



Trends in home ownership

Introduction

Home ownership has played an important role in defining Australian society in the post-war period. High levels of home ownership have taken on a symbolic role, reflecting opportunities for Australians as well as providing important benefits for their families.

Concern has been expressed in recent decades about whether home ownership rates have been falling and whether it is harder for Australians to achieve the 'great Australian dream'.

Recent analysis conducted by the Department of Family and Community Services (FaCS) considers these issues.

Analysing the trends in home ownership

Analysing trends in home ownership is not straightforward. In addition to data quality issues (mentioned below), home ownership rates can change over time as the composition of the population changes. For example, an increase in the proportion of older people in the population will increase home ownership rates.

The department's analysis considers two such influences—the age of the household reference person, and the family composition of the household. Types of household composition include a couple family with dependent children, couples living by themselves and group households.

Using sample data from the 1981, 1986, 1991 and 1996 Censuses, the analysis estimates that aggregate home ownership rates have fallen from 73.4% in 1981 to 71.1% in 1996.

This trend was composed of three distinct movements:

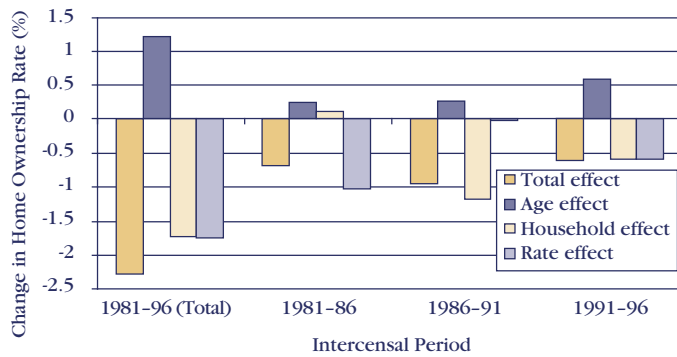
- Ageing of the population, which made a positive contribution—in effect acting to raise the home ownership rate by 1.2 percentage points over the period (1981–96). However, this was offset by:
- Changes in the composition of households, including increases in lone parent and group households. These had a negative impact of 1.7 percentage points; and
- A fall in the residual, underlying rate of home ownership of 1.8 percentage points. (More detailed technical analysis was unable to identify the statistical significance of the trend over time.)

Population composition affects aggregate home ownership rates

Estimated total home ownership has fallen from 73.4% in 1981 to 71.1% in 1996

This reflects changes within the population as well as the underlying rate

Figure 1: Components of home ownership rate changes 1981–96



Home ownership rates

Figure 1 illustrates three components of the change in home ownership rates: age, household and rate effects.

The underlying rate effect (that part of the change which could not be explained by changes in age and household type), was strongest in the first period (-1.04 percentage points). Its effect was minimal between 1986 and 1991 (-0.04 percentage points), but increased again in the five years to 1996 (-0.62 percentage points).

The strongest fall in the underlying rate was between 1981 and 1986

While age had a positive effect across each of the intercensal periods, it was greatest between 1991 and 1996. Household composition had only a minor impact between 1981 and 1986 but had a strong influence in the following intercensal period, between 1986 and 1991.

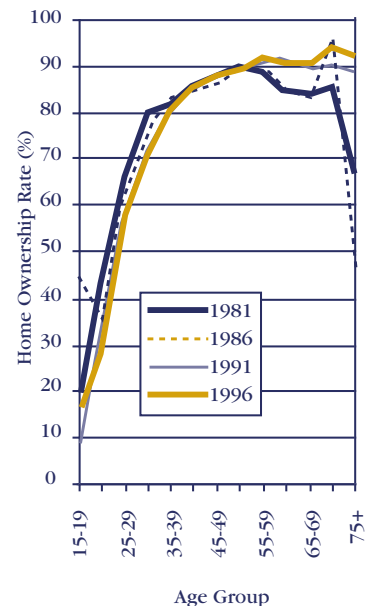
Different households have different rates of home ownership:

Home ownership rates for most families remains high

- In 1996, 80.8% of couples with children were homeowners. This rate has remained stable since 1981, although, as illustrated in Figure 2, there has been some slippage in the rate of ownership in age groups under 40 years of age. Much of this fall occurred in the early 1980s.

