

Understanding the housing aspirations of young Australians



Australian Housing
and Urban Research Institute

Based on AHURI Final Report No. 318:

Young Australians and the housing aspirations gap

What this research is about

This research investigates the short and longer term housing aspirations and the housing aspirations gap among ‘emerging adults’ aged 18–24 years and ‘early adults’ aged 25–34 years in order to better understand how they are linked to aspirations across areas such as education, employment and family formation.

The context of this research

The ABS Survey of Income and Housing (SIH) reveals that between 2003–04 and 2015–16 the share of emerging adults (aged 18–24 years) living with parents increased from 58 per cent to 66 per cent, while the share of early adults (aged 25–34 years) living with parents increased from 14 per cent to 20 per cent. In addition, the share of early adults in group households increased from 11 per cent to 13 per cent.

The key findings

For emerging adults 18–24 years

The housing aspirations of young people at emerging adulthood (18–24 years) coincide with transitions from secondary school related to further training and education, gaining employment, travelling and forming relationships and independence outside the family home.

By 2015–16, only 17 per cent of emerging adults were living in an independent household.

60 per cent of emerging adults

identified owner-occupation as their ideal tenure. More than half (54%) aspired to live in a house and 34 per cent in an apartment.

Nearly a third (32%) of emerging adults felt that purchasing a dwelling would be attainable within the next five years; just over a third (36%) felt that it would be attainable in 5–10 years. A further third felt it would not be possible to purchase or were not intending to purchase a dwelling.

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.

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 emerging adults who had lived out of the family home reporting periods of homelessness (broadly defined including staying temporarily with friends).

Few 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.

Longer term housing aspirations for most in this cohort remained secondary to pursuing educational aspirations and finding secure paid work.

Emerging adults living in the family home reported the highest rate of unemployment (13%) across all groups; had the lowest individual income across all groups, with 65 per cent earning or receiving under \$31,000 per annum; and were most likely to be Australian born (81%), although this does not mean that their parents were born in Australia.

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.

‘By early adulthood the aspiration for owner-occupation increases to 70 per cent, but the income and education divide is now starker.’

For early adults aged 25–34 years

The phase of early adulthood is viewed traditionally as a period in which careers are consolidated, relationships stabilised and raising a family prioritised. With home ownership unattainable for many, this cohort now forms the core of 'generation rent', characterised by extended years in the private rental sector (PRS).

By 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.

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.

33 per cent had experienced homelessness with 21.6 per cent experiencing homelessness within the previous 5 years.

Whether current housing meets short and longer term aspirations varies according to living arrangement. For those who are buying their home, 92 per cent of low-moderate income (LMI) couples and 89 per cent of high income (HI) couples felt their current housing meets their short-term aspirations, while 60 per cent of LMI couples and 51 per cent of HI couples felt their housing meets their long-term aspirations.

For private renters 78 per cent of LMI couples and 76 per cent of HI couples felt their current housing meets their short-term aspirations, and only 24 per cent of LMI and 20 per cent of HI couples felt their current housing meets their long-term aspirations.

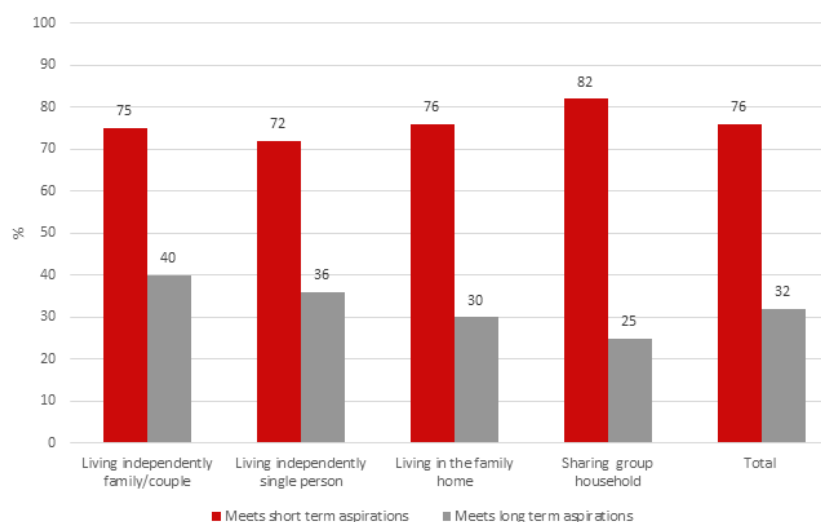
Some early adults internalised the aspirations gap as a feeling of 'not quite having it all together', while others externalised 'the gap' with a growing sense of intergenerational resentment. The latter was expressed as a perception of being forgotten and without any real political representation despite having done 'everything right'.

