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Home Ownership Futures: An Alternative Approach To Measurement

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The popular view of housing futures for older people

- Using Grattan Institute modelling, we find that on current trends, the share of over 65s who own their own home will fall from 76% today to 57% by 2056 (Coates and Chen, Grattan Institute, The Conversation, 12 April 2019).
- In the same article, they say this fall is the result of a projection of 'low home ownership among young people today'.
- 'Home ownership is about to plummet for retirees — and younger Australians should take note' (Coates and Chen, ABC, 13 April 2019).

Conventional Approach: Data

Tenure data are usually obtained from the Australian Censuses or from the annual HILDA Survey.

Censuses and the annual HILDA collection provide data on the tenure of dwellings, not home ownership by individuals. We don't know which person in the household actually owns the dwelling.

The conventional approach to this data dilemma is to ascribe the tenure of the dwelling to the 'householder' (undefined in the censuses) who in practical terms is taken as Person 1 on the household form. Note, there is no guarantee that this person actually owns the dwelling.

Rates of homeownership (or any other tenure) are then calculated only for 'householders' or Persons 1 by age group. Never by sex.

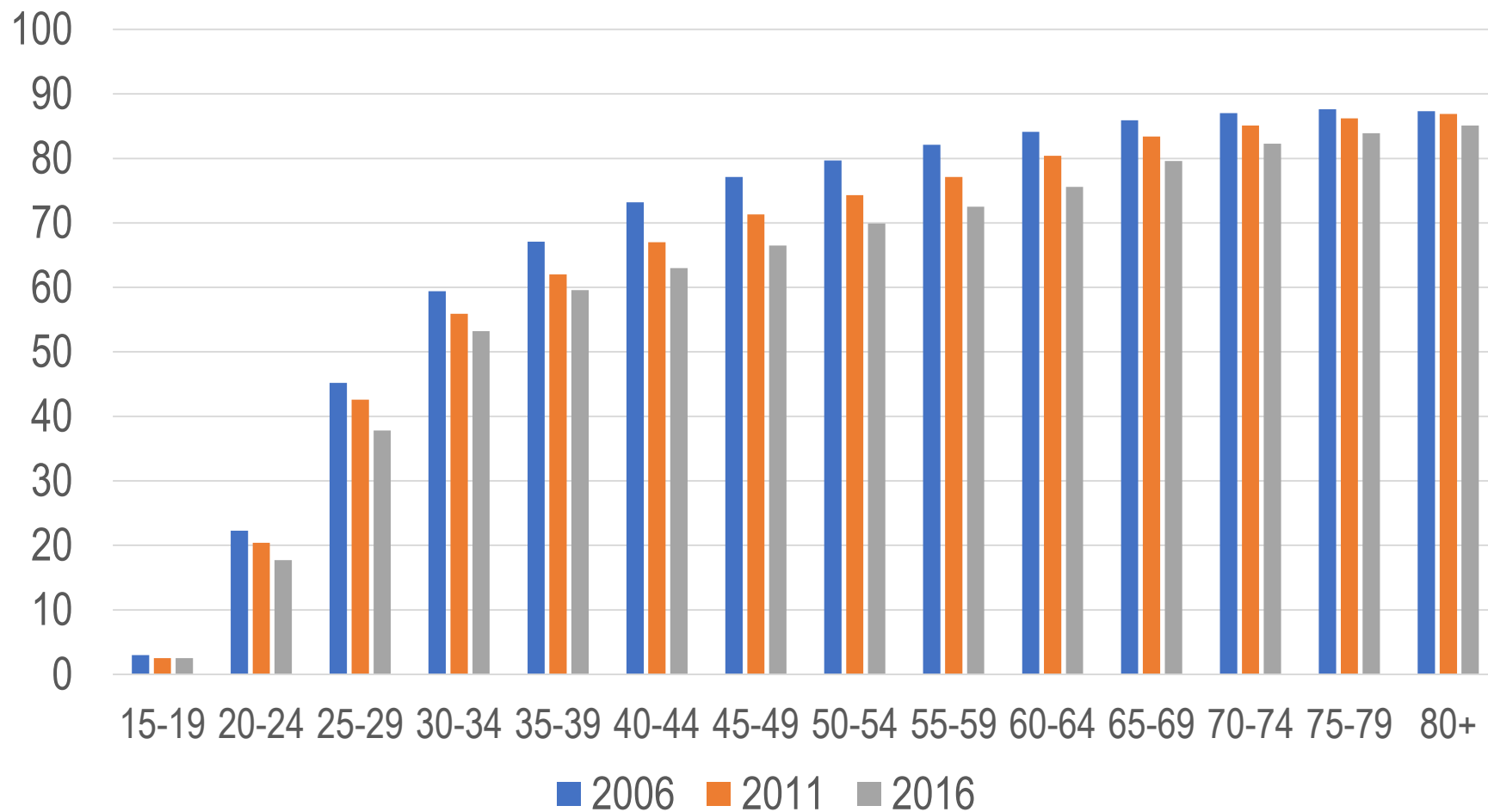
Conventional Approach: Projection

- Past trends of rates of home ownership for the householder by age group are projected into the future using mathematical or econometric models.
- As far as I can establish, none of these models factors in changes over time in the percentage of people in each age group who are householders (Persons 1), yet this change has been substantial in recent years.

