



EXECUTIVE SUMMARY

Young Australians and the housing aspirations gap

From the AHURI Inquiry
Housing aspirations and constraints for lower income Australians

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Executive summary

Key points

- This report investigates short and longer term housing aspirations and the housing aspirations gap among young emerging (18–24 years) and early adults (25–34 years).
 - Based on the ABS Survey of Income and Housing (SIH), the share of emerging young adults living with parents increased from 58 per cent to 66 per cent between 2003–04 and 2015–16. At the same time, the share of early adults living with parents increased from 14 per cent to 20 per cent while early adults in group households increased from 11 per cent to 13 per cent.
 - From the AHA survey the majority of emerging adults identify owner-occupation (60%) as their ideal. Fifty-four per cent aspire to live in a house and 34 per cent in an apartment. Around 32 per cent want four or more bedrooms compared to 30 per cent wanting one or two.
 - Few emerging adults are actively planning for their housing futures with housing aspirations, for most, remaining secondary to pursuing education and employment goals (AHA).
 - For early adults, the aspiration for owner-occupation increases to 70 per cent, but by this stage the income and education divide in being able to meet such aspirations becomes starker, with far greater proportions of degree-educated households being confident they can obtain ownership within five years compared to those educated to year 12 and below (AHA).
 - Sixty-eight per cent of early adults aspire to live in a house compared to 21 per cent in an apartment and over 43 per cent want four or more bedrooms compared to 22 per cent wanting one or two (AHA).
 - The housing aspirations gap in early adulthood is greatest for those in the private rental sector, particularly those on higher incomes, and narrowest for those in home ownership, regardless of income (AHA).
 - Across both age groups, having somewhere safe and secure to call home was the top priority (AHA).
 - The goal of policy makers should be to enable young people to move towards secure independence through a tenure neutral mix of housing assistance. This includes the key policy platforms of pursuing, and living near, opportunities for study and work; balancing flexibility with security within the dwelling and community; providing diversity and real choice in dwelling type, size and location; and helping households move towards independence and longer term financial freedom and security in owning or renting.
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The challenges young adults now face in the move towards independent housing have been well rehearsed and debated across popular media, policy and academic forums for some time. This report, part of a larger Inquiry into the housing aspirations and constraints for lower income Australians, delivers a contemporary evidence base about the housing aspirations of young adults (18–34 years), in order to better understand how their aspirations are linked to a ‘broader life project’ across areas such as education, employment and family formation.

This current study uses the dual concepts of ‘housing aspirations’ and ‘housing aspirations gap’, which refer respectively to the housing that young adults aspire to in the short and longer term, as well as to the space between young adults’ aspirations for an ideal home and the objective constraints in its attainment. We focus on how short and longer term aspirations differ among young adults in emerging adulthood (18–24 years) and early adulthood (25–34 years). The objective of this research is to inform policy responses that address the challenges associated with meeting the housing aspirations of the next generation of young adults.

We address here three research questions:

What are the shelter and non-shelter aspirations of lower income young Australian adults at emerging and early adulthood?

Where lower income young adults are unable to achieve their housing aspirations, what is the nature of their ‘housing aspirations gap’ and how does this vary across socio-economic status, tenure and location?

What current and innovative housing policy solutions should be implemented to assist young adults to meet their short and longer term housing aspirations?

In answering these three questions we consider whether housing is core to planning for possible futures or whether other aspects of life take higher precedence and how this varies across groups of young adults:

- remaining in the family home
- sharing in a group household
- living independently as a couple family
- living independently as a single person.

Key findings at emerging adulthood (18–24 years)

The housing aspirations of young people at emerging adulthood (18–24 years) coincide with transitions from secondary school and pursuing aspirations related to further training and education, gaining employment, travelling and forming relationships and independence outside the family home. We focus on emerging adulthood as a distinct period in order to gain insight into how housing aspirations, particularly shorter term aspirations, might be shaped and experienced by an extended phase of semi-dependence and ‘the necessity of living with others’.

The following represent key findings from the Survey of Income and Housing (SIH) and Australian Housing Aspirations survey (AHA) surveys for young people at emerging adulthood. The data source is included with each point for clarity.