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.

The current situation for young adults (i.e. emerging and early adults)

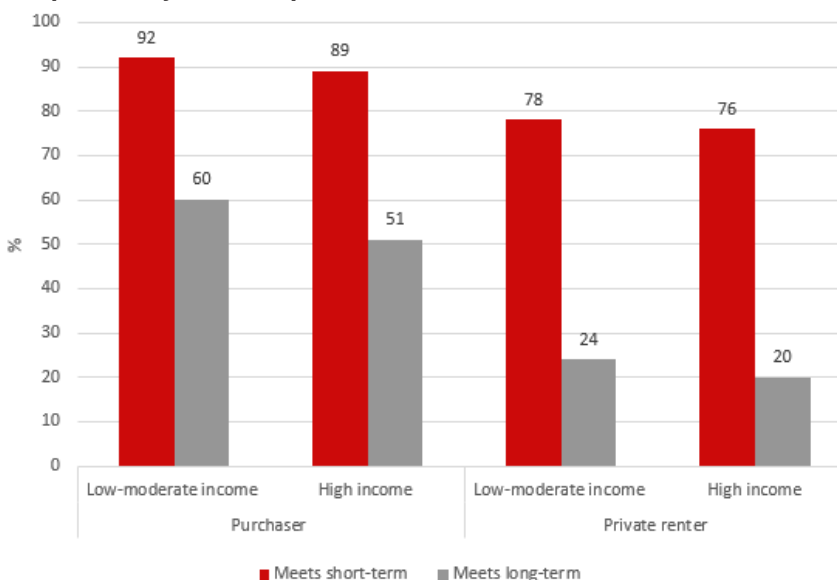
Most young adults enter the rental and home purchaser markets when their incomes are low but upfront housing expenses high. As house prices and rents have risen ahead of incomes the time taken to attain secure independence in housing has increased for most, while for some, housing independence is not 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.

Figure 1: Housing meets short and long-term aspirations: all emerging adults (18–24 years)



Source: Authors own work based on Australians Housing Aspirations survey 2018

Figure 2: Current housing meets short and long-term aspirations: early adult renters and purchasers (25–34 years) living independently as a couple



Source: Authors own work based on Australians Housing Aspirations survey 2018

‘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.’”

Sharing with strangers or friends, living in inadequate or insecure dwellings, or occupying small and modest dwellings has been a culturally accepted rite of passage in the transition to independence. This has in part shaped a tolerance or normalising of sometimes highly inadequate and insecure living arrangements for large groups of young adults, particularly students, those in receipt of Newstart or other income supports or the precariously employed. Such living arrangements may precipitate or add to the risk of homelessness and frequent mobility.

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.

What this research means for policy makers

At present Australia does not have a distinct housing policy addressing the housing aspirations of young adults.

This research indicates 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

- 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.
- 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) to ensure it is better packaged to integrate aspirational goals across education and work.
- Increase the base rates of Youth Allowance and Newstart to better align with the 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.
- 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 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.

- 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 promoting 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.
- Increase the superannuation personal contribution amount that can be accessed under the First Home Super Saver 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.

- Expand the First Home Loan Deposit Scheme beyond 10,000 borrowers and expand state-based programs such as Keystart and HomeStart that support rental-to-purchase pathways.
- 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.

Methodology

This research draws on an 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; an online Australians Housing Aspirations (AHA) survey of 2,477 people aged 18–34 years; and focus groups and interviews conducted in metropolitan and regional New South Wales, Victoria and Western Australia, including dedicated engagement of Indigenous persons.

Further information

TO CITE THE AHURI RESEARCH, PLEASE REFER TO:

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