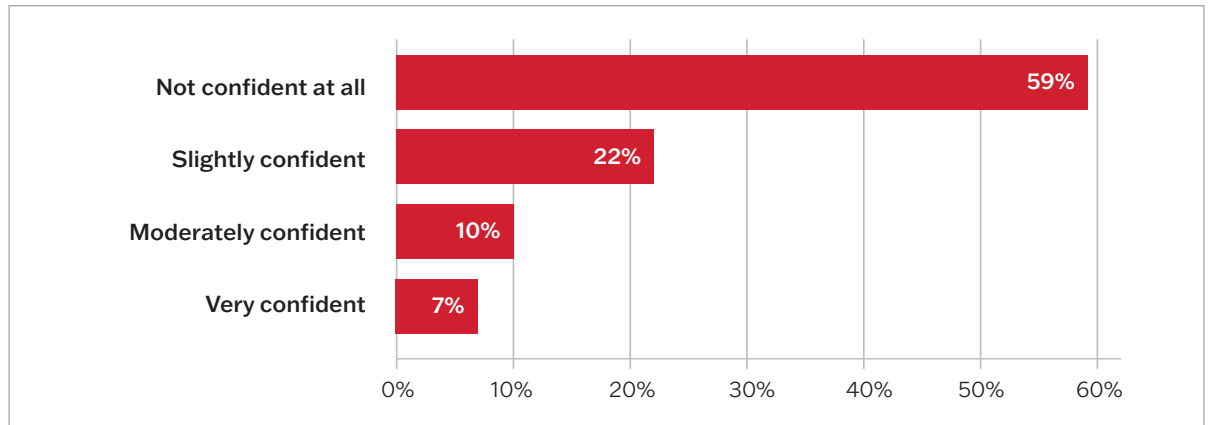
Source: Authors' own research.

Figure 18: Main reasons for renting for 369 respondents currently renting their place of residence



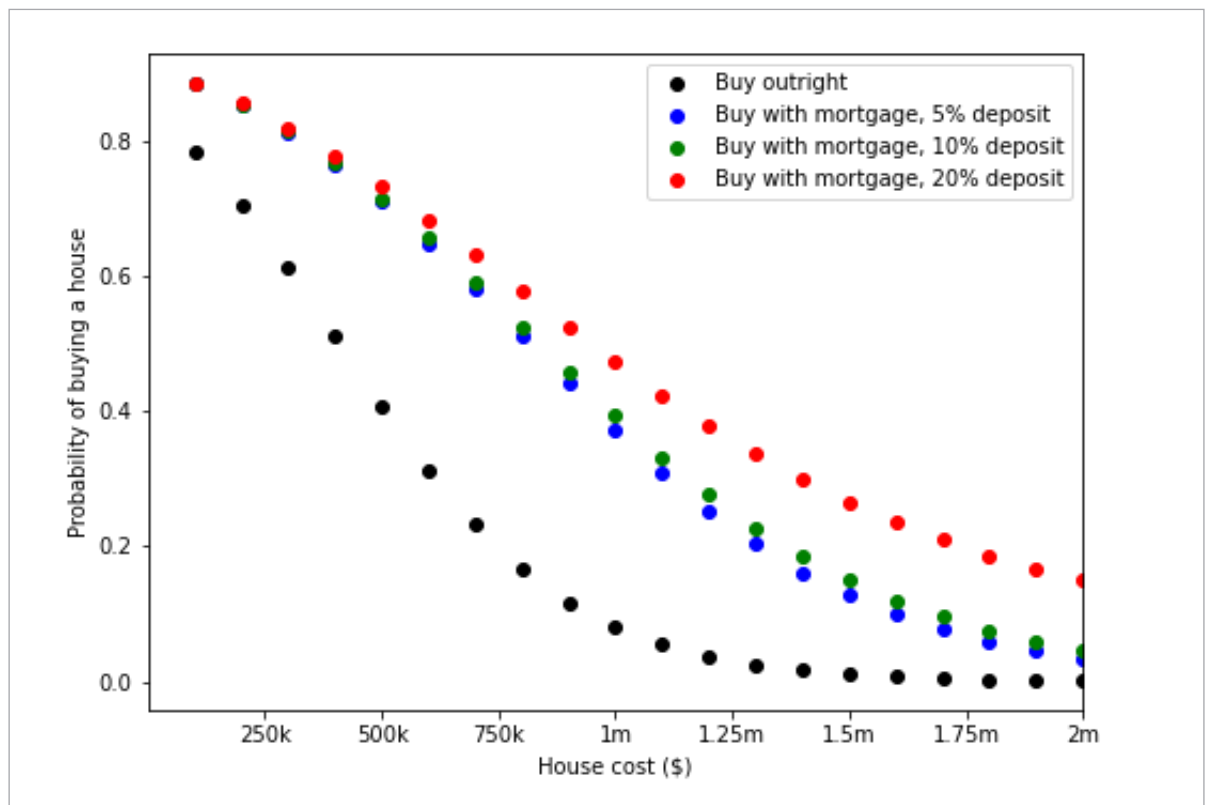
Source: authors' research.

Figure 19: Responses across sample of 184 respondents who are renting their place of residence and looking to rent their next place of residence to question 'Looking into the future, how confident are you that you will be able to afford a home of your own?'



Source: authors' research.

Figure 20: Probability that an individual buys a house, when a comparable house is available to rent for \$600 per week, as a function of the house cost and initial deposit requirements



Source: Authors' own research.

Fourth, the condition of housing is important to most tenants in our sample. The average tenant in our sample is willing to pay \$127 more in rent per week for their place of residence to be maintained above minimum standards. However, tenants in our sample do not want the autonomy or independence to fix and change things within the house themselves without approval from their landlords. They would rather that the landlord takes care of the property and that the property is maintained to a high standard.

Fifth, the ability to have pets is important to all tenants in our sample regardless of whether they currently have pets or not. Expectedly, tenants with pets are willing to pay very high amounts to rent a place that allows pets. Surprisingly, though, even tenants who do not currently have pets are willing to pay, on average, \$184 more in rent per week to have the ability to have pets.

4.8 Policy implications of the DCE

Based on our DCE findings and accompanying literature review, we offer five implications for policy development.

4.8.1 Cost of housing

Broad policy measures are required to ensure sustainably priced housing in Australia. It is beyond the scope of this research to determine the fullness of policy required in this area; however, our research shows that policy must approach this issue from the perspective of both home owners and renters. If home ownership becomes more affordable, pressure will be released on rental markets, as many renters would choose home ownership if it were affordable. In the meantime, it is likely that many Australians will be participating in the rental housing market into the future, so it is imperative that policy also addresses rental affordability.

4.8.2 Indefinite leases

Indefinite leases with balanced control between landlords and renters provide housing security and increase renters' sense of agency over their homes. Critically, in addition to security, indefinite leases also provide the tenant with increased flexibility, as the lease can be terminated by either party at any time with three months' notice. (A landlord must demonstrate that strict criteria, such as non-payment of rent, have been met in order to evict a tenant.) The ability to secure a long-term lease already exists in all jurisdictions in Australia, but this has not been shown to extend tenancies. Policy developers should investigate ways to introduce indefinite tenancy arrangements with agency fairly balanced between renters and landlords.

4.8.3 Rent control

While rent control was popular among our survey respondents, it can have unintended negative consequences. Evidence suggests that rent control can increase demand for rental properties, while simultaneously decreasing both the quality and quantity of available properties. It can also lead to discrimination in the market – for example, tenants being refused leases on the basis of attributes such as race, number of children, appearance and socio-economic status. If rent control was pursued as a policy direction in Australia, it would have to be done with caution; careful policy design would be critical to ensure that the positive outcomes of stabilised rental costs were achieved, while negative consequences were mitigated.

4.8.4 Property maintenance

The respondents in our survey clearly placed high importance on property maintenance and were willing to pay a substantial amount extra in rent each week for their rental homes to be maintained above minimum standards. Research shows the health and wellbeing benefits of living in well-maintained housing are substantial and have flow-on effects to other areas of the economy and society. There is scope within policy to improve tenants' rights in relation to the maintenance of housing.

4.8.5 Pets

State-based tenancy legislation is beginning to address the imbalance of agency between landlords and tenants with regard to pet ownership. Our research clearly demonstrates the significant value renters place on companion animals, with renters being prepared to pay more per week to keep a pet than any of the other measures in our survey. This supports what is known about the value pets have in increasing quality of life, health and wellbeing. Landlord concerns about damage to properties caused by pets could be mitigated with regulations regarding property maintenance or additional bond requirements for pet owners.

5. Outcomes of the policy panel

- This chapter reports on the outcomes of a panel discussion undertaken online in late 2023, to understand how Australia's governance environment could better support the housing preferences of contemporary Australians.
- The panel discussion draws on previous scholarship on Australia's housing future and established techniques for addressing future development.
- The deliberations of the panel concluded that further change in Australia's tenure structure will be unavoidable over the next decades; the structure is considered unsustainable.
- Community and social housing is unlikely to grow significantly over the next three years and outright home ownership will decline, further reducing the overall owner occupation sector.
- In the absence of effective government action, rents will increase over the coming decades.

5.1 A tenure future: methods and prior findings

A panel meeting involving informed policy makers from across Australia was undertaken in November 2023 to directly address the question of how Australia's policy and regulatory environment could better support the revealed tenure preferences of contemporary and future Australians; and what role an expanded, revised or better aligned social housing sector could perform in a dual tenure Australia. The panel meeting involved participants from state and federal government agencies, the community housing sector, advocacy groups and the land development industry. The panel meeting was undertaken online to better facilitate the involvement of participants from across Australia and the discussion was informed by the principles and practices underpinning Delphi methods and analyses. Linstone and Turoff (1975: 13) defined the Delphi method as 'a method for structuring a group communication process so that the process is effective in allowing a group of individuals, as a whole, to deal with a complex problem'.

As noted by Crisp, Pelletier et al. (1997), the Delphi method was first developed by the Rand Corporation in the United States as a way of overcoming some of the challenges arising out of focus groups and other forms of unstructured group processes intended to gain information of value to decision-makers and researchers. Involving a multistage process of data gathering, the Delphi method was established as a tool to assist with prediction and forecasting. Over time, it has evolved distinctly different forms (Crisp, Pelletier et al. 1997).

Over the past 25 years, several studies have considered the future of Australia's housing, including its tenure structure, using a variety of methods and perspectives. Beer (1999) considered the future of housing in Australia and concluded that, given the then evident trends, Australia's housing system was likely to become more unequal, with a shrinking owner occupation sector and a much smaller provision of public housing. This work, however, was based on a review of the available literature and did not draw on the insights of a group of key informants.