- Between 2003–04 and 2015–16 the share of young emerging adults living with parents increased from 58 per cent to 66 per cent. By 2015–16, only 17 per cent of emerging adults were living in an independent household (SIH).
- Owner-occupation was identified by the majority of young emerging adults (60%) as their ideal tenure. More than half (54%) aspired to live in a house and 34 per cent in an

apartment. Around 32 per cent wanted four or more bedrooms in their future dwelling and 30 per cent just one or two (AHA).

- Nearly a third (32%) of young emerging adults felt that purchasing a dwelling would be attainable within the next five years; just over a third (36%) judged owner-occupation as being attainable in 5–10 years. A further third did not feel it would be possible to purchase or were not intending to purchase a dwelling (AHA).
- Living in a group household met short-term (82%) but not longer term (25%) aspirations for this cohort. Similarly, living with parents mostly met short-term (76%) but not longer term (30%) aspirations. The aspirations gap for those living in group households or with parents is shaped by a desire for greater independence and affordability constraints (largely not being able to afford to live closer to a Capital City) (AHA).
- Living arrangements were constrained by low and often precarious incomes. Housing instability and informal sharing with friends and family was common with 34 per cent of young emerging adults who had lived out of the family home reporting periods of homelessness. Having a safe and secure place to call home, tenure flexibility and gaining housing independence are key priorities for this cohort (AHA).
- Few young emerging adults were actively planning for their housing futures. Living with parents and group housing provided for the pursuit of other life aspirations, including study and travel, and a buffer for insecure incomes. As such, longer term housing aspirations for most in this cohort remained secondary to pursuing educational aspirations and finding secure paid work (AHA).
- Many young emerging adults had a 'blind optimism' that they would be able to achieve their aspirations, while others were acutely aware of the constraints relative to their parents' generation (AHA).

Key findings at early adulthood (25–34 years)

The phase of early adulthood (25–34 years) is viewed traditionally as a period in which careers are consolidated, relationships stabilised and raising a family prioritised. With home ownership unattainable for many at the stage of early adulthood, this cohort now forms the core of 'generation rent', characterised by extended years in the PRS. A number of trends are apparent:

- The 'necessity of living with others', either with parents or in a shared household, persists, with the share of early adults living with parents increasing from 14 per cent in 2003–04 to 20 per cent in 2015–16. Early adults in group households increased from 11 per cent to 13 per cent in the same period (SIH). Neither living arrangement met the long-term housing aspirations for over 30 per cent of this age cohort (AHA).
- By the stage of early adulthood the aspiration for owner-occupation increases to 70 per cent, but the income and education divide is now starker. Nearly two-thirds (61%) of those with a tertiary educated member in their household believed it to be possible to purchase within five years, compared with just over a third of those with an education to year 12 or below (36%) and less than a quarter (23%) of those with an education to year 11 or below (AHA).
- The majority (68%) of early adults aspire to live in a house, and 21 per cent in an apartment. Over 43 per cent aspire to four or more bedrooms, and 22 per cent just one or two (AHA).
- The housing aspirations gap in early adulthood is greatest for individuals in the PRS, particularly among those on higher incomes, and narrowest for those in home ownership,

regardless of income. Moving back home or remaining with parents for this age cohort is associated with a narrowing of the aspirations gap (AHA).

