

Finding the right fit: The future of rightsizing in Australian housing



TEMPLE &
WEBSTER
— Trade+Commercial

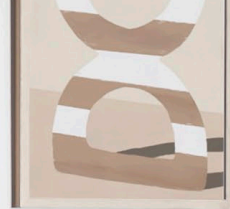
Copyright October 2024

Acknowledgement of Country

Temple & Webster Group acknowledges the Traditional Owners and Custodians of Country throughout Australia. We recognise their enduring connection to the lands, the waterways, and the skies.

We acknowledge the Gadigal and Wangal people, on whose lands our corporate head office is located, as well as all other First Nation Countries we operate across.

We pay our respects to Elders past, present and to all Aboriginal and Torres Strait Islander peoples.



Contents

Methodology	3	Attitudes towards apartment living	13
Executive summary	4	Renters and younger Australians	17
How Australians currently live	5	Rightsizing for older Australians	19
What size is the right size in Australia?	9	Recommendations and the way forward	23
Movements of Australians	11	References	25



Methodology

This report delves into the concept of “rightsizing” a growing trend in the Australian housing market that emphasises finding a home that perfectly aligns with one’s current life stage, financial situation, and lifestyle needs.

Temple & Webster commissioned a comprehensive, qualitative research study in July 2024 to gather data on the current status of Australians’ sentiments towards their living situation, their future plans and views on rightsizing. The study surveyed over 1000 Australians between the ages of 25-74 who were representative of the Australian population based on age, gender and location.

Drawing on the findings from the Temple & Webster Rightsizing Study, this report examines the demographic shifts, economic factors, and changing lifestyle preferences that are driving Australians to rethink their housing choices.

It also examines the importance of non-property-related factors such as location, affordability, and community attributes. This report aims to provide insights for developers, policymakers, and real estate professionals on how to meet the growing demand for housing solutions that cater to these emerging preferences.



Authored by:
Lucy Sutherland, Temple & Webster, Director of Insights & Trends



Research conducted by:
Zenith Media Australia



Finding the right fit:
The future of rightsizing
in Australian housing

Executive summary

The ideal of owning a home—traditionally a standalone house on a quarter-acre block—has long been an integral part of the Australian Dream. Historically, this dream was supported by strong government policies aimed at ensuring housing security for all Australians. In the 15 years following World War II, the homeownership rate surged from just over half of all households to an impressive 70%, a figure that remained relatively stable throughout the latter half of the 20th century.

However, the 21st century has witnessed a significant shift in this narrative. Economic pressures, rising property prices, and changing societal values have all contributed to redefine how we view home ownership in Australia. Today, the Australian Dream has become more elusive. The Temple & Webster Rightsizing Study examines Australians' perspectives on rightsizing and the key factors that influence their decisions when selecting their next home.

Research from the study indicates that only 46% of Australians now aspire to own or afford any property, and about a quarter of all Australians believe that achieving this dream is unlikely. The situation is particularly dire for young Australians, with only 10% of those aged 25-34 expressing confidence in their ability to own a home.

In light of these challenges, this white paper addresses the critical question: How can we better understand the housing needs of Australians and help them find the right-sized homes for their current life stage? If homeownership is increasingly out of reach, it becomes crucial to address the basic human need for shelter through more accessible long-term rental options, appealing apartment offerings that cater to a broader demographic, and suitable housing solutions for older Australians.

This report provides an analysis of current living conditions in Australia and offers recommendations for future community designs that not only meet the diverse needs of Australians but also encourage multi-unit living in the context of a growing housing crisis.



1.

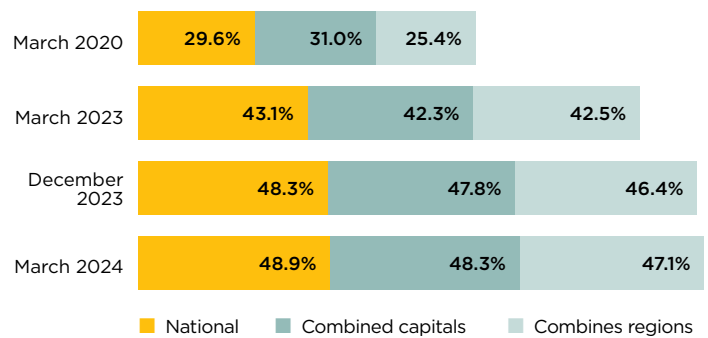
How Australians currently live



1.1 HOMEOWNERSHIP AND HOUSING TYPES

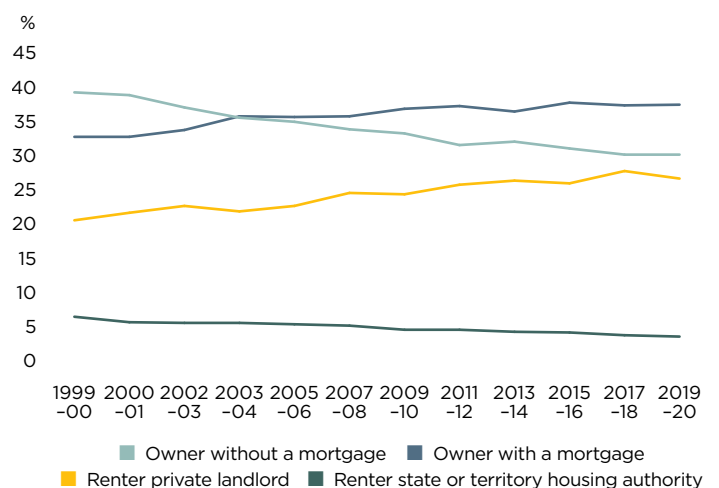
Historically, Australia has been known as a nation of homeowners. However, in recent years, this traditional ideal has been increasingly challenged. The Australian Bureau of Statistics (ABS) reports that homeownership rates have declined from their peak in the 1970s to about 65% today. The factors driving this decline are multifaceted. The affordability crisis has played a major role as Australians need larger portions of their income to service their mortgages. This contributes to mortgage stress and dissuades new entrants to the housing market, with close to half of a household's income required to service the mortgage.