Burke, Zakharov et al. (2005) undertook a more systematic study, drawing on foresight methods to examine five scenarios for the future development of Australia's housing:

- The first scenario was the worst case, in which the choices available to households were highly constrained, especially those on low to modest incomes. Some age cohorts were also forecast to be disadvantaged, including generation Y. This scenario was seen to generate housing challenges that would be unprecedented in Australia's recent housing history, including income polarisation, spatial inequality and increased homelessness. It also acknowledged the determinant role of the baby boom generation.
- The second scenario was the 'flexible' scenario, in which there were few barriers to the housing choices of individuals and households. It assumed a more equal Australia that included much greater public and private sector investment in already disadvantaged parts of the nation, including the regions and outer metropolitan areas. It also assumed a more dynamic and professional system of private rental provision, and one that responded to the needs of a number of income groups. Finally, it assumed the expansion of social housing, with additional stock and wider access across society.
- Third, the analysis considered a scenario marked by localism, in which an energy crisis or other shock encouraged greater housing consolidation. Greater emphasis was placed on living in accessible locations and renters increasingly sharing homes. Higher housing costs, it was argued, would result in households taking on less mortgage debt, while inner metropolitan areas experienced a considerable price boom as greater emphasis was placed on their locational advantages.
- The fourth scenario was dubbed 'housing assistance for very few' and was predicated on the continuation of current trends in policy and housing provision. Core features of the housing system that were assumed to continue were:
 - minimal investment in direct funding of social housing in either the public or community housing sectors
 - an entitlement-based private rent assistance system (i.e. only those meeting relatively rigid criteria would be eligible to receive support with their housing costs)
 - substantial support for private landlords and home owners through the continuation of favourable tax treatment of investment and owner-occupied housing.
- Finally, the authors posited a scenario they labelled 'Australia cares for its own', which they considered to be an:

ideal housing assistance system which provides appropriate levels of support for diverse needs. It describes a more vibrant and responsive housing system with public investment carefully targeted to areas of risk for households. It features policy instruments which encourage private investment rental housing, including affordable housing, together with concerted effort and investment in turning around spatial disadvantage. (Burke, Zakharov et al. 2005: 28)

Burke, Zakharov et al. (2005) and Burke and Hulse (2009) noted that the foresight methods they used tended to err towards an assumption of the continuation of already-established trends. The experts involved in this process were either unwilling or unable to look beyond the recent past and contemporary circumstances to imagine a radically reshaped future.

Finally, it is worth noting that other authors have focused on additional dimensions of a changing Australian housing system in their analyses of Australia's housing future. Beer and Faulkner (2009) considered the potential impact of demographic, economic and social trends on Australia's tenure structure, but also considered the ways in which the nation's stock would need to respond to better meet the demands of those requiring care at home. Similarly, Hugo (2005) examined the impact of demographic change on housing demand in Australia, while Pawson, Milligan et al. (2020) argued the pressing need for policy reform to deliver better housing for the nation's future citizens.

5.2 Discussion outcomes

Participants in the panel meeting were provided with a background briefing prior to the event and were also given access to a summary PowerPoint presentation drawing out the nature of the project, the findings to date and the key issues to be considered. They were then taken through a facilitated discussion of the key questions, with the findings recorded in writing during the event. Overall, six key outcomes emerged from this process:

5.2.1 Is Australia's tenure structure sustainable?

When asked if Australia's tenure structure was sustainable, participants overwhelmingly indicated that it was not, and that it had become more insecure over the recent past. The experts were of the view that the structure is precarious, and that this results from a set of governance arrangements that allow all benefits within the housing system to accrue to home owners and private investors. There was a clear perception that this would not change until legislative reform was enacted, and that this reform would also require change in retirement policy. In addition, they emphasised that social housing has been left to decline across the states and territories (with some notable exceptions) and that the rapid expansion of the private rental sector had not been accompanied by necessary regulatory reform.

5.2.2 Anticipated shifts in tenure across Australia

When asked to nominate which changes they expected to occur across Australia's tenure structure over the next three decades, the expert informants nominated the ongoing shortfall in public and community-provided housing, largely as a consequence of profound underinvestment over the previous three decades. It was argued that outright home ownership may also shrink as the population continues to age, and as the older cohorts are increasingly made up of those renting rather than owner occupying. In addition, there was a well-developed view that considerable pressure would remain in the private rental market as current inflation in rents have become embedded in the housing market.

5.2.3 Opportunities from this new tenure structure

The informants saw few, if any, opportunities to emerge from Australia's likely new tenure structure. They felt that Australia had lost the advantages it had built after 1945 with respect to the provision of healthy and affordable housing stock, as well as a relatively equal distribution of wealth. They acknowledged that new trends were emerging in housing provision, and this included developments in build-to-rent, co-housing and shared equity. There was a sense that the private housing market may have crowded out investment in other, more productive, parts of the economy and they acknowledged the substantial problems affecting older persons who do not own their own home. Home purchase, they noted, is now out of reach of many private tenants, while the private rental market continues to prioritise high amenity rentals, which is good for young professionals and particularly dual income couples, but not for low-income renters. This is especially the case with current high construction costs.

5.2.4 Change to government programs

The expert group were aware of the need for government policies and programs to change as a consequence of a changed tenure system. They believed measures need to be implemented to break down the negative impacts of a two-tier social housing system. They also observed that newly constructed social housing stock is funded in a way that allows it to be maintained to an adequate standard, while run-down stock is allowed to exit the system. They were aware of the challenges confronting many social housing providers because of insolvencies in the building construction industry, a declining workforce and ambitious targets.

5.2.5 The tenure future of Aboriginal Australians

The panel participants did not believe they could adequately respond to this topic as they were not from a First Nations background. They emphasised the need for Aboriginal Australians to give voice to their aspirations and plans. They did note, however, a perception among First Nations Australians for better access to home ownership and an opportunity to live with others from their community.

5.2.6 Other issues and policies to be implemented

Respondents expressed a clear view that there is a need for reform that would ensure housing is no longer simply viewed as an asset, but instead is treated as being similar to a human right. They noted that there has been some reform in legislative arrangements recently, including the treatment of evictions in Western Australia but more wideranging change is needed in areas such as the quality of private rental housing and regulatory innovation. Tax policies, they observed, remain a critical hurdle to a more sustainable and equitable housing system in Australia.

5.3 Policy development implications

This section of the report has substantial implications for the further development of housing policy and programs in Australia. The informants were mindful that Australia's tenure structure sits at an important crossroads with many other parts of the economy: housing assets not only underpin much of the nation's wealth, but also underwrite income support in older age and other supports, including for persons with a disability. While these intersections make policy reform difficult, it should not be impossible, with one expert drawing attention to the gap between the \$380 billion invested in the AUKUS (Australia, the United Kingdom and the United States) agreement, and the approximately \$10 billion of borrowed funds committed to the HAFFF (Housing Australia Future Fund Facility).

It is clear from the engagement with key housing industry informants that:

- Australia's housing system and its tenure structure should be considered unsustainable and this applies to its social, economic and environmental dimensions.
- The unsustainability of the nation's housing structure has developed over some time, and has included a growing focus on housing as an asset rather than as a dimension of human need, as well as policies relating to taxation and regulatory reform:
 - The government's sustained underinvestment in social housing has had long-term negative implications for all Australians, and additional public housing construction is needed as a priority.
 - The emergence of a two-tier social housing supply system has added ambiguity to government housing assistance and measures are needed to reduce the differences between the two.
 - There is a pressing need to find ways to change the treatment of housing within the Australian taxation systems.
 - Legislation controlling private tenancies needs to be aligned with contemporary needs.
- There is need for further research to examine the housing aspirations of Aboriginal Australians within this new tenure structure, and this could include further work by AHURI or similar organisations.

6. Potential costs and benefits in an evolving Australian tenure future

- This chapter examines whether it is possible to infer the relative economic benefits and costs that might arise in response to a change in Australia's future tenure structure.
- There is a strand of literature that argues that the benefits of housing provision arise from a wider set of economic channels than simply the notion of housing as a merit good.
- Economic productivity, financial stability and intergenerational inequalities are all potentially impacted by alternative housing tenure outcomes.
- However, we note that the literature is currently underdeveloped empirically. Most of the empirical evidence relates to estimates of the economics of homelessness, which is easier to estimate in financial terms.
- Our survey data suggest that 'private rental sector' is too general a term, as it describes the coexistence of several distinct demand groups (perhaps five in total).
- An existing known group of policy interest can be characterised as having low incomes, low levels of satisfaction, and high enforced levels of mobility. This could be described as a particularly marginalised group.
- Two other demand groups could be of policy interest:
 - private renters who could be compensated for living long-term in the sector through the provision of utility-bearing, non-property investment opportunities (financial investment or superannuation); and
 - those using the private rental sector to increase their housing and/or neighbourhood consumption artificially by simultaneously renting and investing (so-called rentvestors).

In this chapter, we explore potential costs and benefits in an evolving Australian tenure structure, drawing upon findings presented throughout this report. In preparing for a future Australia where up to 60 per cent of renters expect to be lifetime renters, consideration of economic costs and benefits must necessarily be different. This chapter focuses on three aspects of costs or benefits that have hitherto been only lightly considered: the wellbeing dividend, the potential utility benefits of renting and the potential utility that might arise from non-housing forms of investment.

6.1 Evaluating the economic benefits and costs of housing policies

The case for governments intervening in housing markets has traditionally been made on the basis that housing can be seen as a 'merit good', or a good that benefits society overall when it is supplied to specific individuals. In that sense, housing can be seen as similar conceptually to public or quasi-public goods, the provision of which is generally not possible through pure market means given the existence of the 'free rider' principal. Quasi-public goods, such as urban parklands or street lighting, generate societal levels of utility above their cost of provision but can only be achieved once the free rider principal is countered, and this usually happens through some form of state intervention. For example, in the case of street lighting, recovering installation and running costs through local taxes may border on the trivial in view of the utility gained by residents, but private markets will not supply this good if left unregulated.

It has similarly been argued that the provision of housing is justifiable as a merit good, which then leads to an argument that such provision should not depend entirely on willingness or ability to pay. Some commentators, notably the United Nations, have taken the principle further and argued that access to safe and affordable housing should be interpreted as a basic human right. This principle does not have universal acceptance internationally, and in Australia at the time of writing it held no legal status.

More recently the literature has reflected a small but expanding body of work recognising that there are economic benefits and costs associated with a range of housing outcomes. After setting out a wide ranging review of the literature, Maclennan, Miao et al. (2021) argue that there are several channels between housing system outcomes and economic effects. They focus on economic productivity and argue that there are indirect feedback loops between unaffordable (and, by extension, remote or inaccessible) housing markets, commuting, labour market outcomes and wider consumption decisions.

There are also second-order effects, including links between younger people making different household location and/or labour market choices, educational choices and attainment, and intergenerational effects. In other words, expensive, unaffordable housing may lead to choices that yield both lower-wage outcomes now and in the future by deterring investment in education or accrual of human capital. Yet, for all the elegance of these theoretical arguments, it remains the case that the literature contains very little empirical evidence to directly test or quantify such effects.