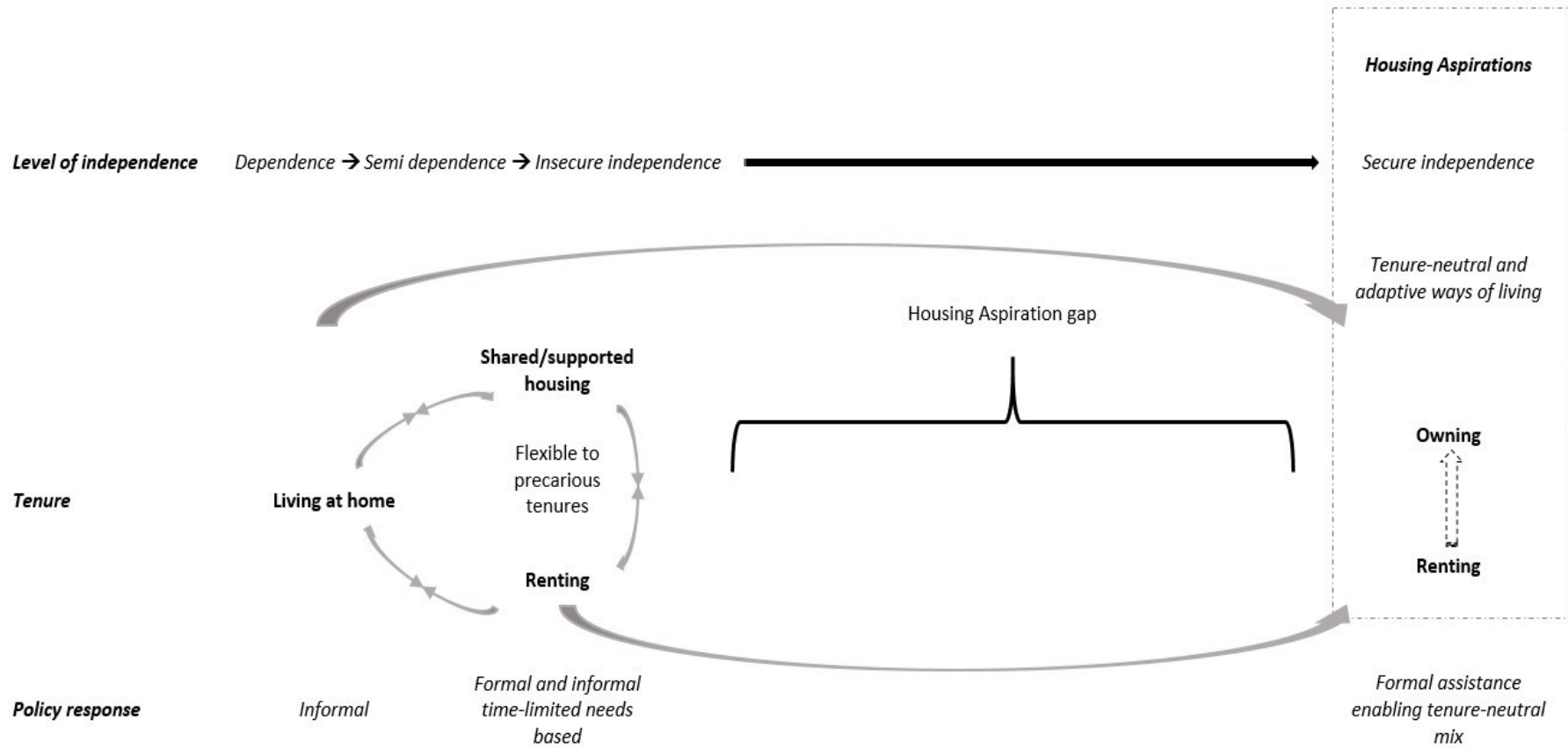
- Whether current housing meets short and longer term aspirations varies according to living arrangement. The housing aspirations gap for short (92%) and longer term (60%) aspirations being met within current living arrangements is lowest for purchasers with low-to-moderate incomes, suggesting that when this group obtains home ownership their housing expectations are met. While the gap for short (76%) and longer term (20%) aspirations being met is largest for higher income private renters. Exploring these themes further in interviews and focus groups revealed that some early adults internalised the aspirations gap as a feeling of 'not quite having it all together', while others externalised 'the gap' with a growing sense of intergenerational resentment. The latter was expressed as a perception of being forgotten and without any real political representation despite having done 'everything right' (AHA and qualitative data).
- Nearly three-quarters (72%) rated somewhere safe and secure to call home as their most important priority (AHA). For interviewees renting privately, the requirement to move house was the one constant in their lives. Short-term aspirations for this group were shaped around horizontal moves or finding an arrangement slightly better than the previous move, but with no sense of moving upwards or closer to attaining longer term aspirations. For those who have not realised their aspirations, the desire for flexibility gives way to a growing sense of precariousness in their housing and their future.

Policy development options for closing the aspirations gap

Most young adults enter the rental and home purchaser markets when their incomes are low but upfront housing expenses high. As house prices and rents have risen ahead of incomes the time taken to attain secure independence in housing has become extended for most, while for some is not attainable in the foreseeable future. This has led to informal living arrangements that have been inequitably absorbed by young adults and their families and to a widening aspirations gap across generations. The goal of an aspirational policy framework should be to reduce the time that young adults are suspended in and cycling through a state of semi-dependence and insecure independence and to provide a clear pathway toward secure occupancy in rental or ownership tenures.