% Portion of income required to service a new mortgage



Source: ANZ CoreLogic Housing Affordability report April 2024

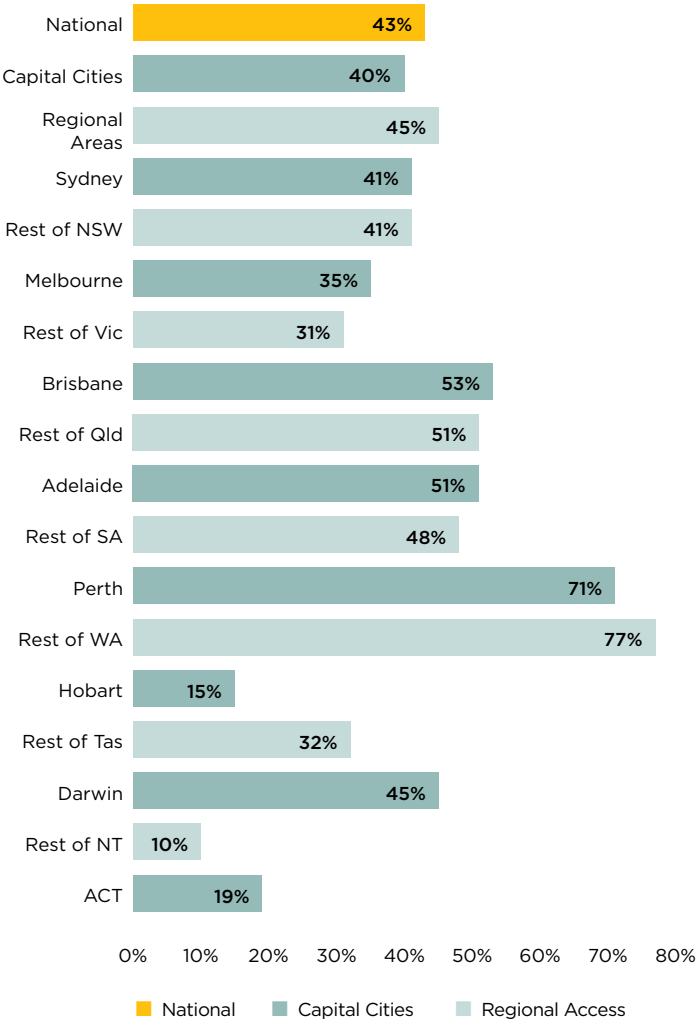
Housing tenure, 1999-00 to 2019-20



Source: Survey of Income and Housing as seen in Australian Bureau of Statistics, Housing Occupancy and Costs 2019-20 Financial Year. Data collected in labelled years.

The decline in homeownership is most pronounced among younger Australians. The ABS reports a drop in homeownership rates for those aged 25-34 from 60% in 1981 to less than 40% today, highlighting the profound challenges faced by this demographic in entering the property market. This disparity has made it increasingly difficult for young Australians to save for a deposit, let alone afford mortgage repayments. With a lack of affordable rental stock and the market not currently geared towards long-term rental offerings, younger Australians face significant housing stress and challenges in finding affordable and long-term housing solutions.

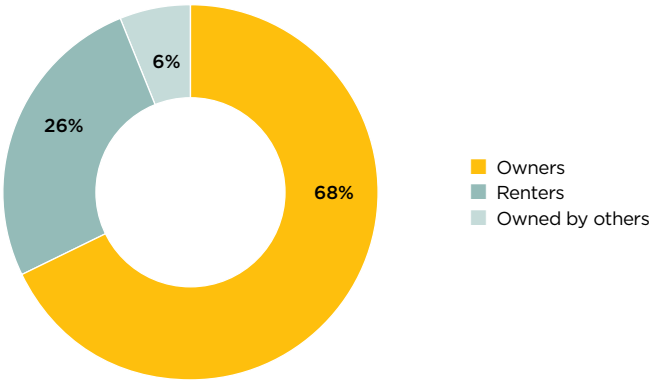
Change in median advertised weekly rents
March 2020 – April 2024, houses



Source: PropTrack – 3 month rolling rents

As a result, the dream of owning a traditional detached house is now out of reach for many, shifting the focus to simply being able to afford any form of property.

Home ownership in Australia



Source: Temple & Webster Rightsizing Study (July 2024)

Younger
Australians are
facing significant
housing stress
and challenges to
find an affordable
and long-term
housing solution.

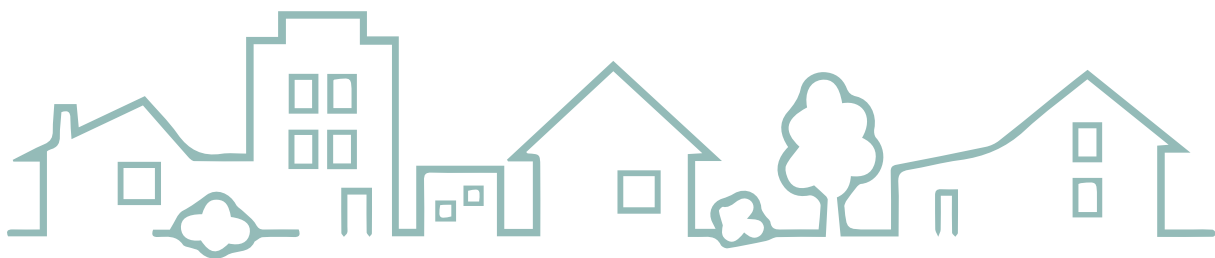
1.2 TYPES OF HOUSING

As the traditional notion of homeownership becomes less attainable, Australians are exploring a wider range of housing options.

- **Detached homes:** Despite the challenges in homeownership, detached homes continue to be the most common type of dwelling, with approximately 71% of Australians currently living in such homes. However there is evidence of a gradual shift in preferences, particularly among downsizers and those seeking more manageable living spaces.
- **Semi-detached homes (terrace or townhouse):** 11% of Australians currently live in semi-detached homes and townhouses. With rising property prices, particularly in major cities, semi-detached homes and townhouses offer a more affordable option for buyers who still want some form of independent living space, compared to apartments or fully detached homes.

- **Apartments:** In urban areas, there is a growing trend toward medium and high-density living. Apartments now account for 17% of all housing in Australia (Temple & Webster study) with a much higher concentration in cities like Sydney and Melbourne, where they make up 30% of all dwellings (ABS data). The Temple & Webster study highlights that this shift is driven by a desire for more affordable and convenient living options. 24% of respondents indicated they were considering moving into an apartment or townhouse, citing lower maintenance and closer proximity to amenities such as public transport, shopping centres, and workplaces as key factors.
- **Multi-generational living:** Another emerging trend is multi-generational living, where multiple generations of a family live under one roof. This setup allows families to pool resources, making larger homes more accessible and providing both economic and social benefits. This trend is particularly appealing in the context of rising house prices and the challenges associated with entering the property market.

Types of Dwelling



71%

Detached house

17%

Apartment

11%

Semi-detached house

1%

Other

Source: Temple & Webster Rightsizing Study (July 2024)