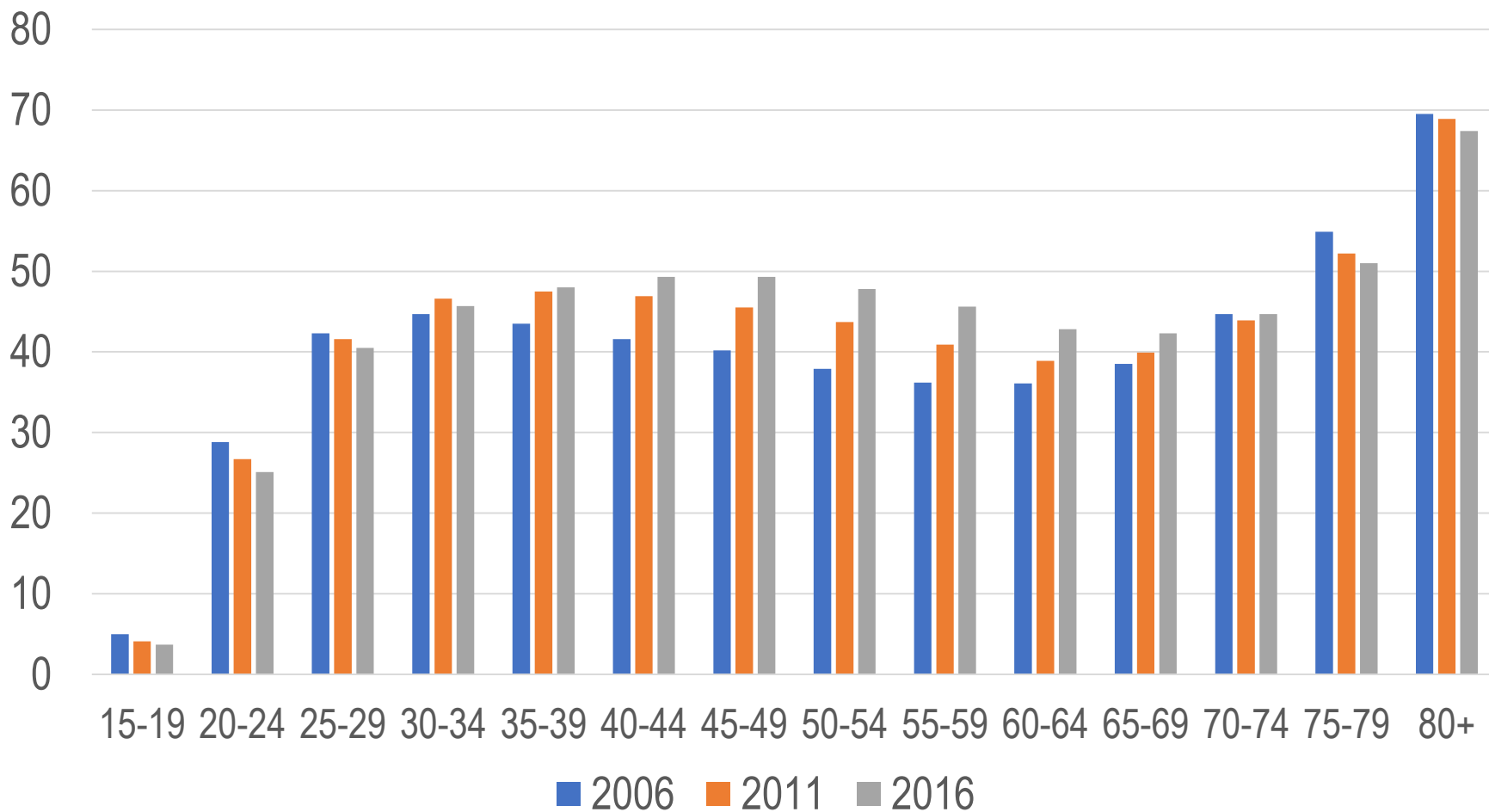
Why 'Householder' Rates Can Be Problematic

- The age-specific percentages who are 'householders' change over time and the changes are likely to be associated with tenure.
- For example, the percentage of young people living at home with parents changes across time. Moves out of the parental home would affect the rental percentage for 'householders' more than the owning percentage.
- At the oldest ages, the results for householders can be affected by changing rates of entry to residential aged care.
- 'Householder' rates vary substantially by sex and thus provide a poor perspective of homeownership by sex. And there is a shift across time to more women in couple relationships being recorded as the 'householder'.