The figure below provides a stylised framework of the current pathways and policy assistance and the associated aspirations gap in being able to move towards secure independence. As depicted, the most direct and increasingly privileged pathway towards attaining secure independence is to move into home ownership or purchase an investment property after saving a deposit and/or drawing on transfers from parents and while living within the family home. This enables young adults to bypass a more chaotic and insecure pathway. However, many young adults in pursuing their aspirations in other areas of life will need to leave home or be forced to leave prematurely. As early adulthood approaches, the desired flexibility of sharing, living with others, and renting privately can give way to an ongoing cycle of precarious moves, often despite higher incomes and educational attainment. Existing informal and formal needs-based assistance does not enable young people trapped within this cycle to close their aspiration gap and move towards secure independence.

Towards an enabling and tenure-neutral mix of assistance for secure independence



Findings of this research indicate an enabling mix of assistance towards secure independence should be based around four tenure-neutral policy enablers that directly link housing policy with broader social and urban planning policy:

- pursuing, and living near, opportunities for study and work
- balancing flexibility with security within the dwelling and community
- providing diversity and real choice both in the dwelling and location
- moving towards independence and longer term financial freedom and security

The core tenets of these policies ('enablers') are detailed below.

Pursuing and living near opportunities for study and work

- Monitor where PRS growth is occurring and declining, based on where young adults want to live and are engaged in education and employment.
- Promote mixed-used developments and precincts that include affordable rental dwellings/rooms and home ownership opportunities close or directly linked to transport hubs, major educational institutions and employment centres. This includes development of regional hubs and precincts of economic activity attracting investment, industry and education, alongside a mix of affordable and market housing.
- Provide individually tailored funding for educational, employment and housing packages targeted to young adults leaving school who have limited or poor access to further training and employment opportunities when living within the family home. This includes dedicated initiatives for young Indigenous Australians living in remote and regional areas.
- Promote better housing governance structures within education and training institutional settings, including greater provision of affordable room rental/shared housing.
- Adjust Commonwealth Rent Assistance (CRA)¹ to ensure it is better packaged to integrate aspirational goals across education and work. This includes ensuring that income and housing assistance does not cease during key transitions between education and employment to enable young adults to sustain their current housing, particularly when located near ongoing opportunities.
- Increase the base rates of Youth Allowance and Newstart to better align with cost of living, including incentives to relocate to areas with higher training and employment opportunities.
- Provide incentive packages with additional housing assistance subsidy to support retraining and upskilling for young people experiencing long-term unemployment, underemployment and casual employment.
- Extend and scale integrated models of training, education and employment, such as Foyer models, for young adults at risk of or experiencing homelessness, leaving institutions (including long-term state care), living with mental health or other disability or with experience of living in social housing or long-term private rental. Models need to include a range of accommodation options.

Balancing flexibility with security within the dwelling and community

- Provide for greater protection of tenants and enforcement of dwelling standards, including the room rental sector and online rental management platforms.

¹ CRA is a non-taxable income subsidy available to eligible individuals who are currently paying rent in the private rental sector or community housing.

- Provide flexible lease durations (long and short) and removal of no grounds eviction across all Australian states in line with recent Victorian initiatives.
- Introduce incentives around PRS delivery, including affordable build-to-rent and re-establishing a renewed National Rental Affordability Scheme, particularly facilitated through the community housing sector.
- Provide integrated housing assistance packages, including the expansion of brokerage programs to enable young adults to sustain housing at key transition points, such as moving between rental dwellings, leaving care, leaving the family home or fleeing violence and abuse.
- Provide dedicated private rental support packages, including Indigenous advocacy and support workers to overcome barriers to access, particularly discrimination.

Providing diversity and real choice both in the dwelling and location

- Increase the supply of and mix of dwelling sizes, including number of bedrooms, of social and private affordable rentals to those on the lowest incomes in well-located areas accessible to transport. This can be facilitated via taxation incentives and planning restrictions to ensure that supply is targeted to particular segments.
- Ensure that new development of apartments and smaller dwellings adequately cater for the needs of family living, including apartment acoustics and communal garden and interactive space for children. This includes planning provision for larger and adaptive dwellings for multi-generational and multi-household living.
- Explore policy opportunities for innovation in digital technology to better match landlords and young adults, including young families, to particular types of rental situations and in locations that better meet their needs. This includes access to schools and other social infrastructure.
- Government-supported and led scaling up partnerships for the development of niche co-living and deliberate design models that seek to integrate sustainability and affordability such as Nightingale in the private sector context and housing cooperatives within community housing in social housing contexts.
- Government-based incentives to community housing associations and developers for shared home ownership and equity schemes for those wishing to enter home ownership via this channel.