1.3 UNDERLYING FACTORS INFLUENCING HOUSING CHOICES

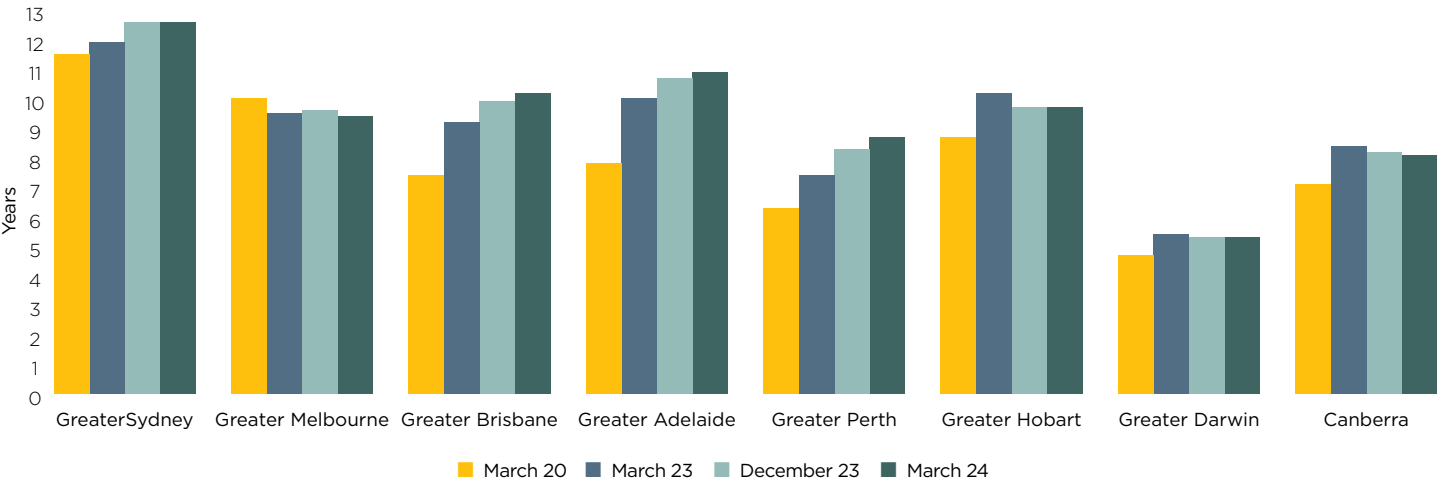
The shifts in homeownership rates and housing types are influenced by several key factors, many of which are highlighted in the Temple & Webster study.

- Affordability challenges:** The growing gap between property prices and wage growth has made traditional homeownership increasingly unattainable for many Australians. According to the Temple & Webster study, 46% of respondents cited affordability as the primary barrier to owning a home, with younger Australians particularly affected. With house prices increasing significantly, the number of years it takes to simply save a deposit to buy a house has risen in most areas with Sydney leading the way at over 12 years. This makes it a daunting task to enter the housing market as a younger Australian.

- Demographic changes:** The ageing population and the rise of smaller households are also influencing housing preferences. The study found that 34% of older Australians (aged 55 and above) are considering downsizing in the near future, seeking homes that better suit their changing needs. This trend is contributing to the increasing demand for smaller, more manageable homes, and apartments and townhouses that meet the needs of downsizers.
- Urbanisation influences:** The push towards urbanisation and higher-density living is also a significant factor as the development of apartments and townhouses in urban areas, coupled with a growing preference for living closer to work and amenities, reshape the housing market. The Temple & Webster study indicates that 30% of respondents in urban centres are actively seeking housing options that offer a balance of convenience, affordability, and lifestyle benefits.

The insights from the Temple & Webster study underscore the growing challenges of housing affordability, the changing demographics, and the shift towards higher-density living. As policymakers, developers, and other stakeholders navigate these trends, it will be crucial to address the diverse needs of modern Australians and adapt housing strategies accordingly.

Average number of years to save a deposit for a dwelling in Australia — April 2024



Source: ANZ CoreLogic Housing Affordability report April 2024

46% of respondents cited affordability as the primary barrier to owning a home, with younger Australians particularly affected.

2.

What size is the right size in Australia?



2.1 OPTIMAL SIZED HOMES

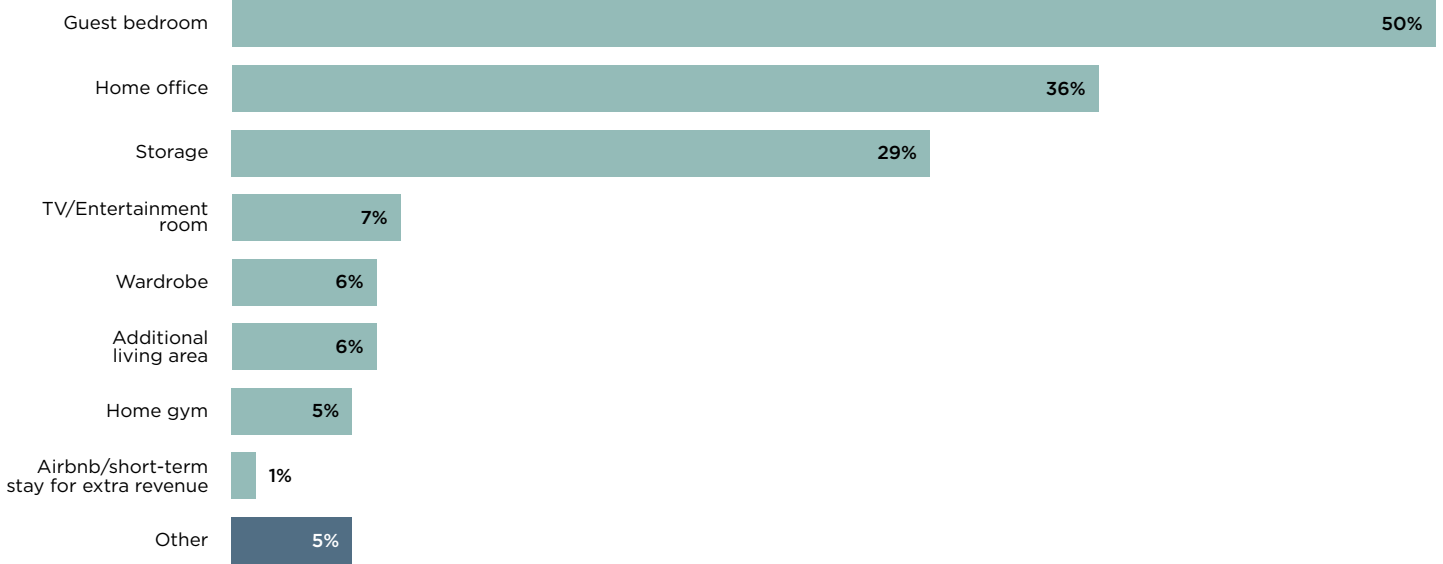
The concept of rightsizing is central to understanding the current and future housing needs of Australians. Temple & Webster's research reveals that Australians living in homes with two spare rooms are the most satisfied with their living situation. These households are the least likely to consider moving within the next two years, with 77% of respondents indicating that they consider their current home to be the right size for their needs.

The Temple & Webster study challenges the traditional belief that more space is always better. Instead, it suggests that there is an optimal amount of space that contributes to housing satisfaction. Households with one or no spare rooms often feel cramped and express a desire for more space, while those with three or more spare rooms tend to feel that their homes are too large, leading to a desire to downsize. Homes with two spare rooms are deemed to be the optimum size, balancing the need for additional space with the desire to avoid excess which can lead to a sense of dissatisfaction.

2.2 SPARE ROOM FUNCTIONALITY

The study also sheds light on how Australians use their spare rooms. For those with two spare rooms, these spaces are often utilised as a combination of a guest bedroom and a home office. As more Australians embrace flexible working arrangements, particularly in the wake of the COVID-19 pandemic, the demand for functional home office spaces has increased. This has implications for future housing design, suggesting a need for more adaptable and multifunctional living spaces that can accommodate changing lifestyle needs.

Purpose of spare rooms
Among those with spare rooms



Source: Temple & Webster Rightsizing Study (July 2024)

Households with one or no spare rooms often feel cramped and express a desire for more space, while those with three or more spare rooms tend to feel that their homes are too large.



3.