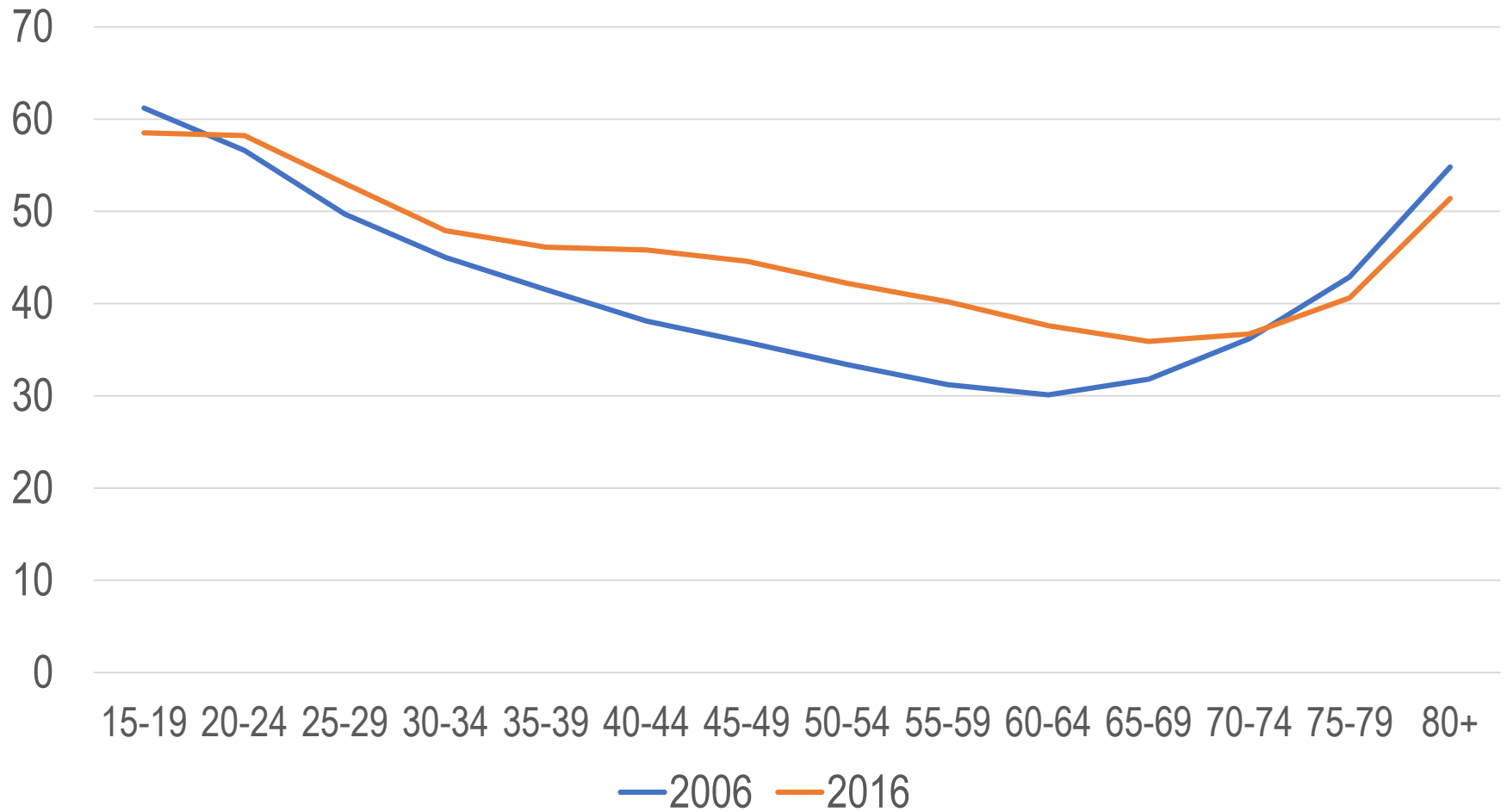
Males: Percentage That Were the 'Householder' Australian Censuses, 2006-16, Persons Enumerated at Home



Females: Percentage That Were the 'Householder' Australian Censuses, 2006-16, Persons Enumerated At Home



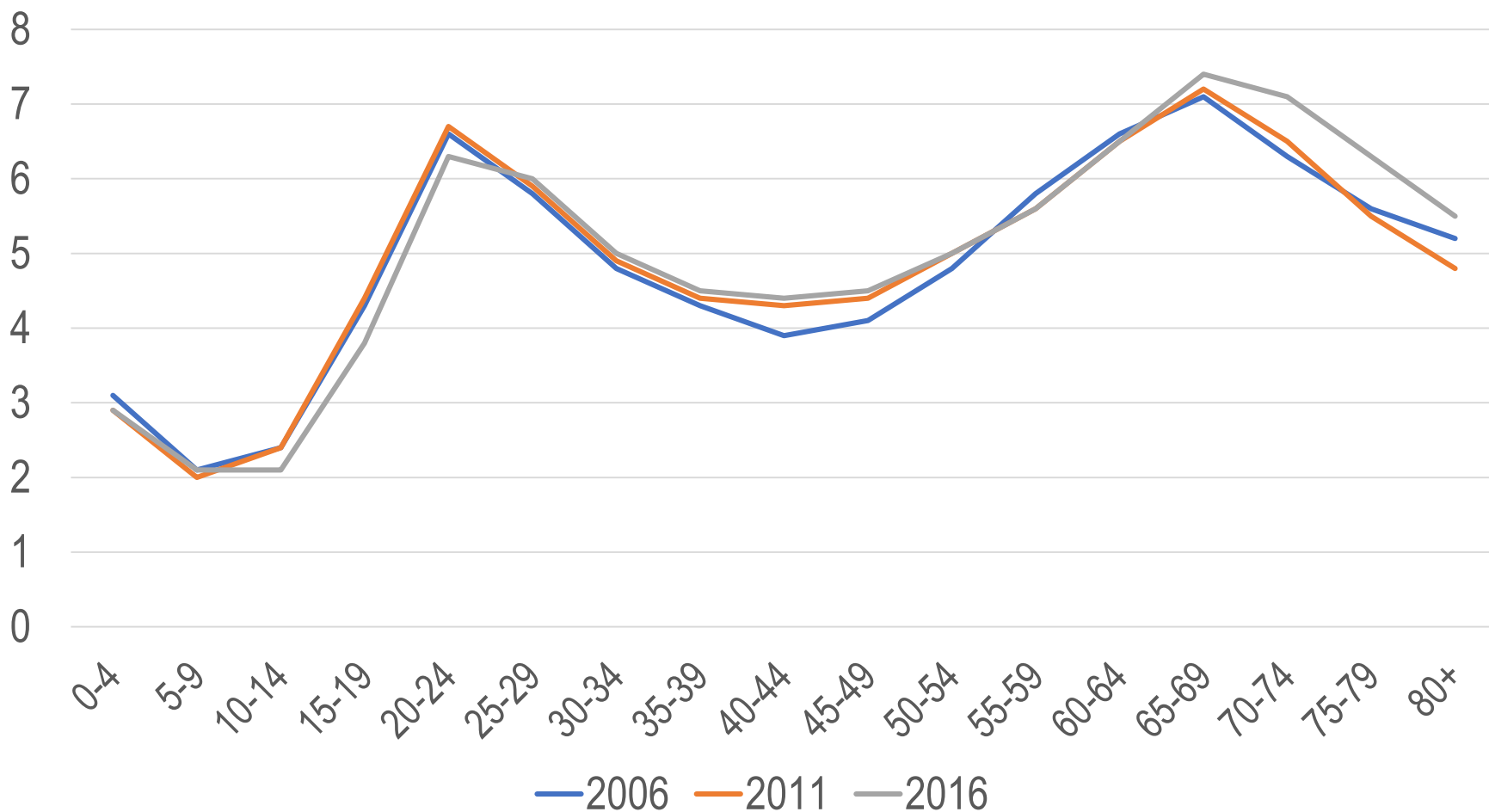
Percentage of 'Householders' That Were Female 2006 and 2016 Censuses