Perhaps the main exception to this rule lies in the area of homelessness, and particularly the economic evaluation of homelessness policy interventions. Here, there is a small strand of literature that seeks to test or evaluate the relative benefits and costs with reference to observable and quantifiable processes. Parsell, Moutou et al. (2016) note that this field is better developed in the North American context than in the United Kingdom, Europe or Australia. They summarise an approach in which observable phenomena such as the volume of caseloads passing through the healthcare or criminal justice systems can be costed on a 'before and after' basis, with the difference in costs being attributed to specific homelessness policy interventions (for a concise overview of the methodology, see Flatau, Zeretzky et al. 2008).

Over the past decade or so, AHURI-funded research has recognised a gap in the Australian literature and progressively filled it (Zaretsky, Flatau et al. 2013; Wood, Flatau et al. 2016). Despite this, there are still relatively few studies in the Australian context, as perhaps best demonstrated by Ly and Latimer (2015), who reviewed 34 published North American empirical studies of policy interventions that followed ‘housing first’ principles to tackling homelessness. In Australia, there are still too few studies to attempt such an overview, and fewer still that would meet the empirical standards of a systematic review.

To summarise, the state of knowledge that deals with economic benefits and costs arising from different housing system outcomes and/or interventions remains largely theoretical. This is true both in the Australian context and in the international literature, although there are some exceptions. For example, the limited number of studies that have been published deal primarily with the measurable public costs of homelessness, which in turn reflects the strong association between (mainly primary) homelessness and demands on healthcare, criminal justice and emergency housing systems. These examples of public services are relatively straightforward to monitor in terms of their financial cost, and carefully designed policy evaluation methodologies have the capability to capture reductions in ‘demand’ for such services.

Our scan of the literature suggests a number of potential economic costs that may arise as a consequence of ‘adverse’ housing outcomes, defined as unaffordable, poorly designed or poorly located housing, and this might include:

- new entrants to housing systems having to spend more of their income on housing rather than non-housing goods, with impacts on aggregate consumption
- expensive housing and/or less centrally located housing choices leading to different labour market or educational choices and outcomes, with feedback to productivity
- intergenerational effects such as inequalities compounding over time.

However, as noted above, the literature lacks a coherently designed and accepted set of methodologies for quantifying such effects, assuming they exist. Therefore, the methodology followed in this chapter was designed to test several hypotheses indirectly using a small, dedicated ‘people’s survey’ alongside available secondary data. Using these data we pose the following questions:

1. Is there evidence that ownership of residential property yields a wellbeing dividend?
2. What aspects of privately renting are associated with a loss of utility to renters/occupiers?
3. Are there alternatives to owning property that might compensate private renters, in terms of utility, for not being home owners?

6.2 Does owning property yield a wellbeing dividend?

We begin by returning to our analysis of the AHCD (see Chapter 2), and a reminder that ‘tenure’ is generally taken to mean the tenure of a household’s primary residence. But, as Chapter 2 revealed, tenure arrangements may be more complex because a household may own their home, either mortgaged or outright, and may or may not own additional properties as either rental investments or second homes. Some households rent their primary residence but also own a different property, either as a rental investment or holiday home. Although the ‘rentvestor’ category may be relatively small at around 15 per cent of privately renting households, it is possible that this group will continue to grow as home ownership becomes increasingly unaffordable. Yet, many households continue to see ownership of some form, quantity or quality of property as one of the keys to future financial independence.

Using data from the HILDA dataset, Table 6 gives some insight into the complex relationship between owning and renting and satisfaction with the family home. The HILDA variable summarised is 'satisfaction with dwelling', and it is cross-tabulated with a range of tenure arrangements. The final column gives a tenure-investment status relative score, which can be used as a means to interpret the average level of home satisfaction between the eight categories of tenure-investment status. The results indicate the highest to lowest levels of satisfaction with the current home. The categories of tenure are defined as:

- outright home owner without an investment property
- social renter without an investment property
- mortgaged home owner with an investment property
- mortgaged home owner without an investment property
- private renter without an investment property
- private renter with an investment property
- social renter with an investment property.

Table 6: Tenure arrangements and satisfaction with dwelling

	(Lower <<<<<< Home Satisfaction Score (>>>>>>Higher)										
Investor status and tenure	1	2	3	4	5	6	7	8	9	10	Tenure-investment status relative score
Outright home owner (no investment property)	0.06	0.08	0.21	0.44	0.73	2.99	3.50	10.58	27.40	25.09	28.93
Mortgage holder (no investment property)	0.10	0.16	0.49	1.04	1.12	4.40	6.39	17.76	30.19	22.15	16.19
Private renter (no investment property)	0.55	0.63	1.36	2.23	3.01	8.42	9.92	19.27	25.27	14.60	14.74
Social Renter (no investment property)	1.67	1.30	1.58	3.80	3.15	11.40	7.41	13.07	20.67	12.23	23.73
Outright owner (with investment property)	0.00	0.00	0.21	0.76	0.76	2.75	4.46	12.50	27.40	28.98	22.18
Mortgage holder (with investment property)	0.18	0.06	0.47	0.71	0.53	3.12	5.30	16.56	29.05	26.93	17.09
Private renter (with investment property)	0.48	0.48	2.70	2.23	3.82	9.86	10.33	20.83	25.44	14.31	9.54
Social renter (with investment property)	0.00	0.00	0.00	5.88	0.00	11.76	23.53	17.65	29.41	5.88	5.88
Total	0.28	0.30	0.72	1.30	1.61	5.34	6.55	15.81	27.44	20.95	19.70

Source: DSS (2022).

The profile that emerges is quite different to the one that is apparent from an analysis of the AHCD. The latter suggests that levels of satisfaction with one's home are nearly, but not quite, as high for rentvestors as for home owners, but noticeably lower for private renters who are not rentvestors. The HILDA analysis shows a stronger correlation between satisfaction and home owning, whether with or without a mortgage, than between satisfaction and renting. The analysis in Table 6 also suggests that owning an investment property does not generally increase renters' satisfaction with their dwelling. Indeed, the opposite pattern is found. This might suggest that rentvesting reduces housing consumption in relation to a household's principal dwelling, but further research would be needed to test this idea.

There is no obvious reason for the different patterns that emerge from the two survey datasets (AHCD and HILDA), other than the possibility that differences in collection timing or sampling methods may have influenced the results. However, in order to explore the apparent divergence between the two datasets, a small (n = 55) online 'people's survey' was commissioned. It was deliberately targeted at a subset of rental condition survey respondents who are known to be privately renting and open-minded about remaining in the private rental sector rather than moving into home ownership. Specifically, two screening questions asked:

1. 'Do you own the dwelling you currently consider your primary residence with a mortgage, own outright or rent it privately, i.e. from a private landlord or through a real estate agent?'
2. 'How important is it to ensure that your family outright owns the dwelling you live in by the time you reach retirement age?'

For the first screening question, all but private renters were screened out. For the second screening question, respondents who scored a 4 or 5 on the scale were excluded. The results are presented in Table 7, with a summary 'attitude to renting score' shown at the right of the table. This score provides a simplified means of comparing average attitudes across the options responded to by participants.

Table 7: Contented renters follow-on survey results (general attitudes)

Attitudes towards renting	1	2	3	4	5	Attitude to renting score
Having a short lease should be rewarded with a lower rent	8.9	28.6	23.2	12.5	25	3.107
Private landlords should only be permitted to lease out property if they intend to rent their properties for a long period of time	8.9	16.1	19.6	23.2	30.4	3.447
Private landlords should not be allowed to end or fail to renew leases without very good reasons	10.7	1.8	5.4	14.3	66.1	4.182
Paying rent is a waste of money	14.3	19.6	35.7	10.7	17.9	2.929
It is problematic to have to move home fairly frequently	10.7	3.6	14.3	25	44.6	3.838
It is problematic that permission is needed for minor dwelling alterations	8.9	12.5	19.6	32.1	25	3.461
It is problematic that permission is needed for repairs and maintenance to be done	10.7	12.5	19.6	26.8	28.6	3.447
It is problematic to have uncertainty regarding lease renewal	5.4	3.6	12.5	19.6	57.1	4.14
It is problematic to have a short period of time to find an alternative property or move if leases are not renewed	1.8	1.8	3.6	16.1	75	4.556

Source: Authors' own research.

As the summary in Table 7 suggests, the most problematic issues faced by (potentially) settled renters are problems associated with having to move quickly if a lease is not renewed and landlords failing to renew leases without good reasons, together with the uncertainty caused by this phenomenon. Requiring permission for alterations or having maintenance done are noticeably less important to this group. Perhaps most interestingly of all, the idea that 'paying rent is a waste of money' comes across as the least important factor.

Table 8 summarises a second set of questions designed to explore some ideas about the trade-offs involved between renting, owning and investing in property, and investing in non-property assets. A summary 'attitudes to investing score' is provided on the right of the table, which allows the propositions about investing to be compared.

Table 8: Attitudes towards investing

Attitudes towards investing	1	2	3	4	5	Attitudes to investing score
It is better to have wealth in property that you occupy as an owner than in a superannuation account or self-managed super fund	7.1	10.7	48.2	25	7.1	3.086
It is better to have wealth in property that you occupy as an owner than in investment properties	7.1	21.4	42.9	17.9	8.9	2.947
It is better to have wealth in investment properties than in a superannuation account or self-managed super fund	1.8	23.2	39.3	25	8.9	3.106
It is better to have wealth in property in general than in all types of financial assets	5.4	23.2	25	32.1	12.5	3.177

Source: Authors' own research.

The results in Table 8 show a strong central tendency to the responses, perhaps suggesting a high degree of ambivalence to the issues being explored. However, to investigate whether there are any apparent subgroups, the dataset was explored further using data reduction techniques: discriminant analysis followed by factor analysis.

Table 9: Discriminant analysis results

Discrimination measures	Dimension		
	1	2	3
Having a short lease should be rewarded with a lower rent	0.105	0.215	0.158
Private landlords should only be permitted to lease out property if they intend to rent their properties for a long period of time	0.265	0.231	0.247
Private landlords should not be allowed to end or fail to renew leases without very good reasons	0.601	0.429	0.047
Paying rent is a waste of money	0.32	0.293	0.255
Problematic to move home fairly frequently	0.715	0.618	0.313
Problematic to need permission for minor dwelling alterations	0.679	0.461	0.143
Problematic to need permission for repairs and maintenance to be done	0.459	0.386	0.368
Problematic to have uncertainty regarding lease renewal	0.609	0.275	0.183
Problematic to have a short period of time to find an alternative property or move if leases are not renewed	0.302	0.229	0.091
It is better to have wealth in property that you occupy as an owner than in a superannuation account or self-managed super fund	0.274	0.272	0.303
It is better to have wealth in property that you occupy as an owner than in investment properties	0.396	0.091	0.356
It is better to have wealth in investment properties than in a superannuation account or self-managed super fund	0.529	0.049	0.51
It is better to have wealth in property in general than in all types of financial assets	0.494	0.328	0.522
Active total	5.747	3.877	3.495
% of variance	44.211	29.823	26.884

Source: Authors' own research.