Movements of Australians



3.1 MOBILITY TRENDS

Australians have long been known for their mobility within the housing market, and this trend continues today, albeit with some notable shifts. According to the Temple & Webster study, one in four Australians plans to move within the next two years. This mobility is driven by various factors, including the desire to rightsize, lifestyle changes, and financial considerations.

Younger Australians, in particular, are more likely to be considering a move. Over 38% of respondents in the 25-34 age group indicated that they plan to move in the near future. The Temple & Webster study shows that over a third of all renters in Australia (aged 25-74) will be looking to move homes in the next two years.

3.2 MOTIVATIONS FOR MOVING

The reasons why Australians are considering moving are diverse, but a few key motivations stand out:

- **Rightsizing:** For many Australians, the need to find a home that better suits their current life stage is a primary motivator for moving. The Temple & Webster study indicates that 67% of those planning to move cited rightsizing as a key reason. This includes both upsizing and downsizing, depending on the specific needs of the household. The study shows that Australians with the highest intention of moving house in the next two years either don't have any spare rooms (28%) and need to move to gain more space, or have three or more spare rooms (25%) and are wanting to reduce the size of their homes to best meet their household needs. Those with one or two spare rooms have less intention of moving within the next few years, signifying that they consider their home to be the right size for their living situation.

One in four
Australians
plan to move
within the next
two years.

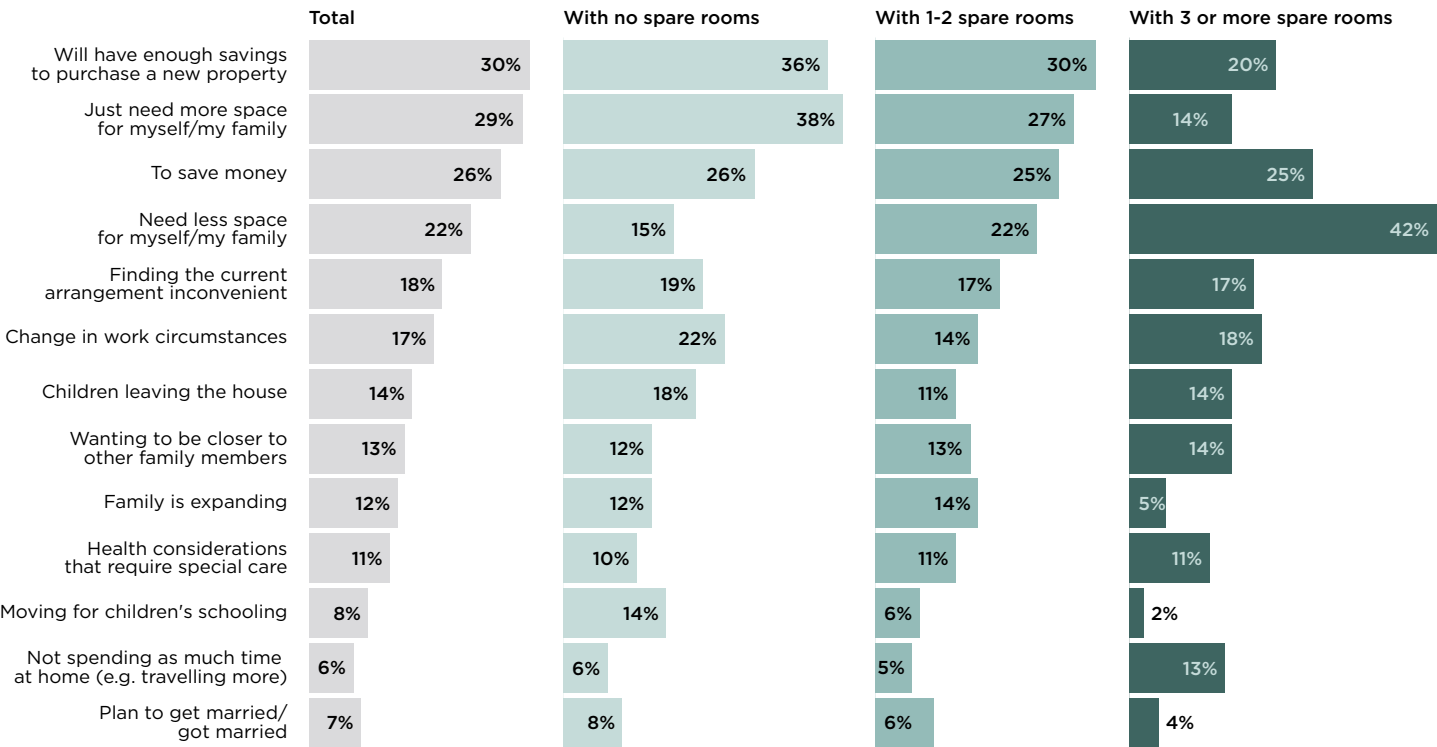
- Downsizing:** 42% of households with three or more spare rooms intending to move in the next two years say it is because they need less space for their family. This is significant for two reasons. One being the “grey tsunami” impact of an ageing population. With around 17% of the population 65 years or older in 2024, this number is forecast to rise to over 25% by 2050 with one in four Australians over 65. This is already having an impact on household movement figures as baby boomers begin to plan their retirement and more specifically the types of homes they want to retire in.
- Financial pressures:** Another significant motivation for moving is financial pressure. Approximately 26% of respondents cited the need to reduce housing costs or unlock equity in their current home as a reason for moving. This is particularly relevant in the context of rising living costs and the ongoing affordability crisis, which has made it increasingly difficult for many Australians to maintain their current housing situation.
- Lifestyle changes:** Changes in family size, such as the arrival of children or the departure of adult children from the home, are also common reasons for moving. As Australians move through different life stages, their housing needs evolve, prompting them to seek out homes that better align with their current lifestyle.

3.3 ALTERNATIVE HOUSING CONFIGURATIONS

As Australians reconsider their housing needs, many are exploring alternative configurations that go beyond the traditional detached house. Two notable trends are emerging:

- Multi-generational living:** Multi-generational living is on the rise as housing affordability becomes a growing concern. This arrangement allows families to share costs and resources, making larger homes more accessible and providing both economic and social benefits. It also allows for a closer family connection, which can be particularly important for cultural reasons or in situations where elderly family members need care.
- Co-housing models:** Another emerging trend is co-housing, where multiple households share communal spaces such as kitchens, gardens, and recreational areas while maintaining their private living spaces. Co-housing offers a sense of community and shared responsibility while allowing individuals to downsize their private living areas. This model is particularly appealing to those looking for a more sustainable and socially connected way of living.