Persons Enumerated Away From Their Usual Place of Residence

- ‘Householder’ status is not available from the censuses for persons who are not enumerated at their usual place of residence.
- Rates of being away from your usual residence are highest in the ‘grey nomad’ ages (65-74) – for whom, around one in 13 people in 2016 were enumerated elsewhere in Australia. Those who are outside of Australia on the census date are not counted at all.
- Grey nomads are very likely to be home owners rather than renters.
- Being a ‘grey nomad’ increased between 2011 and 2016.

Percentage Enumerated Away From Usual Place of Residence by Age Group, 2006 to 2016



From a Welfare Perspective, 'Householder' Data Do Not Tell Us What We Need To Know

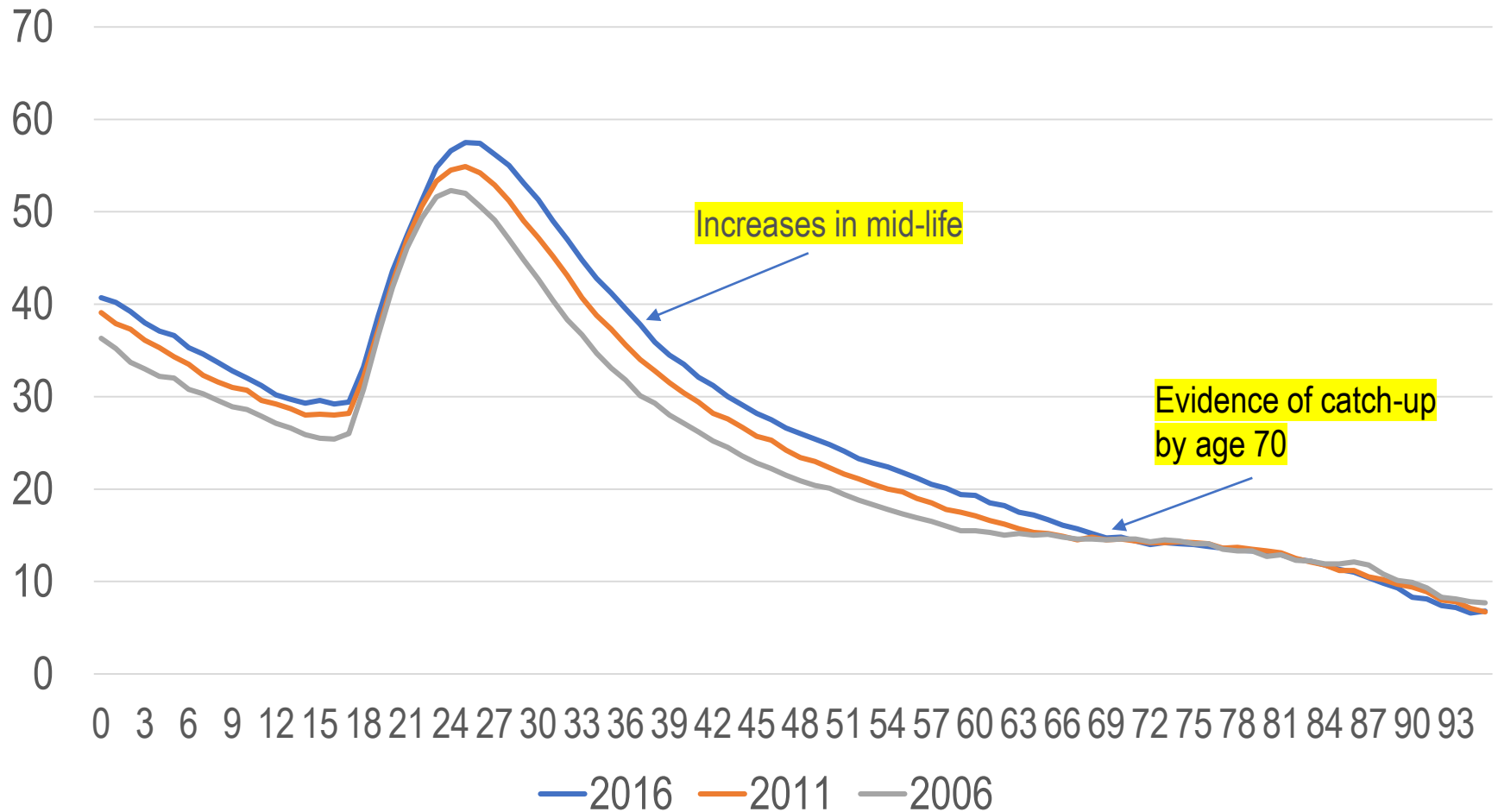
- For example, we are not concerned that no children own the house in which they live. What we are concerned about is the tenure of the dwelling in which the children - and their parent(s) - live.
- There is a strong argument that we should apply the same approach to adults who live in a house owned by a family member(s).
- An adult may live in a house owned by their spouse, their child, their child-in-law, or their parent. This may reflect individual histories or cultural preferences.
- From a welfare perspective, what we want to know is whether the person lives in a rented property or is boarding in a dwelling owned by a non-relative.