The discriminant analysis found that a combination of three 'dimensions' captures nearly all of the variance in the original variables. The most important of the original variables in the construction of each of the new dimensions are highlighted in bold in Table 9. Dimension 1 correlates with factors that could be argued to be inconveniences of living in the private rental sector. This is the most important dimension and describes 44 per cent of the variance in the original variable set. Factors such as moving home frequently, uncertainty over lease renewal and needing permission for repairs to be done are represented in this dimension, but it is also highly correlated with two investment questions (related to investment properties and property in general). Dimension 2 also 'loads' on the inconvenience factors but not on the investment variables. This seems to suggest that there are two groups of respondents. Both think that inconvenience factors are important, but only one has an appetite for exposure to property investment. The third dimension loads only on the two investment questions. This suggests that a third group does not find renting to be inconvenient, but they are well disposed to the idea of investing in property over other financial assets.

One limitation of discriminant analysis is the fact that it cannot be used in conjunction with continuous variables. To exploit the information about superannuation targets and balances in the survey, we repeat the data reduction task using factor analysis, and summarise the results in Table 10.

Table 10: Factor analysis results showing the effects of superannuation

Rotated component matrix	Component				
	1	2	3	4	5
Having a short lease should be rewarded with a lower rent	0.138	0.061	-0.043	-0.427	0.722
Private landlords should only be permitted to lease out property if they intend to rent their properties for a long period of time	0.179	-0.077	0.813	0.148	0.096
Private landlords should not be allowed to end or fail to renew leases without very good reasons	0.169	-0.058	0.637	0.064	0.161
Paying rent is a waste of money	0.483	-0.078	-0.001	0.607	-0.033
Problematic to move home fairly frequently	0.819	0.166	0.177	-0.066	-0.041
Problematic to need permission for minor dwelling alterations	0.743	0.128	0.401	-0.177	0.166
Problematic to need permission for repairs and maintenance to be done	0.66	0.405	0.312	-0.164	0.196
Problematic to have uncertainty regarding lease renewal	0.827	0.061	0.035	0.084	-0.031
Problematic to have a short period of time to find an alternative property or move if leases are not renewed	0.816	-0.213	-0.128	0.151	-0.056
Minimum super balance	0.223	-0.009	-0.2	-0.589	-0.022
Current super	-0.13	0.276	0.534	-0.271	-0.374
It is better to have wealth in property that you occupy as an owner than in a superannuation account or self-managed super fund	0.029	0.88	0.061	-0.102	-0.028
It is better to have wealth in property that you occupy as an owner than in investment properties	-0.159	-0.008	0.348	0.196	0.768
It is better to have wealth in investment properties than in a superannuation account or self-managed super fund	0.14	0.752	-0.17	0.418	0.083
It is better to have wealth in property in general than in all types of financial assets	0.093	0.482	-0.104	0.637	-0.111
Eigenvalues	3.832	2.061	1.767	1.489	1.182
% of variance	25.547	13.741	11.779	9.925	7.879
Possible factor score interpretation					
Finds lack of control undesirable	Y				
Preference for investing in non-property assets (such as superannuation)		Y			
Wealthier and with a preference for renting			Y		
Preference for investing in non-property assets, but currently having a low level of wealth				Y	
Preference for home ownership					Y

Source: Authors' own research.

Table 10 shows the original variable loadings on the new factor scores and sets out some possible interpretations at the foot of the table. Adding two questions (ideal retirement age super balance and current super balance) increases the number of dimensions or factors such that a 5 rather than 3 factor solution is optimal. The factors are rotated using the Varimax procedure to improve the ease of interpretation.

Factor 1 explains approximately 25.5 per cent of the variance in the untransformed data and emerges as being dominated by inconvenience factors associated with renting. Factor 2 (13.7% of the variance) seems to capture a strong preference for home ownership and for investing in property generally. Factor 3 (11.8% of the variance) is interesting in that it loads on two inconvenience factors that capture the possibility of having to move home quickly. But it also correlates quite highly with current superannuation balance. Thus, this factor seems to reflect the preferences of a subset of respondents who have pursued a financial future independently of their choice of tenure. Factor 4 (9.9% of variance) loads negatively on current super balance and positively on attitudes towards property investment. This appears to reflect a subgroup who have very little invested in superannuation but have strong aspirations to be property owners (whether as investors or home owners). Finally, factor 5 (7.9% of variance) is the simplest to interpret given that it only correlates to two of the original variables, one of which is a strong preference for home ownership.

Table 11: Current super balances by conjectured demand group

	Minimum super balance required for retirement	Current super balance
Demand Group 1	\$600,000	\$25,000
Demand Group 2	\$500,000	\$80,000
Demand Group 3	\$1,750,000	\$625,000
Demand Group 4	\$500,000	0
Demand Group 5	\$375,000	\$27,500

Source: Authors' own research.

The survey size is clearly too small to draw robust or representative results; however, it was only intended to be exploratory. We cannot say that there are fewer or more than five demand groups, or make any comment about the likely national size of those demand groups. In Table 11 we summarise the median target and current super balances as a check against the logic of the factor score interpretation above.

The results tell a compelling story in relation to the conjectured demand groups argued to be revealed in Table 11. Demand groups 1 and 2 have similar target retirement balances, but group 2 (with a preference for investing in non-property assets) has a higher current super balance. Group 3 (wealthier and with a preference for renting) has the highest current and target retirement balances by a significant margin. The aspirational property owners/investors are in group 4, with the lowest current super balance, but they have a similar retirement target to groups 1 and 2. The group with the strongest desire to be home owners (group 5) also has the lowest target super retirement at \$375,000. This triangulates well with the notion held by many Australian households that entering retirement as a mortgage-free home owner is more important than superannuation savings.

6.3 Concluding remarks

Analysis of HILDA, AHCD and the people's survey reveals a remarkably consistent narrative that the 'rental sector' is far from homogenous and might be better described as a set of loosely related sub-sectors. The sub-sectors, or demand groups, suggest that the private rental sector consists of:

- (i) low-income households with high levels of dissatisfaction and enforced high mobility
- (ii) low- to moderate-income households with higher levels of satisfaction and relatively long periods of tenure (5+ years)
- (iii) households living in the sector while they build a home for owner occupation
- (iv) moderate- to high-income households using the sector to ensure they retain mobility while they pursue professional careers
- (v) rentvestors or households attaining both property ownership and consumption of more/better housing and neighbourhoods than they can afford.

Given the sample sizes and sampling limitations, it is not possible to estimate the precise size of these sub-sectors, but each group appears to be between 15–25 per cent of the overall rental system. Further research would be needed to arrive at more precise answer.

The analysis in this chapter also suggests that tenure decisions are not independent of property and financial asset investment decisions. There are distinct differences between current superannuation balances, the ideal target retirement balance and the property investment aspirations of the demand groups or rental sub-sectors.

One potential policy problem could be rentvestors, if indeed this group is growing. The analysis suggests that investment in property that is not owner occupied, coupled with investment in superannuation, could be facilitating higher levels of rental housing consumption by this demand group. In other words, a combination of tax settings (principally capital gains tax concessions and income tax concession on super contributions), coupled with a preference for higher levels of housing consumption through renting, could be coming together to increase pressure at the higher end of rental markets.

On the other hand, a different demand group seems to present a policy opportunity. This is the group who are currently very lightly invested in superannuation but hold similar property ownership and retirement savings goals to other demand groups. Arguably, their aspirations are unrealistic, but current policy settings do not encourage them to adopt different strategies for financing retirement despite their continued tenure in the private rental sector.

As noted earlier, Australian tax arrangements differ between tenures and between investment classes. For example, there is no tax on the imputed rental income of owner occupying housing. Yet renters are required to pay rent after income tax. The annual cap on super contributions is independent of tenure and/or property investor status. The evidence in this chapter suggests a different reality in which households make renting, home ownership, property investment and financial investment decisions inter-dependently. A more coherent set of tax settings would take account of this fact.

7. What tenure future do we want?

This project emerges from an acknowledgment among policy stakeholders of the shift towards renting as a dominant tenure in Australia, and concern for the nation's ability to adapt. Across a series of analyses, datasets and approaches, this report provides insight into:

1. Australia's short- and long-term tenure trends
2. the housing tenure preferences of Australian households now and over coming decades
3. how Australia's policy and regulatory environment could provide better support
4. consideration of potential costs and benefits in an evolving tenure structure.

7.1 Australia's short- and long-term tenure trends

The analysis of secondary data tracks a clear shift towards renting as a tenure. Yet survey findings indicate this is primarily due to barriers rather than choice, as ownership is still the main housing form Australians want. Findings also highlight the continued dominance of forms of home ownership. **The changing age profile** of renters in Australia is of particular policy significance: our rental sector is ageing. Whereas once private rental was seen largely as a tenure of transition in the early life stages on a journey to home ownership, renting now has a much more mainstream age profile. **Renters are older**, and in the most expensive capital city, Sydney, the proportion of elderly renters is increasing. An additional demographic trend is the lone-person shift, with renting **becoming a key tenure option for lone-person households**.

The analysis of national data also reveals a series of key indications about people's expectations. Importantly, only **half of all renters in the private rental sector expect to own a home** in their lifetime.

Finally, the analysis suggests a growing trend towards **'strategic renting'** in Australia, whereby a growing number of people appear to be choosing to rent to take advantage of the flexibility that may provide. While not a completely new trend, its prevalence appears to be increasing and expanding as more people participate in **rentvesting** – renting while also investing elsewhere in the property market.

7.2 The housing tenure preferences of Australian households now and over coming decades

The findings of this study highlight the ongoing significance of **home ownership as the main aspiration for many Australians**. Home ownership is perceived as the housing tenure that will deliver the key attributes of housing that Australians want. Australians were shown in this analysis to aspire (regardless of their income level or their tenure of preference) to have somewhere safe and secure to call home, and ontological security and **control over their home environment**.

The great majority (almost 80%) of current Australian renters wanted to attain home ownership. Relatively few (less than 20%) saw renting as a tenure that met their housing aspirations. As well as eventual home ownership, **current Australian renters valued many of the elements provided by home ownership:** security of tenure, housing quality and conditions, and the ability to modify their rented dwellings.

The cost of home ownership is the single biggest deterrent for renters, with almost **60 per cent of renters not confident that they would be able to afford to ever buy a home.** Renters are keen for protections that would allow them to extend their lease indefinitely, have limits on the size of rent increases, and have good quality housing – and they are willing to pay for these types of protection.

Overwhelmingly, renters, regardless of whether they are pet owners themselves, want the freedom for all renters to have the right to keep pets.

7.3 How Australia's policy and regulatory environment could provide better support

The stakeholder consultation provided substantial insight into Australia's current policy and regulatory environment. Importantly, informants were mindful that **Australia's tenure structure sits at an important crossroads** with many other parts of the economy: housing assets not only underpin much of the nation's wealth, but also underwrite income support in older age and other supports, including for persons with a disability.