Triggers for moving home
Among those intending to move (any time)



Source: Temple & Webster Rightsizing Study (July 2024)

4. Attitudes towards apartment living

4.1 BARRIERS TO ENTRY

Despite the growing prevalence and essential nature of urban living, many Australians remain hesitant to embrace apartment living. COVID has likely contributed to this after so many Australians spent more time than they otherwise would have in their homes and apartments. As a result, their preferences for how they wanted to live shifted. The Temple & Webster study identifies several barriers to entry that continue to hinder broader acceptance of apartment living:

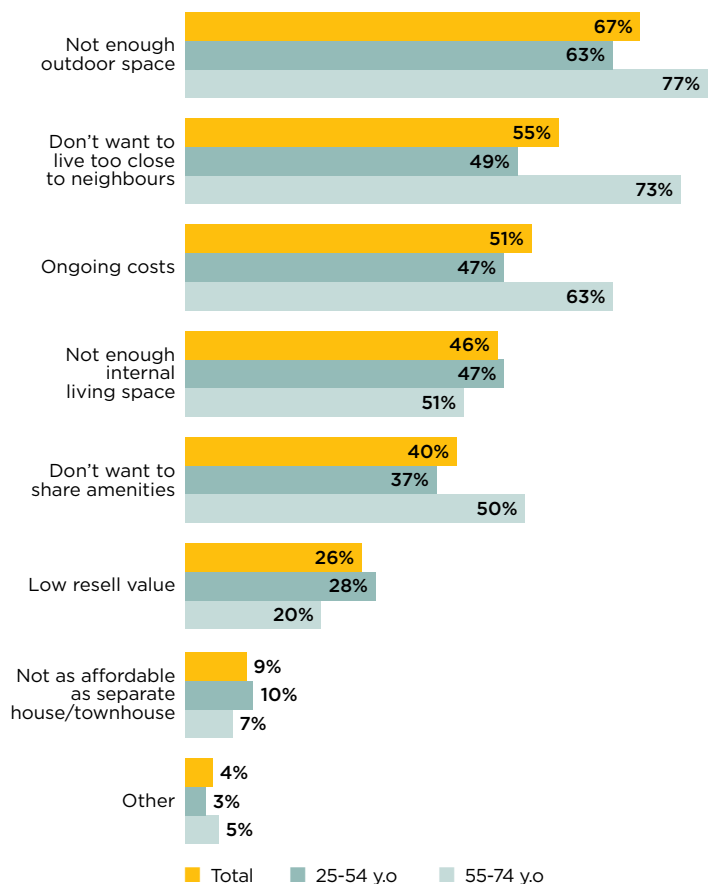
- **Space concerns:** A common perception among Australians is that apartments offer limited living space, which can be a significant deterrent, especially for families or individuals accustomed to larger homes. The research shows that 46% of people who wouldn't consider apartment living cited the lack of internal living space as a key barrier. This concern is particularly prevalent among older Australians who have spent much of their lives in more spacious, detached homes.
- **Privacy issues:** The perceived lack of privacy in apartment living is another major concern, particularly in high-density developments where noise and proximity to neighbours can be issues. According to the research, 55% of those who wouldn't consider apartment living pointed to the close proximity to neighbours as a reason for their reluctance.

- **Lack of outdoor space:** The absence of a backyard or outdoor space is a deterrent for many Australians, particularly those who enjoy gardening or outdoor activities. The research found that 67% of people who would not consider living in an apartment cited the lack of outdoor space as a key reason. This concern is especially strong among families with young children and older Australians who value the connection to nature that a private garden or yard provides.
- **Ongoing costs:** In today's amenity-rich apartment blocks, particularly those tailored to older Australians, the perception of expensive ongoing body corporate and strata costs is seen as a detractor. The Temple & Webster study indicated that 51% of respondents viewed these costs as a reason not to consider apartment living, reflecting concerns about the long-term affordability of this housing option.

Barriers to entry:

Reason Australians would not consider moving into apartments

Among those who do NOT currently live in apartments and wouldn't consider moving into one

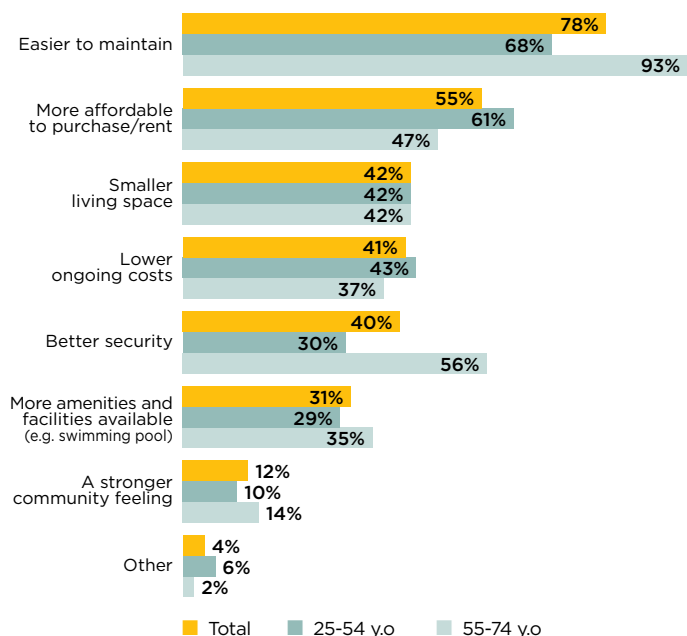


Source: Temple & Webster Rightsizing Study (July 2024)

4.2 THE POSITIVE ASPECTS OF APARTMENT LIVING

Reason Australians would consider moving into apartments

Among those who do NOT currently live in apartments but would consider moving into one



Source: Temple & Webster Rightsizing Study (July 2024)

Given the barriers to considering apartment living, there is a clear need for strategies that can make this housing option more appealing to a broader demographic. The Temple & Webster study shows the perceived positive aspects of apartment living. These are all reasons that could be actively promoted to increase the uptake in apartment and multi-unit living.

- **Easier maintenance:** The Temple & Webster study showed that this was the most appealing factor of apartment living, with 78% of all respondents and 93% of 55-74-year-olds who currently don't live in an apartment citing this as a reason to move to one.
- **Perceived affordability:** 61% of Australian 25-54-year-olds said they would consider moving into an apartment because they are more affordable.
- **Security:** Particularly with older Australians, having a safe and secure home is important and 56% of those aged 55-74 considered that apartment living would offer this.



4.3 HOW CAN WE MAKE APARTMENT LIVING MORE APPEALING TO ALL AUSTRALIANS?

Given the perceived barriers for some Australians to consider apartment living, there is a clear need for strategies that can make this housing option more appealing to a broader demographic.

The notion of having two spare rooms may seem like a luxury, but we need to consider the context of this. The Temple & Webster research found that the most popular living configuration is a three-bedroom dwelling with 39% citing this as their current home setup. The predominant group living in three-bedroom homes are couples with no children. Families are more likely to have a four-bedroom home with 41% of those surveyed reporting this. With the average Australian household size sitting at 2.6 (ABS, Household and Family Projections), more consideration needs to be given to configuring affordable homes of the future (both rentals and owned) to meet their needs.

The perception in Australia has traditionally been that apartments aren't a suitable option for families, but this notion is starting to shift with many choosing apartment living as an affordable option, close to work and amenities. With preferences shifting to more affordable housing options and people seeking better quality living spaces in urban areas, the demand for quality three or four-bedroom apartments from downsizers and families is on the increase. By finding ways to address the pain points that deter people from considering apartment living, we can potentially encourage more people to switch their preferences.