Full Coverage of the Population At Risk

- If this 'welfare' approach is used, we can attribute a status to **all** persons as indicated in the 2016 Census classification shown on the next slide.
- Upon aggregation of the 17 types of people identified by the classification, we collapse to six categories:
 - Owned outright
 - Owned/being purchased (include being purchased under a rent/buy scheme)
 - Rented (including rent-free occupation)
 - Other tenure type (eg. occupied under a life tenure scheme)
 - Residential aged care
 - Other aged accommodation

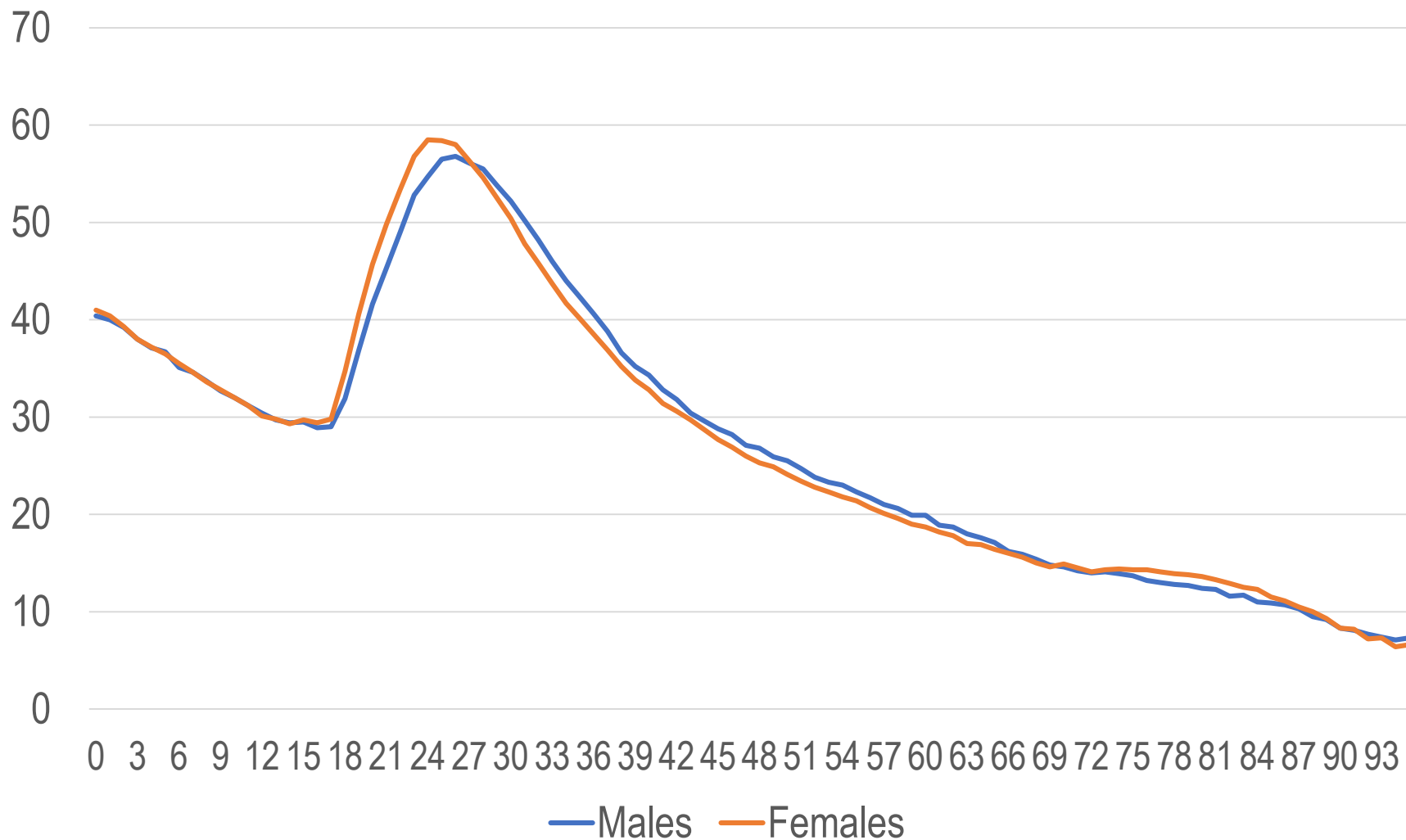
	Category of person	Treatment
1.	Overseas visitors	Omit
2.	Not at usual residence	Omit
3.	No usual place of residence	Not living in a dwelling that is owned or being purchased. Add to Rented.
4.	Resident in non-private dwelling (residential aged care)	Residential aged care (NPDD = 11 and RLNP ne 1)
5.	Resident in non-private dwelling (other aged person accommodation)	Other aged accommodation (NPDD = 12 and RLNP ne 1)
6.	Resident in non-private dwelling (not aged accommodation)	Omit
7.	Owned outright	Owned outright
8.	Owner with a mortgage or being purchased under a shared equity scheme	Owned/Being purchased
9.	Being rented	Rented
10.	Being occupied rent free	Rent free = Rented
11.	Being occupied under a life tenure scheme	Applies mainly to persons in retirement villages who have no equity in the property. Combine with Category 7 (owned outright)
12.	Other	Other
13.	Not stated ownership (not imputed persons)	Omit (IFNMFD = 1)
14.	Not stated ownership (imputed persons)	Omit (IFNMFD = 2)
15.	Group household where the dwelling is owned (RLHP = 72)	Household reference person is home owner; other are renters
16.	Unrelated person in a family household	Renter (RLHP = 71)
17.	Resident in an NPDD but the owner	Owner (RLNP = 1)