It is perhaps notable that the panel discussions with policy stakeholders tended to generate higher-level system ideas on the adaptation of the policy and regulatory environment, rather than specific detailed ideas about individual or tailored policy responses. This perhaps reflects the scale of the challenge across tax, welfare, construction and so on that is required as we adapt quite quickly towards being more of a renter nation.

It was highlighted in these panels that the unsustainability of the nation's housing structure has developed over time, reflecting a **growing focus on housing as an asset** rather than as a dimension of human need. Further, **sustained underinvestment in social housing stock** has had long-term negative implications for all Australians and additional public housing construction is needed as a priority. However, community and social housing is unlikely to grow significantly over the next three years. This places even more pressure on reform of the private rental sector.

7.4 Consideration of potential costs and benefits in an evolving tenure structure

The cost-benefit analysis explored potential costs and benefits in an evolving Australian tenure structure, focusing on three previously little considered cost-benefit scenarios: the wellbeing dividend, the potential utility benefits of rental, and the potential for non-housing investment. The analyses reveal a remarkably consistent narrative that the 'rental sector' is far from homogenous and might be better described as a set of loosely related sub-sectors. Reflecting the complexity of housing choices (alongside other lifetime investment decisions), this analysis suggests that tenure decisions are not independent of property and financial asset investment decisions. There are distinct differences between current superannuation balances, the ideal target retirement balance, and the property investment aspirations of the demand groups or rental sub-sectors.

7.5 Concluding remarks and 'where to' for policy?

When Hugh Stretton reflected on the housing history of Australia in 1974, he spoke of a landscape comprised of home owners and people who rent because they 'want to be tenants'. This report has shown Australia in 2024 to be a nation comprised of home owners, a few people who rent because they 'want to be tenants', and a growing number of people who rent but would *rather not be tenants*.

We have shown a clear shift in the Australian tenure landscape, documenting a rise (return) of renting and a change in the way that Australians see this tenure. Currently the experience is uneven, and, looking forward, there are signposts for policy innovation and response.

Of particular concern are lower-income older renters with limited super who have 'failed to transition' to home ownership. The analyses presented in this report suggest a significant growth in older Australians needing to be accommodated in the rental sector in the next 10 years. In previous decades, many of these lower-income older renters could access the safety net of social housing. However, by 2024 there is a need to look beyond social housing to alternative solutions. Importantly, while older renters are not a new phenomenon in the private renting system, older renters at this scale are. This suggests that an important policy focus should be on understanding the requirements of older renters and means to enable them to rent because they want to be tenants.

Looking beyond older renters to the general population, it is worth highlighting that Australians **want to have a safe and secure place to call home as they grow older**. This ambition provides a very straightforward (and achievable) goal for policy, one that is less challenged by the well-acknowledged problems of infrastructure supply. The policy implication of this is broad and suggests that there is a need to reform legislation controlling private tenancies to better align the protections provided to tenants with contemporary needs.

The results of the discrete choice experiment allow us, for the first time, to look inside the trade-offs that people make in the housing system. Unsurprisingly, housing affordability is a significant concern for Australians. But the analysis also shows us that **people value the security of longer lease lengths, protection from rapid rent rises, property maintenance, and the ability to have pets so much that they are prepared to pay additional rent to access them**. These areas provide direct priorities for policy development.

It will be no surprise that the policy community highlights the amplification of the challenges from a sustained underinvestment in social housing stock. It is clear that **additional public housing construction is needed as a priority** – to house the growing population of Australians unable to sustain leases in the private rental sector. Considering this, it is worth reflecting on the cost-benefit analysis in Chapter 6 and highlighting the finding from the HILDA data that, on average, existing social housing tenants report some of the highest relative levels of satisfaction with their home (second only to outright home owners).

The econometric analysis suggests **an emerging policy challenge appears to be rentvesting**. Investment in property that is not owner occupied, coupled with investment in superannuation, could be facilitating higher levels of rental housing consumption by this demand group. On the other hand, the demand group who are currently very lightly invested in superannuation, but hold similar property ownership and retirement saving goals to other demand groups, may present a policy opportunity. Arguably, their aspirations are unrealistic; however, policy settings could be adjusted to **encourage adoption of different strategies for financing retirement** despite their continued tenure in the private rental sector.

Finally, we note a **concerning dearth of data capturing the evolving housing aspirations of Aboriginal and Torres Strait Islander Australians**. Without this, policy responses risk being poorly formed or haphazard.

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Appendix 1: AHA survey additional tables

Table A1: Characteristics of AHA survey participants who are renting from a private landlord by age group and income

		Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
		Very low to low income ¹ n = 532	Medium to very high ² income n = 423	Very low to low income ¹ n = 421	Medium to very high ² income n = 291	Very low to low income ¹ n = 212	Medium to very high ² income N = 110
Gender	Female	273	216	194	142	107	43
		52.3%	51.4%	46.4%	49.1%	50.5%	39.1%
Household type	Single person, no children	315	92	188	66	107	30
		59.2%	21.7%	44.7%	22.7%	50.5%	27.3%
	Couple living together, no children	80	182	57	67	72	41
		15.0%	43.0%	13.5%	23.0%	34.0%	37.3%
	Couple living with child/ren	88	139	83	138	14	30
	16.5%	32.9%	19.7%	47.4%	6.6%	27.3%	
	Single person living with child/ren	49	10	93	20	19	9
		9.2%	2.4%	22.1%	6.9%	9.0%	8.2%
Part of state	Within the CBD of a capital city	57	75	37	34	10	11
		10.8%	17.7%	8.9%	11.7%	4.7%	10.0%
	Within the inner suburbs of a capital city	140	126	77	72	31	25
		26.4%	29.8%	18.4%	24.8%	14.6%	22.7%
	Within the middle/outer suburbs of a capital city	174	126	147	104	73	45
	32.8%	29.8%	35.2%	35.9%	34.4%	40.9%	
	Regional city or town or remote area	159	96	157	80	98	29
		30.0%	22.7%	37.6%	27.6%	46.2%	26.4%
You or anyone in your household have an ongoing:	Physical health condition or a disability that impacts upon housing choice: Yes	87	74	132	71	100	30
		16.4%	17.5%	31.4%	24.4%	47.2%	27.3%
	Mental health condition or a disability that impacts upon housing choice: Yes	117	84	112	60	49	10
		22.0%	19.9%	26.6%	20.6%	23.1%	9.1%
Dwelling type	House	322	218	274	172	129	69
		60.5%	51.5%	65.1%	59.1%	60.8%	62.7%
	Apartment	210	205	147	119	83	41
		39.5%	48.5%	34.9%	40.9%	39.2%	37.3%
Feeling of home	Yes	441	372	330	228	175	90
		82.9%	87.9%	78.4%	78.4%	82.5%	81.8%
After paying your housing costs ³ , do you have enough money left over for:	Essential expenditure ⁴ : Yes	451	408	331	271	181	108
		84.8%	96.5%	78.6%	93.1%	85.4%	98.2%
	Non-essential expenditure ⁵ : Yes	298	323	195	209	98	82
		56.0%	76.4%	46.4%	71.8%	46.2%	74.5%
	Savings or investment: Yes	231	270	108	144	48	54
		43.4%	63.8%	25.7%	49.5%	22.6%	49.1%

Source: Stone, Rowley et al. (2020).

Notes: ¹Very low income to low income – up to A\$59,999 p.a.; ²medium to high income above A\$60,000 p.a. ³Housing costs – rent; ⁴Essential expenditure- i.e. necessary for day to day living including bills, basic food and drink, clothes, transport etc.; ⁵Non-essential expenditure – social activities, holidays, pay TV such as Netflix, non-essential food and drink such as alcohol, etc.

Table A2: Characteristics of dwellings that are important for AHA survey participants who rent from a private landlord, categorised by age group and income

	Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income
Security – long-term, stable housing	299	255	254	176	157	78
	56.2%	60.3%	60.3%	60.5%	74.1%	70.9%
Financial return	96	93	38	44	8	11
	18.0%	22.0%	9.0%	15.1%	3.8%	10.0%
Ability to modify the dwelling	159	154	107	86	52	32
	29.9%	36.4%	25.4%	29.6%	24.5%	29.1%
Full ownership	250	235	182	153	73	57
	47.0%	55.6%	43.2%	52.6%	34.4%	51.8%
Part ownership	32	19	20	18	19	8
	6.0%	4.5%	4.8%	6.2%	9.0%	7.3%
Being able to move at short notice	71	57	45	30	20	14
	13.3%	13.5%	10.7%	10.3%	9.4%	12.7%
Being able to use space for a variety of uses	152	107	98	83	47	31
	28.6%	25.3%	23.3%	28.5%	22.2%	28.2%
Flexible rent or mortgage payments	170	108	137	96	68	29
	32.0%	25.5%	32.5%	33.0%	32.1%	26.4%
Renting out spare rooms to earn income	79	45	39	22	16	10
	14.8%	10.6%	9.3%	7.6%	7.5%	9.1%
Quality – well maintained, not dangerous	293	201	190	134	131	72
	55.1%	47.5%	45.1%	46.0%	61.8%	65.5%
Other	5	1	11	3	4	1
	0.9%	0.2%	2.6%	1.0%	1.9%	0.9%
Total	532	423	421	291	212	110

Source: Stone, Rowley et al. (2020).

Notes: ¹ Very low income to low income – up to A\$59,999 p.a.; ² medium to high income above A\$60,000 p.a. This was a multiple response question.

Table A3: Physical characteristics of a house important for AHA survey participants who rent from a private landlord, categorised by age group and income

	Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income
Dwelling type (separate house, townhouse, terraced house etc.)	201	171	211	126	113	65
	43.3%	50.4%	60.3%	55.0%	67.3%	70.7%
Number of bedrooms	285	234	255	167	123	77
	61.4%	69.0%	72.9%	72.9%	73.2%	83.7%
A large backyard	205	153	148	97	49	23
	44.2%	45.1%	42.3%	42.4%	29.2%	25.0%
Number of bathrooms	182	169	122	94	66	48
	39.2%	49.9%	34.9%	41.0%	39.3%	52.2%
Adequate parking	205	182	182	133	106	69
	44.2%	53.7%	52.0%	58.1%	63.1%	75.0%
Building materials	102	88	84	63	37	28
	22.0%	26.0%	24.0%	27.5%	22.0%	30.4%
Size of the lot	154	151	120	96	61	37
	33.2%	44.5%	34.3%	41.9%	36.3%	40.2%
Adaptability/flexibility of internal space (universal design)	130	92	88	58	38	31
	28.0%	27.1%	25.1%	25.3%	22.6%	33.7%
A new dwelling	96	73	43	28	15	14
	20.7%	21.5%	12.3%	12.2%	8.9%	15.2%
An established dwelling	114	82	123	71	72	38
	24.6%	24.2%	35.1%	31.0%	42.9%	41.3%
Access to high-speed internet	242	168	157	104	91	60
	52.2%	49.6%	44.9%	45.4%	54.2%	65.2%
Smart wiring (electrical systems integrated and can be operated remotely)	102	59	50	38	23	17
	22.0%	17.4%	14.3%	16.6%	13.7%	18.5%
Good internal and external quality	246	219	198	147	102	72
	53.0%	64.6%	56.6%	64.2%	60.7%	78.3%
Dwelling security	236	194	197	122	123	64
	50.9%	57.2%	56.3%	53.3%	73.2%	69.6%
Sustainability features such as solar panels	129	78	99	72	58	39
	27.8%	23.0%	28.3%	31.4%	34.5%	42.4%
Total	464	339	350	229	168	92

Source: Stone, Rowley et al. (2020).