4.4 EFFECTIVE SPACE UTILISATION IN NEW HOMES AND APARTMENTS

The Temple & Webster study shows that 24% of Australians with two spare rooms utilised them as a spare bedroom and a home office. As housing affordability and space challenges increase, we need to continue to innovate so that we can offer alternative options to spare rooms to reduce cost and dwelling footprints. Some of the potential ways this can be achieved include:

- **Encouraging the introduction of effective co-working spaces set up for residents**

The addition of a shared office space outside of their apartment with all the amenities required for successful work from home, including quiet rooms, fast Wi-Fi, collaborative areas and meeting spaces, could reduce the necessity for a spare room.

- **Integrated home office spaces**

Designing effective, integrated work from home office and study spaces within new homes is an achievable way to reduce the requirement for a 'non-sleeping' spare room. This can be achieved by including study nooks in hallways or built-in desk in the living areas where the space is allocated to allow a home office setup.

- **Multifunctional spare rooms**

Where there is a requirement for a spare room, consider multifunctional, adaptive design selections so it can have a dual function as both a home office and a spare room. This can be achieved through the choice of furniture and fittings. Consider desk in that can also be used as dressing tables or consoles. Introduce comfortable and stylish sofa beds that can offer the look and feel of a home office, but can easily transform into a spare sleeping space when required. Alternatively, design an integrated home office space in the spare room that can easily be closed off when not in use and becomes part of the wardrobe and storage system.

4.5 ADDRESSING THE PAIN POINTS

The Temple & Webster study shows the perceived positive aspects of apartment living, highlighting several areas where changes could have a positive impact:

- **Design innovations:** The Temple & Webster research shows that 46% of Australians cite limited space as a major deterrent to apartment living. To address concerns about space, apartment designs can incorporate features such as higher ceilings, open-plan layouts, and multi-functional spaces that create a sense of spaciousness. Integrating built-in storage solutions and introducing multi-functional furniture can help optimise living areas and make apartments more flexible for the demands of families and individuals alike.
- **Bookable spare rooms:** Usage of spare rooms for guests could be considered a luxury as home affordability costs soar. The concept of apartment complexes and retirement living villages offering shared and bookable guest suites available to all residents could reduce the requirement for a permanent spare room.
- **Privacy enhancements:** Privacy concerns are another significant barrier, with 55% of Australians expressing reluctance to live in apartments due to perceived lack of privacy. Addressing privacy concerns is crucial to making apartment living more attractive. Innovations such as soundproofing walls, designing units with private outdoor spaces like balconies or terraces, and ensuring strategic placement of windows to minimise direct sightlines can help mitigate these concerns. These design elements can make apartment living more comfortable and private, particularly for older Australians who value their personal space.
- **Outdoor amenities:** With 67% of respondents indicating that lack of outdoor space was the main blocker to moving into apartment blocks, solutions need to be found to offer adequate areas of greenspace in apartment developments. To overcome the lack of outdoor space, apartment developments can include communal green spaces, rooftop gardens, and shared recreational areas. These features can provide residents with access to nature and outdoor activities, helping to alleviate concerns about the absence of a backyard. For families, the inclusion of play areas and pet-friendly spaces can also make apartment living more appealing.

- **Community amenities:** The inclusion of community amenities such as shared kitchens, communal dining areas, and recreational facilities can enhance the appeal of apartment living. These spaces can foster a sense of community and social interaction, which is particularly important for families and older Australians. The Temple & Webster study indicates that 79% of Australians value a strong sense of community as a key factor in their living experience.
- **Affordability and incentives:** Affordability remains a critical issue for many Australians, particularly younger generations and those on lower incomes. Government policies and developer incentives that promote the construction of affordable housing units within apartment complexes can help address this challenge. For example, inclusionary zoning policies that require a percentage of new apartments to be affordable can make apartment living more accessible to low-and middle-income families as well as essential workers.
- **Location:** Proximity to public transport is a key consideration for many apartment buyers and renters, particularly in urban areas. The Temple & Webster study found that 81% of respondents said being close to public transport was important to them. Developments located near train stations, bus routes, or bike paths are more appealing, as they offer convenient alternatives to car ownership.

By focusing on design innovations, enhancing community amenities, making apartments more affordable, and promoting sustainable practices, developers and policymakers can create housing options that meet the diverse needs of modern Australians. Additionally, shifting cultural perceptions through education can help make apartment living a mainstream choice across the country.

5.

Renters and younger Australians

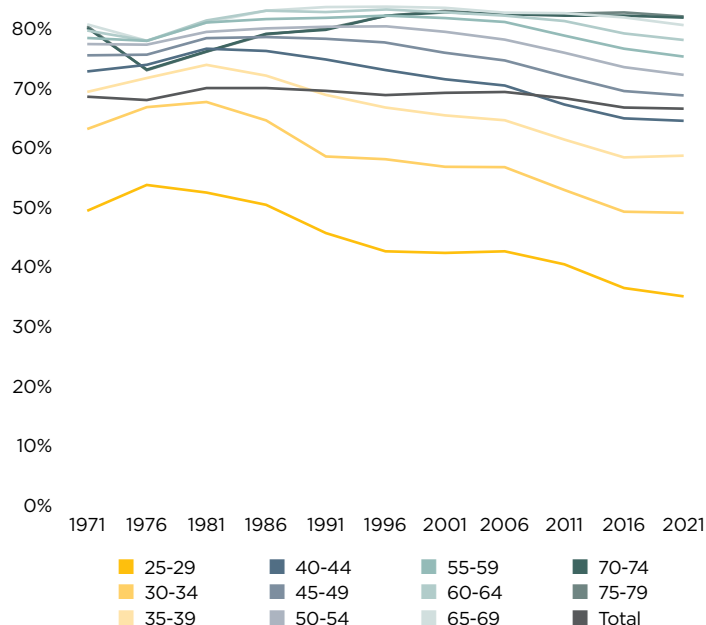


5.1 INCREASED RELIANCE ON RENTING

As the affordability crisis continues to make homeownership increasingly unattainable, more Australians, particularly younger adults, are turning to long-term renting as their primary housing solution. According to the Temple & Webster study, young Australians not surprisingly have the lowest rates of home ownership out of any cohort. But what is more alarming is the sentiment they express towards home ownership, with only 10% saying it was extremely likely they would ever own their own home.

Home ownership rate(%) by age group, 1971-2021

Australia



Source: AIHW analysis of customised ABS Census data, 2022.
Latest data: 2021 (quinquennial)

The only other solution is renting and for nearly a third of all Australians, this is the only option for them. The growing reliance on renting represents a significant shift in the Australian housing landscape. Traditionally, renting was seen as a temporary arrangement, a stepping stone on the path to homeownership. However, for many younger Australians, renting has become a long-term, if not permanent, solution.

5.2 CHALLENGES IN RENTING

Despite the increasing prevalence of renting, there are several challenges associated with long-term rentals in Australia:

- **Affordability:** Renting is often seen as a more affordable option compared to homeownership, but this perception is increasingly being challenged. Rising rental costs, particularly in major urban areas, are placing significant financial strain on renters. In some cases, the cost of renting can be comparable to, or even exceed, mortgage repayments, making it difficult for renters to save for a deposit on a home.
- **Lack of security:** One of the most significant challenges for renters is the lack of long-term security. Many renters face the prospect of frequent moves due to short-term leases, rent increases, or the landlord's decision to sell the property. This lack of stability can have serious financial and emotional consequences on those who value continuity and security in their living arrangements.