Percentage Living in Rented Accommodation by Age (includes rent free) 2006 to 2016 Censuses (denominator includes persons in non-private dwellings)

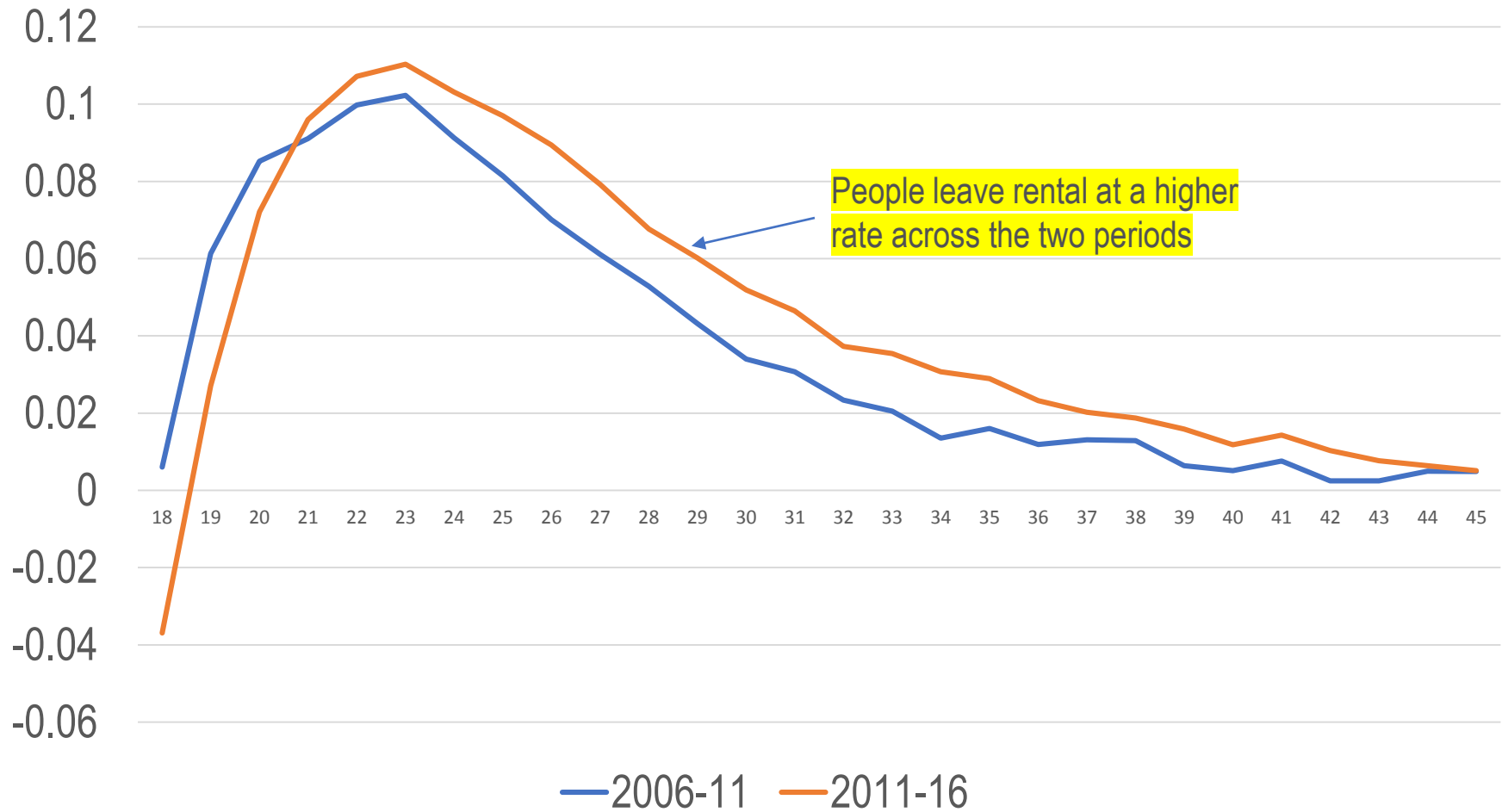


Percentage Living in Rented Accommodation by Age and Sex

2016 Census (denominator includes persons in non-private dwellings)



Five-Year Probability of Moving Out of Rental by Age at the Beginning of the 5-Year Period