Notes: ¹Very low income to low income – up to A\$59,999 p.a.; ²medium to high income above A\$60,000 p.a. This was a multiple response question.

Table A4: Physical characteristics of an apartment important for AHA survey participants who rent from a private landlord, categorised by age group and income

	Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income
Number of bedrooms	119	123	100	74	63	28
	56.7%	60.0%	68.0%	62.2%	75.9%	68.3%
Communal living areas	34	35	25	13	9	4
	16.2%	17.1%	17.0%	10.9%	10.8%	9.8%
A pool and/or gym	57	53	23	24	6	7
	27.1%	25.9%	15.6%	20.2%	7.2%	17.1%
Number of bathrooms	79	90	44	36	25	23
	37.6%	43.9%	29.9%	30.3%	30.1%	56.1%
Adequate parking	89	99	74	74	60	32
	42.4%	48.3%	50.3%	62.2%	72.3%	78.0%
Size of living area(s)	104	110	94	74	42	29
	49.5%	53.7%	63.9%	62.2%	50.6%	70.7%
Adaptability/flexibility of internal space (universal design)	61	47	39	30	17	15
	29.0%	22.9%	26.5%	25.2%	20.5%	36.6%
A new dwelling	30	44	27	15	4	8
	14.3%	21.5%	18.4%	12.6%	4.8%	19.5%
An established dwelling	48	37	38	20	37	11
	22.9%	18.0%	25.9%	16.8%	44.6%	26.8%
Access to high-speed internet	119	106	71	59	46	22
	56.7%	51.7%	48.3%	49.6%	55.4%	53.7%
Smart wiring	41	37	24	18	10	10
	19.5%	18.0%	16.3%	15.1%	12.0%	24.4%
Adequate storage space	100	98	76	69	54	29
	47.6%	47.8%	51.7%	58.0%	65.1%	70.7%
Bike storage space	21	18	17	9	2	4
	10.0%	8.8%	11.6%	7.6%	2.4%	9.8%
Dwelling security	97	97	82	71	64	31
	46.2%	47.3%	55.8%	59.7%	77.1%	75.6%
Sustainability features such as solar panels	37	26	26	22	20	9
	17.6%	12.7%	17.7%	18.5%	24.1%	22.0%
Total	210	205	147	119	83	41

Source: Stone, Rowley et al. (2020).

Notes: ¹ Very low income to low income – up to A\$59,999 p.a.; ² medium to high income above A\$60,000 p.a. This was a multiple response question.

Table A5: Characteristics of a dwelling location important for AHA survey participants who rent from a private landlord, categorised by age group and income

	Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income	Very low to low income ¹	Medium to very high ² income
Safety and security	364 68.4%	256 60.5%	309 73.4%	207 71.1%	176 83.0%	91 82.7%
Easy access to a major road	136 25.6%	134 31.7%	144 34.2%	85 29.2%	66 31.1%	50 45.5%
Easy access to work for members of your household	191 35.9%	181 42.8%	132 31.4%	130 44.7%	38 17.9%	45 40.9%
Easy access to health services	235 44.2%	159 37.6%	202 48.0%	112 38.5%	146 68.9%	78 70.9%
Easy access to education (schools/university/TAFE etc.)	181 34.0%	119 28.1%	111 26.4%	77 26.5%	12 5.7%	16 14.5%
Easy access to a major shopping centre/high street	214 40.2%	163 38.5%	204 48.5%	127 43.6%	132 62.3%	72 65.5%
Proximity to family/friends	216 40.6%	157 37.1%	160 38.0%	95 32.6%	93 43.9%	53 48.2%
Access to a network of cycle paths	64 12.0%	53 12.5%	43 10.2%	43 14.8%	15 7.1%	12 10.9%
Easy access to employment opportunities	248 46.6%	195 46.1%	171 40.6%	110 37.8%	29 13.7%	32 29.1%
Local open space	127 23.9%	126 29.8%	142 33.7%	97 33.3%	86 40.6%	45 40.9%
Entertainment amenities e.g. bars, cafes, cinemas etc	202 38.0%	171 40.4%	117 27.8%	90 30.9%	56 26.4%	54 49.1%
Quality public transport	269 50.6%	196 46.3%	185 43.9%	146 50.2%	118 55.7%	62 56.4%
Child friendly spaces	162 30.5%	146 34.5%	108 25.7%	86 29.6%	17 8.0%	12 10.9%
A walkable neighbourhood	284 53.4%	236 55.8%	244 58.0%	162 55.7%	133 62.7%	71 64.5%
Local shopping	315 59.2%	245 57.9%	291 69.1%	181 62.2%	175 82.5%	83 75.5%
Easy access to public facilities – library, swimming pool etc	186 35.0%	138 32.6%	152 36.1%	95 32.6%	79 37.3%	47 42.7%
Living in an area with similar people to me/us	127 23.9%	89 21.0%	110 26.1%	76 26.1%	75 35.4%	36 32.7%
Living in an area with a mix of different people	81 15.2%	73 17.3%	59 14.0%	54 18.6%	29 13.7%	14 12.7%
Total	532	423	421	291	212	110

Source: Stone, Rowley et al. (2020)..

Notes: ¹Very low income to low income – up to A\$59,999 p.a.; ²medium to high income above A\$60,000 p.a. This was a multiple response question.

Table A6: Longer-term housing aspirations (5–10 years) that are important for AHA survey participants who rent from a private landlord, categorised by aspired tenure (home ownership v. private rental tenure)

Aspired tenure		Aged 18–34 years		Aged 35–54 years		Aged 55+ years	
		Ownership	Private rental	Ownership	Private rental	Ownership	Private rental
Wealth creation	Important ¹	537	142	344	89	101	32
		83.5%	80.2%	74.0%	60.5%	61.6%	40.5%
	Not important	88	24	98	45	54	37
		13.7%	13.6%	21.1%	30.6%	32.9%	46.8%
	Don't know	18	11	23	13	9	10
		2.8%	6.2%	4.9%	8.8%	5.5%	12.7%
Somewhere safe and secure to call home	Important ¹	624	163	448	133	159	75
		97.0%	92.1%	96.3%	90.5%	97.0%	94.9%
	Not important	15	4	13	10	4	2
		2.3%	2.3%	2.8%	6.8%	2.4%	2.5%
	Don't know	4	10	4	4	1	2
		0.6%	5.6%	0.9%	2.7%	0.6%	2.5%
Own an asset to leave for child(ren)/grandchild(ren)	Important ¹	440	119	286	63	92	20
		68.4%	67.2%	61.5%	42.9%	56.1%	25.3%
	Not important	173	43	156	64	64	48
		26.9%	24.3%	33.5%	43.5%	39.0%	60.8%
	Don't know	30	15	23	20	8	11
		4.7%	8.5%	4.9%	13.6%	4.9%	13.9%
Security and control as I/we grow older	Important ¹	595	152	435	118	151	69
		92.5%	85.9%	93.5%	80.3%	92.1%	87.3%
	Not important	38	12	18	18	11	7
		5.9%	6.8%	3.9%	12.2%	6.7%	8.9%
	Don't know	10	13	12	11	2	3
		1.6%	7.3%	2.6%	7.5%	1.2%	3.8%
Property for use as a business	Important ¹	224	86	117	41	23	9
		34.8%	48.6%	25.2%	27.9%	14.0%	11.4%
	Not important	374	78	307	91	126	57
		58.2%	44.1%	66.0%	61.9%	76.8%	72.2%
	Don't know	45	13	41	15	15	13
		7.0%	7.3%	8.8%	10.2%	9.1%	16.5%
To have an asset to fund retirement	Important ¹	515	134	356	88	108	29
		80.1%	75.7%	76.6%	59.9%	65.9%	36.7%
	Not important	98	31	89	45	47	40
		15.2%	17.5%	19.1%	30.6%	28.7%	50.6%
	Don't know	30	12	20	14	9	10
		4.7%	6.8%	4.3%	9.5%	5.5%	12.7%

Source: Stone, Rowley et al. (2020).

Notes: ¹Important or somewhat important.

Table A7: Longer-term housing aspirations (5–10 years) that are important for AHA survey participants who rent from a private landlord, categorised by aspired tenure (home ownership vs private rental tenure)

Aspired tenure		Very low to low income ¹		Medium to very high ² income	
		Ownership	Private rental	Ownership	Private rental
Wealth creation	Important ³	471	148	448	100
		72.9%	60.7%	82.4%	74.1%
	Not important	140	70	84	30
		21.7%	28.7%	15.4%	22.2%
	Don't know	35	26	12	5
		5.4%	10.7%	2.2%	3.7%
Somewhere safe and secure to call home	Important ³	623	224	527	127
		96.4%	91.8%	96.9%	94.1%
	Not important	17	9	15	6
		2.6%	3.7%	2.8%	4.4%
	Don't know	6	11	2	2
		0.9%	4.5%	0.4%	1.5%
Own an asset to leave for child(ren)/grandchild(ren)	Important ³	393	108	370	81
		60.8%	44.3%	68.0%	60.0%
	Not important	215	103	156	45
		33.3%	42.2%	28.7%	33.3%
	Don't know	38	33	18	9
		5.9%	13.5%	3.3%	6.7%
Security and control as I/we grow older	Important ³	585	197	520	121
		90.6%	80.7%	95.6%	89.6%
	Not important	43	28	20	9
		6.7%	11.5%	3.7%	6.7%
	Don't know	18	19	4	5
		2.8%	7.8%	0.7%	3.7%
Property for use as a business	Important ³	173	71	161	57
		26.8%	29.1%	29.6%	42.2%
	Not important	418	143	348	70
		64.7%	58.6%	64.0%	51.9%
	Don't know	55	30	35	8
		8.5%	12.3%	6.4%	5.9%
To have an asset to fund retirement	Important ³	464	137	446	98
		71.8%	56.1%	82.0%	72.6%
	Not important	140	82	85	31
		21.7%	33.6%	15.6%	23.0%
	Don't know	42	25	13	6
		6.5%	10.2%	2.4%	4.4%

Source: Stone, Rowley et al. (2020).