- **Limited rental stock:** The availability of rental properties that meet the needs of all cohorts are often limited. For example, there is a shortage of larger rental properties suitable for families, as well as affordable rental options in desirable locations close to work, schools, and amenities.

5.3 PROVIDING LONG-TERM STABILITY FOR RENTERS

One of the most promising solutions to this problem is the development of Build-to-Rent (BTR) assets. BTR is a housing model where residential buildings are designed and built specifically for long-term rental rather than sale. This model offers several advantages that can address the challenges faced by renters:

- **Long-term stability:** BTR developments typically offer longer lease terms, giving tenants greater security and the ability to plan their futures with more certainty. This stability is particularly important for families and older renters who value continuity in their living arrangements.
- **Quality of living:** BTR properties are often designed with renters in mind, offering high-quality amenities, communal spaces, and professional management. These features can significantly enhance the rental experience, making it a more attractive and viable long-term option.
- **Affordability:** While BTR developments are not necessarily low-cost housing, they can offer more predictable and manageable rent increases, helping tenants to budget more effectively over the long term. Additionally, because these properties are designed for rental, they often include a range of unit sizes and configurations that can accommodate different income levels and household needs.
- **Community building:** BTR developments often include communal amenities such as gyms, gardens, and social spaces, which can foster a sense of community among residents. This is particularly appealing to renters who might otherwise feel isolated in traditional rental housing.

By increasing the availability of BTR assets, developers and policymakers can provide a more stable and attractive rental market, offering renters a viable long-term alternative to homeownership. This approach not only addresses the immediate needs of renters but also contributes to the overall health and sustainability of the housing market.

6.

Rightsizing for older Australians



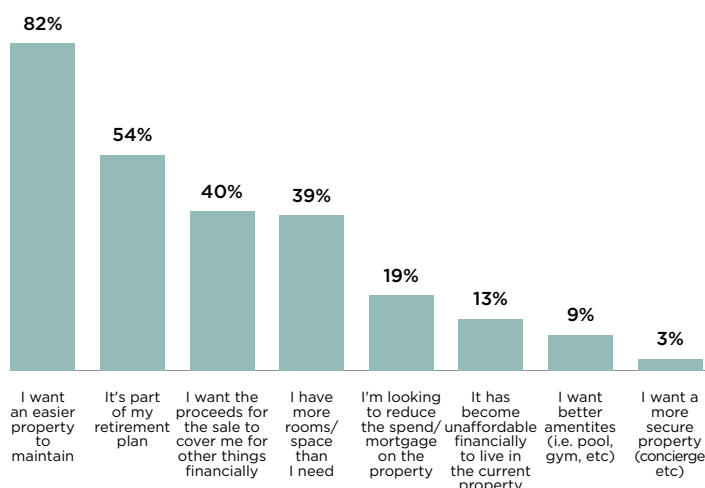
6.1 HOUSING NEEDS OF OLDER AUSTRALIANS

As Australia's population ages, the housing needs of older Australians are becoming increasingly important. According to Temple & Webster's research, a significant proportion of older Australians (aged 55-74) are considering downsizing, with 55% of those intending to move citing the desire to find a more manageable and suitable home for their retirement years.

For older Australians, the concept of rightsizing is not just about moving to a smaller property; it's about finding a home that meets their specific needs for this stage of life. This includes considerations such as the practicality of the home, proximity to essential services, accessibility, and the availability of community amenities.

Reasons for downsizing for Australians aged 55-74

Among those intending to move to a smaller property



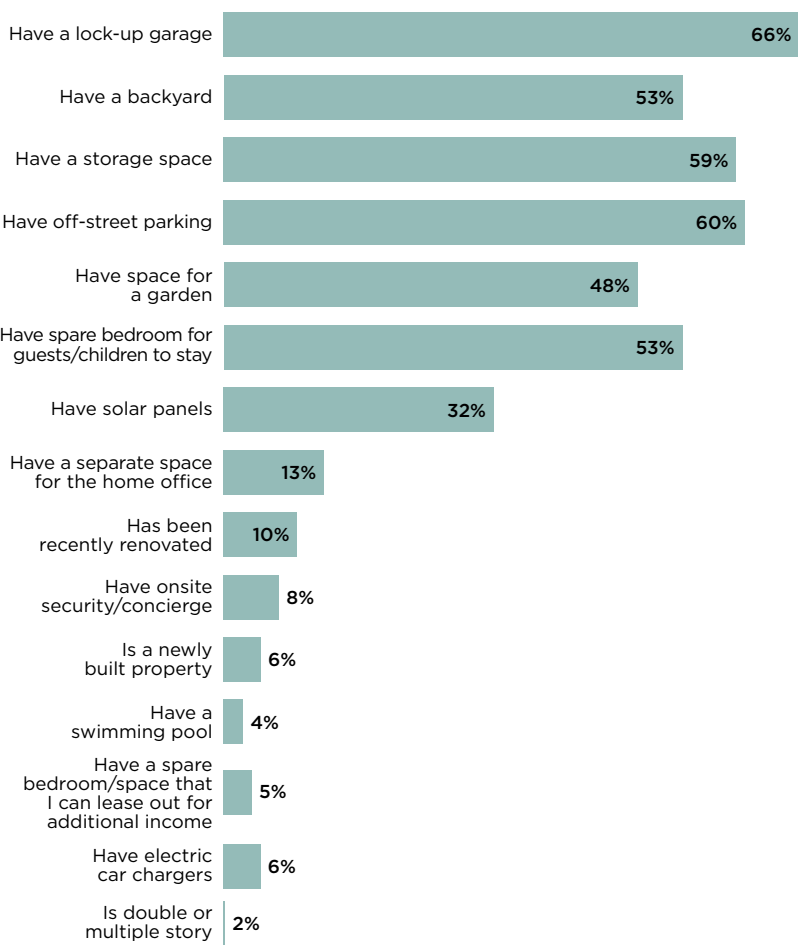
Source: Temple & Webster Rightsizing Study (July 2024)

6.2 PREFERENCES AND CONCERNS

Older Australians have specific preferences when it comes to their housing, and these preferences often differ significantly from those of younger generations:

- **Practicality over luxury:** Older Australians tend to prioritise practical features in their new homes, such as private garages, ample storage space, and proximity to essential services like hospitals and shopping centres. While luxury features like large backyards and high-end finishes may be desirable for some, the majority of older Australians are more focused on the practicality and financial benefits of moving to a smaller, more manageable property. The Temple & Webster study found that having a lock-up garage was the most important consideration for Australians aged 55-74.
- **Proximity to services:** For older Australians, being close to shopping centres, medical facilities, and public transport is a top priority. 51% of 55-74-year-olds said that having a shopping centre nearby was a must-have for them. Proximity to public transport, hospitals, and parks is also highly valued by this demographic.
- **Convenience and accessibility:** This demographic is less concerned with staying in the same neighbourhood or maintaining a large outdoor space, and more focused on convenience and accessibility.
- **Concerns about space and privacy:** Despite the appeal of downsizing, many older Australians express concerns about having enough space in their new homes. This includes worries about the ability to accommodate guests, storage needs, and lifestyle changes that may come with a smaller living space. Privacy is also a significant concern, particularly for those considering apartment living, where close proximity to neighbours can be an issue. The Temple & Webster study found that having adequate storage, parking, a garden and a spare bedroom were the top requirements for their new homes.