Longitudinal Census Allows Cohort Probabilities To Be Calculated

Among renters aged 25-34 in 2006, 45.2% were renting in 2016. This percentage fell to 40.5% if they were partnered in 2006.

Among renters aged 55-64 in 2006, 65.9% were renting in 2016.

Among mortgage holders aged 55-64 in 2006, 57.3% were full owners by 2016.

Among all persons age 55-64, 67.1% maintained the same tenure across the three censuses, 2006, 2011 and 2016.

Among the 32.9% of 55-64 year-olds who changed their tenure across the three censuses, 41.6% did not follow the conventional 'upward' movement (rent-mortgage-own), that is, their tenure went in the 'downward' direction.

Changing Birthplace Composition At Older Ages Will Tend To Lower Home Ownership Rates

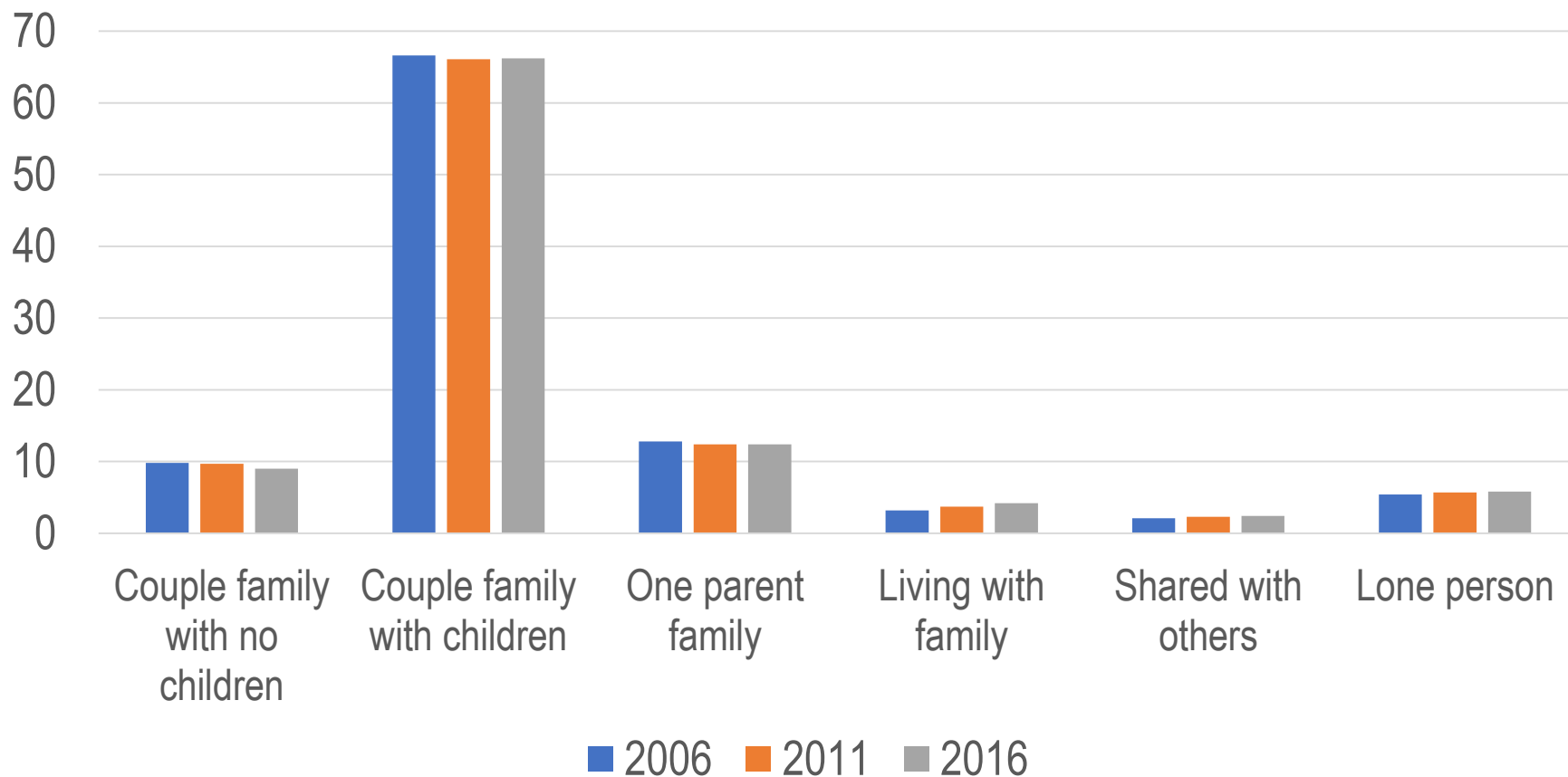
% Living In Fully-Owned Dwelling, Aged 65+, by Country of Birth, 2016

