

Home ownership in Australia: the gap between aspiration and achievement

AUSTRALIANS CONTINUE TO ASPIRE TO HOME OWNERSHIP, BUT LESS THAN ONE THIRD OF THOSE FOR WHOM BUYING A HOME WAS AN IMPORTANT SHORT-TERM GOAL WERE ABLE TO ACHIEVE IT WITHIN THREE YEARS.

KEY POINTS

- Home ownership aspirations fluctuate over time with changing social, economic and demographic conditions.
- In the late 1990s nearly three quarters of the renters surveyed aspired to home ownership, particularly those households with a young child or wanting another child.
- Aspirations alone do not predict achievement; over a three-year period few of the households aspiring to home ownership achieved their goal.
- Dual-income households were those most likely to succeed in achieving home ownership.
- Socio-demographic profiles of those who aspire to home ownership, and of those that succeed and fail in achieving this, prompt consideration of the nature of policy supports for home ownership and of who benefits from these.

FINDINGS

HOME OWNERSHIP ASPIRATIONS

When different demographic cohorts enter the housing market they experience distinctive economic and housing environments and this influences the extent to which they aspire to home ownership.

Baum and Wulff found that a higher percentage of baby boomer cohorts (born between 1943 and 1961) aspired to home ownership than later cohorts. The proportion of non-home owning 25-34 year olds who aspired to home ownership fell from 63% in 1977 to 42% (women) and 49% (men) in 1986.

Such fluctuations can be associated with change in the level of commitment to having children. Merlo and McDonald reveal that, regardless of ethnic origin, employment, and income status, a majority (72%) of renters said that they felt it was important to buy a home in the next three years. Having a young child (or wanting to have a child) was the most influential factor determining the desire to own a home. People who reported that having a child in the next three years was important or very important, were almost seven times as likely to want to buy a home than those without strong childbearing intentions.

Other statistically significant factors associated with aspiring to enter home ownership were: living in a more recently formed household (i.e. living with a spouse/partner for under five years); having two incomes in the household.

THE GAP BETWEEN ASPIRATION AND ACHIEVEMENT

Of the renters who had reported that buying a home was an important short-term goal, less than one-third had actually achieved their goal when reinterviewed three years later.

Employment status had the strongest impact, on the fulfilment of home-ownership aspirations. Dual income couples were three times more likely to buy a home than single-income households and five times more likely than unemployed people (either single or with a partner).

Based on research by Rosangela Merlo and Peter McDonald of the Australian National University and by Scott Baum and Maryann Wulff of the AHURI Queensland Research Centre.



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People born, or whose parents were born, in a non-English-speaking country had twice the odds of becoming home purchasers than those from English-speaking backgrounds.

Amongst those for whom home ownership was a very important goal, Merlo and McDonald analysed the factors associated with **not** achieving home ownership. The factors most strongly associated with **not** achieving home ownership were:

- Age (at wave 1, 1997) – 84% of younger people (aged under 25) failed in their goal of home ownership compared to a failure rate of 55% for those aged 25-34 and 63% for those 35 and older.
- Household income (at wave 1, 1997) – 79% of those households with a net annual household income under \$20,000 failed to enter home ownership by 2000, compared with 43% of those with incomes above \$30,000.
- Number of adults in the household who were employed (at wave 2, 2000) – single or no-income households were more likely to fail in becoming home buyers (both at 76%) than dual-income households (43%).
- Changes in employment or relationship status, and the birth of a child had no significant impact on the failure rate.

CAVEATS

The research by Merlo and McDonald analysed home ownership aspirations as reported in the Negotiating the Life Course survey. The survey examined the home ownership aspirations of 789 Australians, who, when interviewed in 1997 (wave 1), were not living in owner occupied housing. A follow-up survey in 2000 (wave 2) assessed the extent to which these Australians achieved their housing goals.

The research by Baum and Wulff used several social surveys from the 1970s to the 1990s to perform a constructed cohort analysis of the housing preferences and aspirations of young households. Baum and Wulff found varying definition and interpretation of the concept of 'home ownership aspirations' from survey to survey, which limited the analytical potential of the exercise.

Both research projects conclude that there is a need to develop a more sophisticated conceptual understanding of 'aspirations', 'preferences' and 'intentions', with considerable work required on the most effective means of measuring these and how they change over time.

POLICY IMPLICATIONS

Understanding who aspires to home ownership, and who is and is not able to achieve this aspiration, prompts questions about the nature of policy supports for home ownership and who benefits from these.

The First Home Owners Grant (FHOG) is available to all first home owners, regardless of employment status and income. Since the research finds that there are some groups who are well able to achieve home ownership without assistance, it is valid to ask whether this lack of targeting is efficient or equitable.

Owner occupied homes are exempt from capital gains tax. This exemption is estimated by Yates (2003) to amount to \$13 billion per annum. Merlo and McDonald's research findings confirm that this de facto housing subsidy (some four times greater than annual public and private rental subsidies) is unlikely to be accessed by lower income households.

As having (or wanting to have) a young child is a key influence on home ownership aspirations, Australia's declining fertility rate may ultimately dampen rates of home ownership. A long-run decline in home ownership could have significant policy consequences for Australia, including:

- a decline in the well-being of the retired population
- an increase in the demand for income support by renters paying housing costs in their retirement
- a reduced capacity to deliver an 'ageing in place' strategy
- fewer households with the equity required to support entry to a retirement village or nursing home.

Earlier AHURI research has shown a significant decline in the home purchase rate for 25-44 year olds from 1986-96. Merlo and McDonald found that amongst those for whom buying a home was very important, the achievement of this goal fell away after age 35. This reinforces concerns about the possibility of a long-run decline in the rate of home ownership.

FURTHER INFORMATION

Merlo and McDonald project see: www.ahuri.edu.au/

Baum and Wulff project see: www.ahuri.edu.au

Other related research:

Yates (2003) www.ahuri.edu.au
for a discussion of owner-occupied housing tax exemption

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