Importance of property inclusion for Australians aged 55-74



Source: Temple & Webster Rightsizing Study (July 2024)



6.3 BARRIERS TO ENTRY

Despite the clear benefits of rightsizing, there are several barriers that prevent older Australians from making the move:

- **Low uptake of retirement communities:** Despite the strong interest in downsizing. The Temple & Webster study found that only about 5% of Australians in this age group currently live in over-55 or seniors' retirement communities, and only 4% are considering moving into such communities in the next two years. This indicates a significant gap between the desire to downsize and the appeal of existing retirement living options. Factors such as cost, perceived loss of independence, and concerns about lifestyle adjustments may contribute to this low uptake as well as the difficulty in securing a home in a retirement living community.
- **Emotional attachments:** Many older Australians have lived in their current homes for decades and have deep emotional attachments to their properties. The prospect

of moving can be daunting, particularly when it involves leaving behind a home filled with memories and a neighbourhood they know well.

- **Financial considerations:** Financial motivations play a significant role in the decision to downsize. While many older Australians are looking to move into cheaper properties, they also want to free up equity or reduce ongoing living costs. However, the cost of buying a new property, along with associated expenses such as stamp duty, moving costs, and the potential need for renovations, can be a deterrent.
- **Lack of housing options:** A limited supply of suitable and available housing alternatives to move into creates challenges for older Australians. Unless there is a longer term approach to create more options for them, they will have no option other than to stay in their existing (and sometimes unsuitable) dwellings.



6.4 THE CHALLENGE FOR OLDER AUSTRALIANS

Never has rightsizing been more topical as we face the impact of a major demographic shift in the makeup of the Australian population. With 17% of the population in the 65+ age group, we will see this move to 25% by 2050. One in four Australians will be aged 65 and older. This places significant focus on the availability of suitable homes for older Australians that are the right size in all aspects for them.

One of the most pressing issues is finding ways to encourage older Australians to transition from their large, family-sized homes into properties that better align with their current life stage. Many older Australians remain in homes that are now too large for their needs, often due to emotional attachments and the lack of appealing alternatives. However, this situation contributes to the broader housing crisis by reducing the availability of family-sized homes for younger families.

To address this, it is essential to create housing options that cater specifically to the needs and preferences of older Australians. These options should include smaller, more manageable homes that offer practical features such as accessibility, proximity to essential services, and community amenities. Housing developments designed with older Australians in mind should emphasise ease of living, security, and the ability to maintain an active and socially connected lifestyle.

One of the most pressing issues is finding ways to encourage older Australians to transition from their large, family-sized homes into properties that better align with their current life stage.





Recommendations and the way forward

1. Prioritise rightsizing in housing strategies

Given the growing trend towards rightsizing, policymakers, developers, and real estate professionals should focus on creating housing options that align with Australians' evolving life stages and lifestyle needs. Rightsizing is not just about moving to a smaller home; it's about finding the right balance of space, affordability, and functionality. Future developments should include a mix of housing types that cater to these diverse preferences, from well-designed apartments to manageable townhouses.

2. Address housing affordability and accessibility

The affordability crisis, particularly for younger Australians, is a significant barrier to homeownership with only 10% of Australians aged 25-34 believing they are extremely likely to ever own a home. To address this, there should be a concerted effort to develop more affordable housing options for first-time buyers. Additionally, expanding the availability of long-term rental solutions, such as Build-to-Rent (BTR) developments, will provide greater stability and affordability for those who may not be able to buy.

3. Innovate in housing design for modern needs

With Australians increasingly looking for homes that offer flexibility and functionality, particularly with the rise of remote working, developers should focus on designing homes that include multi-functional spaces, such as spare rooms that can serve as both a guest bedroom and a home office. This approach not only maximises the utility of the home but also supports the diverse and changing needs of modern households.

4. Enhance the appeal of apartment living

Apartment living is becoming more prevalent, especially in urban areas, but barriers remain, such as concerns about space, privacy, and lack of outdoor areas. This report highlights that nearly half of Australians are hesitant to consider apartment living due to these factors. To make apartments more appealing, future developments should include features like soundproofing, private outdoor spaces, communal gardens, and multi-functional layouts. Emphasising these benefits can help shift perceptions and increase the acceptance of apartment living as a viable option for families and older Australians.



5. Support the housing needs of older Australians

A significant proportion of older Australians are considering downsizing, yet many are deterred by the lack of suitable housing options. It's essential to develop homes that cater to the specific needs of this demographic, focusing on practicality, accessibility, and proximity to essential services. Retirement living options should address concerns around space, privacy, and affordability while fostering a sense of community. By providing new housing options for this group, we can free up larger homes in sought-after locations for family groups.

6. Foster multi-generational and co-housing models

This report identifies emerging trends such as multi-generational living and co-housing as potential solutions to the housing affordability crisis. These models not only make housing more accessible but also provide economic and social benefits by allowing families to pool resources. Developers and policymakers should explore and promote these alternative housing configurations as part of the broader strategy to meet the diverse needs of Australian households.

7. Continue research and adapt to trends

Staying informed about changing housing preferences has never been so important. Ongoing research and data collection are crucial for understanding these shifts and should inform future housing policies and development plans. By remaining responsive to trends, stakeholders can ensure that housing solutions remain relevant and effective in addressing the needs of Australians.

8. Collaborate across sectors for effective implementation

Successfully implementing these recommendations will require collaboration between government, developers, community organisations, and the private sector. A coordinated approach is essential to create sustainable housing solutions that meet the diverse needs of Australians, from young renters to older downsizers. By working together, stakeholders can address the housing challenges identified in the white paper and contribute to a more resilient and inclusive housing market.

References

[ANZ Core Logic Housing Affordability report April 2024](#)

[Australian Bureau of Statistics \(ABS\) 2021 Housing](#)

[Australian Bureau of Statistics \(ABS\) 2021 Housing Occupancy and Costs](#)

[Australian Bureau of Statistics \(ABS\) October 2022 Back in my day article](#)

[Australian Bureau of Statistics \(ABS\) 28/6/24 Household and Family Projections, Australia](#)

[Australian Bureau of Statistics \(ABS\) Household and Family Projections, Australia June 2024](#)

[Realestate.com.au](#)

Disclaimer:

This report is published for general information only. Although high standards have been used in the preparation of this information, analysis of research results, views and the projections presented in this report, no responsibility or liability can be accepted by Temple & Webster for any loss or damage resulting from any use of, reliance on or reference to the content in this report. The opinions in this report reflect the views of the author and do not necessarily reflect those of Temple & Webster. No responsibility is accepted by Temple & Webster Group Pty Ltd and its related entities for the accuracy or omission of any statement, opinion, advice or information in this publication. Reproduction of this report in whole or in part is not permitted without the prior written permission of Temple & Webster.

TEMPLE &
WEBSTER