Italy	88.9
Greece	85.7
Germany	76.8
Malaysia	76.7
Australia	75.2
Netherlands	74.4
Hong Kong	74.2
Scotland	71.7
England	71

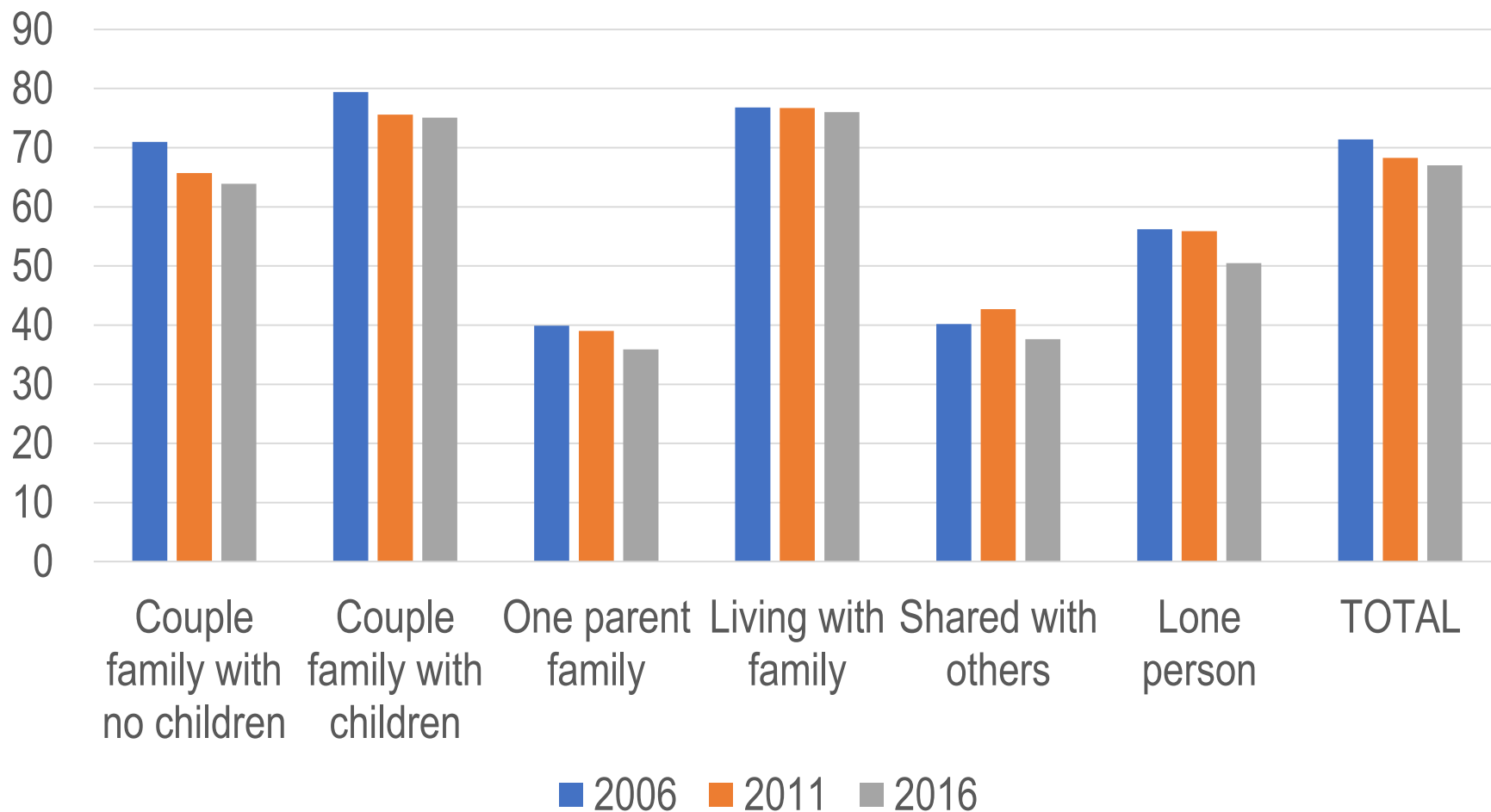
India	63.9
Indonesia	60
New Zealand	57.8
Lebanon	57.1
South Africa	57
Sri Lanka	54.3
China	51.2
Vietnam	49.1

Changing Living Arrangements May Affect Tenure – But There Is Not Much Change By Late Thirties

Living Arrangements of 35-39 Year-Old Women (%), 2006-2016



Women Aged 35-39 Living In An Owned or Mortgaged Dwelling, by Living Arrangement, 2006-2016 (%)



Other Issues That Raise Caution About Making Declarations on the Impending Collapse of Homeownership

- 15% of renters own a dwelling elsewhere (rentvestors).
- As people change jobs more often and are more geographically mobile, it makes sense to rent to avoid the transaction costs of owning.
- Because people are more mobile, the censuses may simply catch more people as renters in the process of moving from one owned house to another – or renovators who are renting temporarily.
- Under present Aged Pension arrangements, paying off the mortgage with superannuation when you retire is a very rational strategy.
- Some people argue that renting is an economically rational lifetime strategy.
- Among 20-29 year-olds in 2016, 17% were temporary residents of Australia who are extremely likely to rent. The temporary population has been rising across time.