- Couples without children also have an ownership rate of more than 80%, which fell from 82.8% in 1981 to 80.9% in 1996. There was also a rise in the rate for over-60s and a fall for young groups over this period.
- Ownership rates for single-person households also differed considerably by age group but increased overall because of the change in age composition.
- Lone parents have the lowest rate of ownership at 52.0%, and, while this was stable overall, age-specific rates fell quite strongly.

Figure 2: Couples with children—home ownership by age



Home ownership trends

The apparent fall in home ownership may largely reflect deferment in the age of entry to home ownership.

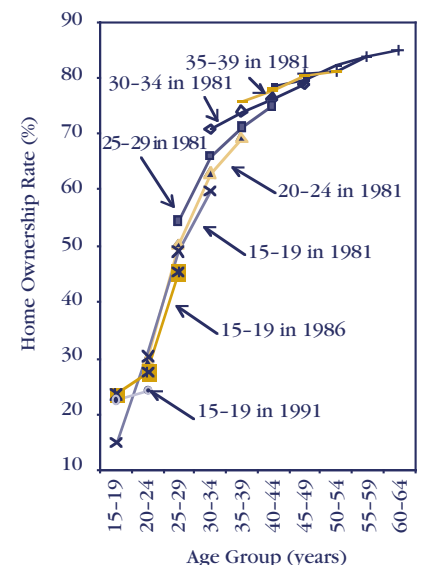
Examination of particular age cohorts (age groups followed over time) indicates that while a clear pattern is not easily identifiable, there is evidence that lower initial rates of home ownership for some age groups do not necessarily flow on over the lifecycle.

The apparent fall in home ownership may reflect delayed entry

For example, the experience of the cohort aged 30 to 34 years in 1981 can be compared with the cohort aged 25 to 29 years in the same year (see Figure 3). While the ownership gap between cohorts was 4.7% when they were both aged 30–34, this dropped to 2.9% when they were 35–39 and 1.5% when they were 40–44.

Another trend identified over recent years has been a fall in the number of households buying their homes, balanced by an increase in the number of outright homeowners.

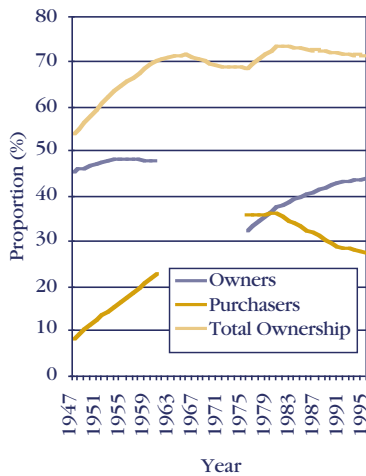
Figure 3: Home ownership rates by age 1981–96



This trend may reflect the end of the influence of the rapid post-war increase in home purchase followed by the effect of the baby boomer generation purchasing in the 1970s and 1980s. Another factor may be the capacity of some households to pay off their loans more rapidly, hence moving to outright ownership more quickly.

The balance between purchasers and outright owners has changed

Figure 4: Purchasers and outright owners 1947–96



Note: Data not collected separately on owners and purchasers in 1966 and 1971

Figure 4 shows the level of outright ownership of homes in the 1950s was higher than more recent recordings.

Changes in patterns of home ownership are one of many changes in Australian society. While it is difficult to establish causal linkages, the changes need to be seen in the context of broader patterns, which include:

- increasing access by households to alternative investment opportunities, especially superannuation and shares.
- trends in family formation, in particular later child bearing and smaller families.
- increased levels of labour mobility; and
- longer periods of education and professional training.

There are many reasons why the ownership rate may be falling

Housing affordability

Another important determinant of levels of home ownership is housing affordability—whether households have sufficient income to purchase a dwelling, taking into account the cost of houses and the cost of borrowing (interest rates). Affordability and its components have varied over the time of the study and the period preceding it.

Throughout the 1980s real interest rates (nominal interest rates discounted for inflation) rose dramatically and remained high until the early 1990s (see Figure 5).

Interest rates then fell to low nominal, but moderate real rates. House price movements varied between and within cities; however, many cities experienced a boom in the late 1980s, before stabilising or falling in real terms, until rising again in the late 1990s.