Notes: ¹Very low income to low income – up to A\$59,999 p.a.; ²medium to high income above A\$60,000 p.a.; ³important or somewhat important.

Appendix 2: DCE additional table

Table A8: List of DCE attributes, and the values that they can take across different scenarios, for individuals looking to rent their next home

House cost (c)	To be calculated based on other variables, using the formula to solve for c: $m = (r(c-p) (1+r)^N) / ((1+r)^N - 1)$, where r is the monthly interest rate, equal to the annual interest rate divided by 12; and N are the number of monthly payments, equal to the payback period multiplied by 12
Down payment (p)	5% of house cost (shown in \$ amounts)
	10% of house cost (shown in \$ amounts)
	15% of house cost (shown in \$ amounts)
	20% of house cost (shown in \$ amounts)
Payback period	10 years
	20 years
	30 years
Annual interest rate	1%
	2%
	3%
	4%
	5%
	6%
	7%
	8%
Monthly mortgage payment (m)	10% below the monthly payment amount calculated for private rental option
	5% below the monthly payment amount calculated for private rental option
	Equal to the monthly payment amount calculated for private rental option
	20% above the monthly payment amount calculated for private rental option
	40% above the monthly payment amount calculated for private rental option
	60% above the monthly payment amount calculated for private rental option
	80% above the monthly payment amount calculated for private rental option
	100% above the monthly payment amount calculated for private rental option

Table A8 (continued): List of DCE attributes, and the values that they can take across different scenarios, for individuals looking to rent their next home

Rent (private)	50% below the value indicated in response to Q4.4
	40% below the value indicated in response to Q4.4
	30% below the value indicated in response to Q4.4
	20% below the value indicated in response to Q4.4
	10% below the value indicated in response to Q4.4
	Equal to the value indicated in response to Q4.4
	10% above the value indicated in response to Q4.4
	20% above the value indicated in response to Q4.4
Rent (public)	10% above the rent calculated for private rental option
	5% above the rent calculated for private rental option
	Equal to the rent calculated for private rental option
	5% below the rent calculated for private rental option
	10% below the rent calculated for private rental option
	15% below the rent calculated for private rental option
	20% below the rent calculated for private rental option
	25% below the rent calculated for private rental option
Lease period	6 months
	12 months
	2 years
	5 years
Ability to extend lease	Conditional on landlord / agent approval
	Able to extend lease indefinitely subject to paying rent on time
Rent control	Rent cannot be increased by more than 2% every 12 months
	Rent cannot be increased by more than 5% every 12 months
	Rent could be increased by any amount at the end of the lease period
Ongoing maintenance	Minimum standards
	Above minimum standards (e.g. well insulated, heaters/coolers upgraded regularly)
Autonomy and control	Do not need approval to make minor changes to the property (e.g. hang painting, paint walls, plant a veggie garden)
	Ability to add cost-saving / environmental fixtures (e.g. solar panels, rainwater tank, water-saving shower head)
	Ability to attend to problems immediately without any penalty or additional rent-rise (e.g. plumbing issues, broken windows or fixtures)
	Need approval to make any changes to the property
Pets allowed	No
	Yes, with no conditions
	Yes, with a pet bond of 10% of monthly rent (shown in \$ amounts)

Source: Authors' own research.

Appendix 3: International Issues Paper

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Introduction

Canada faces an unprecedented housing affordability crisis affecting large segments of the population. People on income assistance, government pensions and working at low wages face pressures of rapidly increasing rents and a tight rental housing market. This is reflected in worsening affordability and an alarming increase in unhoused people – many living in encampments – across communities in Canada, many of which had not previously seen significant levels of visible homelessness. Among these subgroups of people facing rising rents with low incomes is a growing number of people who need supports to live independently with a high quality of life. This includes older adults who need support due to declining function with age, people with mental illness and addictions, people with developmental disabilities and brain disorders, and people facing intimate partner violence.

Among higher income segments of the population, young adults seeking to establish themselves as independent households face rising rents and constrained access to home ownership due to unprecedented increases in house prices and recently rising costs of borrowing due to high interest rates. Fewer people exiting renting into home ownership places additional strain on the rental market. These pressures are exacerbated by newer developments in immigration policies, which have seen growth in temporary foreign worker, international student and immigration permits – things that are important to the country for economic and social reasons, but have not been well coordinated with housing policy until very recently.

The crisis is multifactorial and complex, and there are a wide variety of hotly debated causes and solutions. The political pressures decision-makers face is magnified by the fact that housing does not lend itself to quick or simple solutions. At a minimum, it takes time to finance, get approvals and build housing. Given the urgency, complexity and timescales, Canada needs to take rapid action to address acute problems (short-term horizon) and simultaneously implement actions that work ‘upstream’ to reform the system (medium- and long-term horizons).

Canada's housing sector and allocation of policy responsibility

The Canadian housing sector has many close similarities to Australia. It is primarily private market driven with a relatively small social housing sector (public, non-profit and non-market). Estimates vary, but the general consensus is that roughly 4 per cent of households obtain their housing from the non-market sector. In addition to this strong private market orientation, Canada's housing sector is also heavily tilted to home ownership. Home ownership has been consistently in the range of 65 per cent of households since the post-war era, peaking in 2016 at 69 per cent before returning to roughly 65 per cent in 2021. Similar to Australia, renting is an increasing feature of the Canadian tenure system, and in the most recent Census, more than one-third of all households were renters.²

Housing policy is mainly a provincial responsibility in Canada's federated system of government, but the federal government and municipal governments have important functions as well. This division of responsibility means that there is considerable fragmentation in the system. The Government of Canada was more active in social housing until the early 1990s, but now its main role is to provide funding to provincial and municipal governments for programs that address homelessness, on-reserve First Nations housing and some financing responsibility for non-market housing. They are also responsible for setting finance policies that affect the housing market, such as issuing mortgage bonds, and its crown corporation, the Canada Mortgage and Housing Corporation, is overwhelmingly the largest provider of mortgage insurance for low-down-payment home purchases (below 20%) and implements a variety of other federal housing support and incentive programs.

Provincial governments are responsible for funding deeply affordable subsidised housing that is provided directly by them or by non-profits or municipal agencies. This type of housing was once known as public housing (e.g. rent-gear-to-income housing), but is now grouped in a larger category known as social housing. In one province, Ontario, the social housing system is devolved to the municipal level. All provinces also have legislation to regulate residential tenancies, including rent controls and dispute resolution mechanisms, and the rental market. Provinces are also responsible for land use planning and have legislation that sets out the conditions under which municipalities can approve land for development of housing and other uses. Provinces also set the framework for growth planning that municipalities operate under, and this has a significant effect on housing as well.

In 2017, the Government of Canada entered into the housing sector much more than it had over the previous 25 years by launching the National Housing Strategy (NHS). Between the time the government ended all new funding for social housing in 1993 and the launch of the NHS, there had been limited involvement of the federal government in social housing, arguably in favour – at least by default – of a market-based approach. In 2019, it followed up the NHS with legislation – the National Housing Strategy Act, which, among other things, enshrines the government's commitment to a human rights-based approach to housing. The Office of the Federal Housing Advocate, an arms-length agency, was also created to monitor the implementation of the NHS according to a human rights perspective.

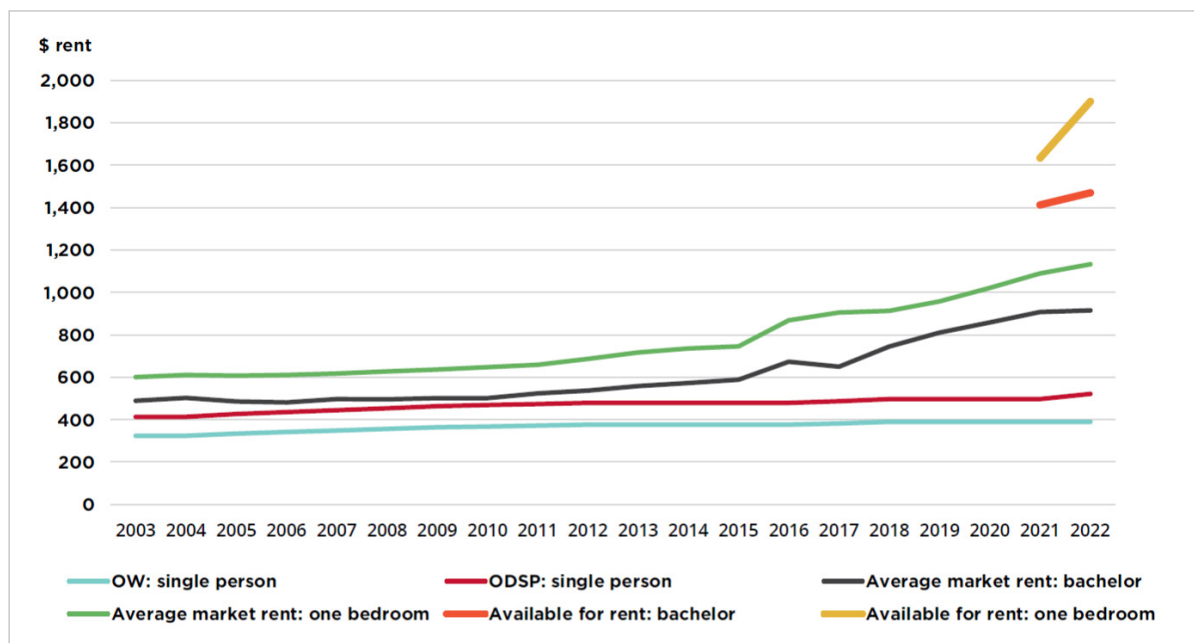
² Statistics Canada (2023) *Housing indicators by tenure: Canada, provinces and territories*, census divisions and census subdivisions, Table 98-10-0259-01, <https://doi.org/10.25318/9810025901-eng>.

Growing affordability problems

Canada's growing housing affordability problems long predate the NHS or recent widespread awareness of a crisis, particularly at the low end of the income spectrum, but they have intensified in the last four to five years. Like most other affluent countries including Australia, there has long been a growing gap between wage growth and house prices in Canada, which has intensified in the last several years. Average house prices are now around eight times average incomes, and the gap has widened since 2015. Increased access to home ownership seen in 2016 data were heavily influenced by extremely low interest rates. The federal bank regulator (the Office of the Superintendent of Financial Institutions) introduced a mortgage 'stress test' in 2018. Under these regulations, borrowers have to be approved for a rate of either the interest rate they were approved for by their lender plus 2 per cent, or a minimum qualifying rate (initially 4.99%), whichever is higher. This is intended 'to ensure borrowers can still make payments if they experience negative financial shocks'. It has unquestionably impacted access to home ownership, although the specific contribution of this measure to the decline in homeownership rates between 2016 and 2021 is not known.