Moving towards independence and longer term financial freedom and security

- Prioritise assistance to young adults whose parents do not have their own housing wealth to access low deposit schemes.
- Continue the promotion of home ownership to young Indigenous Australians through savings schemes such as those supported by Indigenous Business Australia. Deliver transitional housing models such as the East Kimberley transitional housing program to support Aboriginal Australians to move into home ownership (see discussion of the model in Rowley, James et al. 2017).

- Increase the superannuation personal contribution amount that can be accessed under the First Home Super Saver² scheme to enable savings to be linked to superannuation more flexibly.
- Provide government incentives to community housing associations and developers to provide shared home ownership and equity schemes for those wishing to enter home ownership via this channel.
- The First Home Loan Deposit Scheme due to commence on January 2020 pledges to guarantee up to 15 per cent towards a deposit when an eligible first time buyer has saved a minimum of 5 per cent. However, with capped assistance for only 10,000 borrowers the scheme will be limited in impact. There is also a need to expand the roll-out of products available under low deposit first home buyer programs, including building on the success of programs such as Keystart and HomeStart that provide options for supported rental-to-purchase pathways.
- Increase government support for affordable home ownership initiatives, such as HomeStart and Habitat for Humanity, for early adults who have persistent low-to-moderate but stable incomes.
- Provide taxation exemption or rebates for private rents to be redirected into superannuation savings as a means of accumulating wealth for low-income renters unable to access home ownership.
- Raise financial literacy and knowledge of housing assistance programs and consumer rights through independent broad-based interactive online information and advice platforms for emerging and early adults.

The study

This research forms part of an integrated inquiry on housing aspirations across the life course. The Inquiry draws on a mixed-methods approach with primary and secondary data sources. These include:

- Cross-sectional analysis of the ABS Census of Population and Housing (Census) in the period 2001 to 2016 and the Survey of Income and Housing (SIH) from 2003–04 to 2015–16.
 - We examine the changing tenure and demographic trends over time with a specific focus on those with low-to-moderate incomes. A typology was constructed in order to examine the specific characteristics of young adults residing in the family home or group households, and separate analysis was undertaken for young emerging (18–24 years) and early (25–34 years) adults.
- An online Australians Housing Aspirations survey (the AHA survey) generating a sample of 7,343 responses nationally, of which 2,477 were from persons aged 18–34 years.
 - The AHA survey consists of a core module relevant to all age groups as well as specific modules for each of the separate cohorts of young adults and mid- and later-life adults.

² As of 1 July 2018, individuals are now able to apply for the release of voluntary superannuation contributions made after 1 July 2017 for the purposes of a home loan deposit. The maximum amount that can be released is \$30,000 of personal contributions plus associated earnings. See <https://www.ato.gov.au/general/new-legislation/in-detail/super/first-home-super-saving-scheme/>

- The survey captured details on current housing circumstances, the housing required to meet changing household needs and preferences and trade-offs. Questions also captured planning intentions, the types of housing assistance required and adaptive ways of moving towards identified aspirations.
- Focus groups and semi-structured interviews conducted in metropolitan and regional (New South Wales (NSW), Victoria and Western Australia (WA), including dedicated engagement of Indigenous persons.
 - Six focus groups were undertaken to inform the development of the AHA survey tool and explore aspirations for housing and other life events and potential housing assistance relevant to young adults. A total of 55 young adults aged between 18–34 years attended the focus groups.
 - Fifty interviews, including 18 with young Indigenous persons, were undertaken with young adults to complement the AHA survey and secondary analysis by contributing a more in-depth exploration of the nature of the aspirations gap. Young adults with experience of homelessness, with low incomes, living in shared housing or with parents, and with experiences of both social and private rental housing were targeted to ensure that the voices of individuals most in need of housing assistance were included in the research.

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