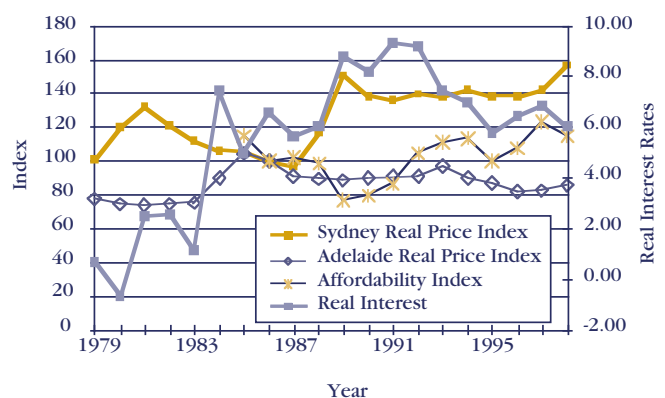
Composite measures of affordability, such as those produced by the Housing Industry Association of Australia, showed declining affordability throughout the mid to late 1980s before improving with declining interest rates in the 1990s.

Estimates of the numbers of home owners reflect the number of households who own their own home outright or are purchasing the dwelling in which they are living. It is possible that this definition masks the effect of changes in the way some people acquire and use housing assets. For example:

- Families who live in and own a house through a company may not be recorded as homeowners.
- People who own or are purchasing a house, but are not currently living in it, for example, because of an interstate posting for employment, may also be excluded.

In June 1996, the Australian Bureau of Statistics (ABS) estimated there were 140,000 income units (as defined by the ABS) who owned residential rental property but were not home owners or purchasers. This group represented nearly a quarter of all rental investors.

Figure 5: Housing affordability 1979–98



The way people own housing may also be important

Comparative estimates and surveys of home ownership rates

Estimates of home ownership rates also vary considerably between the Census and different ABS surveys. While some of this relates to sampling variability, in other cases it appears to be related

Home ownership rates vary between surveys

to the way in which data were collected. Importantly, in the Census, many households do not complete all questions, hence reported levels of home

ownership appear to be lower than in surveys

where more rigorous questioning is used. This analysis uses estimates of Census-based home ownership rates over the period 1981–96. Where households did not answer the question on tenure, tenure was estimated on a pro rata basis according to the known distribution of stated tenures by household type and age groups.

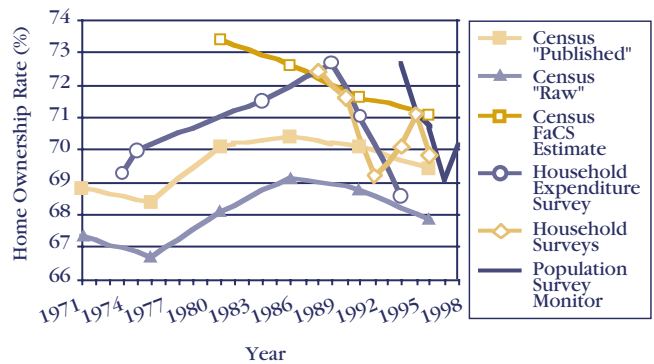
In addition, there have been changes in the scope of some surveys (see Figure 6). The inclusion of retirement villages and caravan parks in the Census classification, for example, generated a 0.22 percentage point fall in the estimated home ownership rate in 1996 when compared to 1981 definitions.

Conclusion

While variations in the data make it difficult to be conclusive, the analysis indicates some evidence of a slight fall in underlying home ownership rates. It is likely that much of this fall may be attributable to deterioration in home purchase affordability for much of the period 1981 to 1996, along with deferral of home ownership by some households. If the latter is a significant factor, it is likely to result in an overall downward shift in the measured rate of home ownership—but not in the lifetime rate of home ownership achievement for households.

Factors such as non-home owners having investment and other property interests, and the ownership of homes through alternative mechanisms such as trusts, will be investigated in the ABS 1999 Australian Housing Survey.

Figure 6: Comparative estimates of home ownership rates 1971–98



This FaCS Sheet was prepared by Rob Bray, Habte Tesfaghiorghis and Bill Mudd.

The information is based upon the results of research undertaken by FaCS as a member of a joint academic and industry ARC SPIRIT research project. Full results are detailed in the Policy Research Paper *Some Issues in Home Ownership* soon to be available from FaCS (see contact details below) and on the web site www.facs.gov.au.

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