Rental housing has also seen increasing affordability problems over the last several years, due in part to the pressures of constrained access to home ownership, shortages of rental housing and the pressures of financialisation. People with the lowest incomes have been most severely affected by rising rents. Figure A1 shows the 'shelter allowance' portion of the two-income assistance programs in Hamilton, Ontario, a city of 550,000 people in Canada's largest province. Ontario Works (OW) is the main income assistance program and the Ontario Disability Support Program (ODSP) is aimed at people with disabilities. The income support for these programs includes a portion that is targeted to shelter; however, like the income support levels overall, the shelter allowance has grown only slightly. Meanwhile, average market rent (which includes all renters – both new and established) has grown considerably, especially in the last decade. In the upper part of the chart are average asking rents for 'available for rent' units for 2021–22, an average of rents someone would encounter to rent a unit today. These are clearly far out of reach for the lowest income households, at least 3.5 times higher than the ODSP shelter allowance and even more unaffordable for OW recipients. This significantly impedes households trying to exit homelessness. In terms of the rental market more broadly, most major cities are seeing declining vacancy rates, increasing rents and worsening affordability.

Figure A1: Single person maximum shelter rate: OW and ODSP compared to average market rents: Bachelor and one bedroom units City of Hamilton



Source: Authors' own research.

Key challenges for policy

To redress the challenges of affordable market housing in an era of tenure shift, there are three key strategic foci that are needed related to housing supply and stock as well as a fourth focus related to human services supports:

- affordable housing construction
- affordable housing acquisition
- affordable housing retention
- housing supports.

Here we use the term 'affordable' to refer to housing that rents at level that lower-income households can afford without spending more than 30 per cent of their income. While a relative term, it includes both existing market properties with low rents, as well as existing and new non-market homes being created by non-profit and co-operative organisations that are isolated from the market pressures causing the noted large-scale losses.

Affordable housing construction

Most of the resources in Canadian housing policy available under the NHS focus on construction (and more on market than affordable rental housing). Unfortunately, it is clear that new construction will be significantly outpaced by the loss of affordable market rental housing, even under the best of circumstances. Nationally, for every new unit constructed under federal housing programs between 2016 and 2021, 11 units of affordable market rental housing renting for under \$750/month rent were lost: in some cities, the loss ratio was much higher (Hamilton was 23 units of affordable market rental lost for every new unit constructed under federal housing programs). Deeply affordable housing has been challenging to make feasible with the resources from the NHS; therefore, modestly affordable housing has been constructed, some of it with only a temporary commitment to affordability required (e.g. 10 years). In addition, recent months have seen borrowing and construction costs rise rapidly, and even projects that are under construction are facing large cost overruns.

Despite these challenges, it is important to continue to maximise this source of affordable housing. However, there are a number of barriers to overcome, including a lack of non-market development organisational capacity, complex and slow approvals, conflicting conditions across different funding sources, as well as the cost and availability of land.

Affordable housing acquisition

As a result of processes like financialisation and renoviction, the last several years have seen an acceleration of the loss of affordable market rental housing. Private capital firms, some of which are Real Estate Income Trusts, and other investors, seek out 'underperforming' buildings where rents are lower than they potentially could be, acquire the buildings and then, as tenants leave (either involuntarily or by attrition), they upgrade building amenities and units to obtain higher rents. Until quite recently, with near-zero interest rates and rapidly rising real estate values, financing for such activities was cheap. After the upgrade, the owner could refinance the building at a higher value and extract a portion of the increased equity to fund subsequent investments. This kind of activity is made possible by provincial policy related to rent control – vacancy de-control – where rent is only regulated so long as the same tenant stays in a unit in Ontario (units built after November 2018 are exempted). In housing units where there are vacancy de-controls, once a tenant vacates a unit, the landlord can raise rents to whatever rent the market will bear.

Short of the repeal (or temporary pause) of vacancy de-controls (which are provincial policies), or more closely regulated rent increases upon tenant vacancy, there are limited options available to mitigate the effects of these practices. One promising potential action to mitigate this loss of modestly priced rental housing is to provide assistance to the non-market sector to acquire these existing lower-rent buildings from the private sector. But non-profit housing organisations have few options to purchase affordable market rental buildings that are offered for sale, because private sector purchasers can complete the sales faster than non-profits who needed to seek funding, and the asking price of such buildings usually factors in the potential increase in rents newer tenants could yield. There are some opportunities for innovative purchasing approaches in this area, however. Overall, this has the potential to be even more impactful than new affordable housing because acquisition is much faster than new builds, avoids planning opposition and is (still) much cheaper than new construction. An added benefit is that tenants can remain in their homes if a building is acquired by a new entity that is committed to continued operation at modest rents. In Québec, municipalities have been empowered by provincial legislation to exercise the 'right of first refusal' policy on the sale of large rental buildings – in other words, the municipality can block the sale of a rental building from one private landlord to another and instead purchase the building itself to maintain the affordability of the housing.

Affordable housing retention

This issue is closely related to acquisition, but because of rent de-controls, it is important that tenants who are under rent controls have the ability to stay in their units, as, once they leave, the unit may be lost to the affordable market housing stock. The key challenges to tenants maintaining their tenancy are above-guideline rent increases, eviction and declining incomes. There are a number of small programs supporting tenants with rent assistance: British Columbia and Manitoba have longstanding rent supplement programs, and the federal government has started the Canada Housing Benefit, which is a cost-shared program with the provinces. To address the urgency of housing needs, these programs need more funding, since keeping a tenant in their housing provides a double impact: it reduces the risk of homelessness for the vacating household and avoids the rent increasing to a less affordable level, so is tantamount to preventing the loss of a market affordable housing unit.

Another important activity related to housing retention concerns non-profit housing providers that were receiving legacy funding from the federal and provincial governments (for programs established before 1993) and are reaching the end of mortgage or end of operating agreements. Most of these are mission-driven organisations that are likely to want to continue to provide affordable housing, but there is still action that needs to be undertaken. Work is needed to understand the scale and timing of these transitions for local non-market housing providers and the level of renewed funding support required to ensure these deeply affordable units are not lost.

Housing supports

A fourth emphasis on supports is also essential to an affordable housing strategy. Many people who need assistance with rent also need more human service supports to ensure successful tenancies and wellbeing. Encampments are a symptom of both the inability to afford existing rentals and, principally, the lack of supports with affordable housing. This is also evident in a number of social housing buildings, where tenants are ageing into the need for supports. The lack of supportive housing also has significant implications for other sectors, notably hospitals, emergency services, and policing and criminal justice, as well as other services. Priority groups for such supports would include people with severe mental illness, addictions and other people who are high acuity and are homeless; older adults, particularly low-income older adults; people with developmental disabilities; women and gender minorities who need specialised supportive housing from a GBA+ (gender-based analysis plus) perspective; Indigenous people, who face significant barriers in the housing market due to discrimination; and groups facing racial discrimination.

Short-, medium- and long-term priorities in Canada

Given the foregoing and the urgency of the crisis, it is necessary to take rapid action to address acute problems (short-term horizon) and, simultaneously, to implement actions that work 'upstream' to reform the system (medium- and long-term horizons).

In the short term, acute affordability problems are the single most significant factor facing households in core housing need – the standard employed by the Government of Canada. The other criteria that can put a household in core housing need are suitability (crowding) or adequacy (in need of major repair), but fewer than 10 per cent of core need relates to these other factors. Affordability for households with only an income problem can be addressed by dealing with insufficient income – such households do not necessarily need a new home. The quickest and most effective actions that can provide immediate relief include:

- Growing the Canada Housing Benefit to reach more households and provide greater assistance. This has a secondary effect of avoiding the further loss of moderate-rent housing stock due to households vacating and landlords raising rents.

- Provincial governments need to revisit rent regulation and consider extending rent control to vacated units. The exemption should remain on newly constructed rentals to avoid disincentives to new supply, but it is necessary to protect older, lower-rent stock, which is home to many lower-income households.
- Provincial governments should raise social assistance rates to better reflect the true cost of rental housing. In Ontario, for example, the maximum shelter allowance for a single person on OW is \$390, while the asking rent for a studio in Ottawa is \$1,676, a 12.8 per cent increase over 2022.³
- Provincial governments need to significantly increase capacity to deliver supportive housing for people with mental illness, addictions, disabilities and medically precarious older people.

In the medium term, there are several actions that can be taken to mitigate the loss of intermediate-rent and affordable housing units in Canada. Nationally, between 2011 and 2021, for every new unit constructed under the previous Investments in Affordable Housing (2011–19) plan and, since 2017, under the NHS (thru 2021), Canadian cities lost nine units of housing that rented for less than \$750. In some cities, the loss was much greater: for every new unit in Ottawa, 12 were lost, and, in Hamilton, 23. Medium-term actions to address the erosion of available housing include:

- Governments at all levels need to implement an acquisition strategy to enable non-profits to buy low- and intermediate-rent private rental buildings. This is needed to slow the erosion of lower-rent stock, but will require grants and discounted financing from government to achieve.
- Every level of government needs a strategy to ensure that non-profit housing that is reaching the end of operating agreements or the end of a mortgage term can be retained in the non-profit sector.
- In the private rental market, increased construction of purpose-built rental housing will help to add supply and manage low vacancy rates, but this will take time to have an impact. While the recent exemption from the goods and services tax may improve development viability, it is no panacea to broad spectrum affordability.
- In the home ownership market, there are reports of some stalling of new housing starts – although still above-pre-pandemic levels – as interest rates have increased the cost of borrowing, crowding out profit margins. The most promising action accelerates already-approved housing permits to the construction stage.

In the longer term, the Canada Mortgage and Housing Corporation estimates that to reduce prices to an affordable level (by 30%), Canada needs over 3.5 million new homes in the next seven years, over and above those needed to meet expected population growth. This is a very lofty goal and will be challenging to achieve with current construction capacity, high interest rates and the traditional behaviour of developers to ration new construction when absorption (potential sale or renting) is uncertain. It is not a strong basis for policy – at least not to the exclusion of other options.

In addition (or even instead), Canada should be pursuing a coordinated national strategy to grow the non-market housing sector, as this will increase affordable housing more quickly, with more certainty. A variety of parties, including big banks and large private sector real estate players, have called for a doubling in the relative size of Canada's social non-market stock from its current 4 per cent to the OECD average of 8 per cent. We need more organisations delivering non-profit housing (even if at near-market or modestly affordable market rents); we need these organisations to be bigger and more sophisticated so they can attract financing; and we need governments to back them to mitigate risks that act as barriers to lenders, boards, and other management structures.

In summary, Canada faces a number of housing challenges, some of which are similar to other countries, but of course the causes and potential remedies have many idiosyncratic elements that are specific to Canada. Nevertheless, there are some clear priority areas for action (new construction, acquisition, retention/preservation and housing supports) as well as some immediate policy changes (vacancy de-controls, increased rent supplements) and gradual systemic changes (growth of the non-market sector) that can make significant improvements, some even in the short term.

³ See *Rentals.ca* rent report, August 2023, <https://rentals.ca/national-rent-report>.



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