

## Chapter 2 Tenure and the dwelling stock

In *Housing supply and affordability issues, 2012-13*, the Council highlighted some key trends in dwelling stock and housing tenure. Detached homes remain by far the most common type of property across Australia. However, flats, units and apartments accounted for an increasing share of both new dwellings and total stock between 2001 and 2011.

The analysis in that report also showed a slowing rate of new households forming, particularly among young adults, and a decline in home-ownership rates across most age groups. The overall level of home-ownership, however, has been supported by an ageing population, since older households are more likely to live in their own homes.

This chapter extends this analysis and examines housing tenure for different types of property, as well as how this changed over the decade to 2011,<sup>1</sup> which is supplemented with some data from earlier periods in order to illustrate longer-term trends. Such changes reflect both changes in preference (with households looking for more accessible locations compromising with smaller dwellings) and changes in affordability constraints (with financially constrained households increasingly able to become home owners in a specific location only if they purchase a smaller, higher-density dwelling).

### National trends in tenure and dwelling type

The Council report *Housing supply and affordability issues, 2012-13* found that 29 per cent of private occupied dwellings in Australia were rented in 2011, an increase from 27 per cent in 2001. At the same time, the share of dwellings that were owner-occupied declined from 70 per cent to 69 per cent. Within the owner occupied stock there has been a notable fall in the share of homes owned outright from 42 to 33 per cent (of all properties) and an increase in the share owned with a mortgage from 28 to 36 per cent. The report also found that home-ownership (both outright and owned with a mortgage) has decreased for households in all age groups between

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1 All data in this chapter is sourced from the 1991, 2001, 2006 and 2011 Censuses of Population and Housing, based on private dwellings occupied by a usually resident household on Census night – dwellings occupied by visitor and group households are excluded. The ABS notes that information captured on Census night may not represent a fully comprehensive picture of housing tenure. However, the Council's view is that, at worst, the information gives a clear indication of trends over the decade.

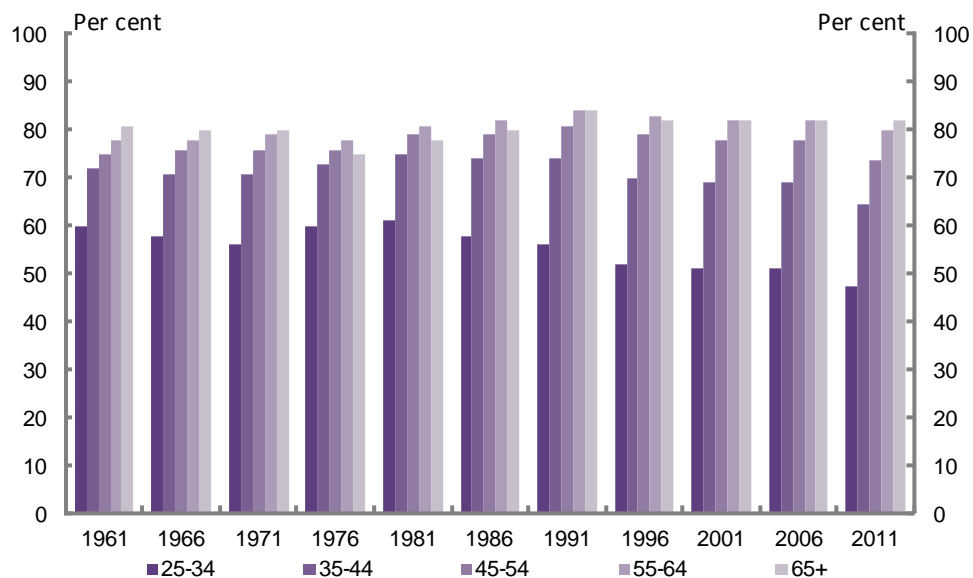
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2001 and 2011, with the exception of those with a reference person<sup>2</sup> aged 15-24 years or 65 years and over.

With the exception of data on tenure by state (Table 2.3), and unlike the previous report,<sup>3</sup> the analysis in this chapter, excludes dwellings that were occupied by a group household. Since this accounts for a relatively small proportion of overall dwellings, the exclusion of this category does not significantly impact on the more detailed findings in this chapter.

A pattern of declining home-ownership is evident over a longer period. At an aggregate level, Census data show a persistent decline in home-ownership for 24-35 year olds from around 1981 and for 35-44 year olds from 1991. Declines for households in older age groups are observable in varying degrees from 1991 (Figure 2.1).

**Figure 2.1 Home-ownership rates by age of household reference person, 1961 to 2011**



Source: Census data from Censuses of Population and Housing, 1961-2011.

2 The Family/Household Reference Person Indicator identifies the person who is used as the basis for determining the relationships within a household. It is usually the person who has identified himself/herself as Person One on the Census Household Form. The reference person must be someone who is usually resident in the household and aged 15 years or over and is present on Census night.

3 In *Housing Supply and Affordability Issues, 2012-13*, the analysis on tenure in Chapter 2 – An update on Australians' Housing and Living Arrangements included group households.

## Dwelling stock changes

Detached dwellings accounted for just over three quarters (76.5 per cent) of all occupied dwelling stock in 2011, with semi-detached dwellings accounting for 9.5 per cent and flats, units and apartments for 13.0 per cent. Changes in the composition of the occupied dwelling stock over time have seen a decline in the proportion of detached houses, and an increase in the proportion of the higher-density dwellings. However, major compositional changes to the overall stock take a long time to evolve. The changes observed over the past two decades have had only a modest impact on the composition of the overall occupied dwelling stock.

## Household tenure patterns

**Table 2.1 Proportion of occupied dwellings that are detached or higher density, by household type and tenure, 2001 and 2011.**

Tenure Type				Owned outright				Owned with a mortgage				Rented				Total — all tenure types(a)			
				Detached house		Higher- density Dwelling		Detached house		Higher-density Dwelling		Detached house		Higher-density dwelling		Detached house		Higher-density dwelling	
Dwelling Type				2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011		
Household type				Per cent															
Couple family with no children	89.4	89.0	9.3	10.0	86.4	83.0	13.2	16.8	50.4	47.7	48.1	51.4	81.2	78.2	17.6	21.0			
Couple family with children	95.5	94.2	4.1	5.6	95.9	92.7	3.8	7.2	76.0	73.8	22.8	25.7	92.3	89.0	7.1	10.7			
One-parent family	90.4	88.4	9.1	11.1	88.9	86.6	10.8	13.3	67.5	70.0	31.7	29.5	79.5	79.2	19.9	20.4			
Other family	82.2	83.9	17.1	15.6	78.3	76.1	21.7	23.8	47.4	49.2	52.3	50.1	66.3	66.3	33.3	33.1			
Lone person household	73.3	73.8	24.0	24.0	69.6	38.9	29.7	19.2	27.5	34.2	69.9	63.7	55.3	57.4	42.2	40.7			
Total	87.1	85.5	11.6	13.3	89.8	86.2	9.8	13.6	52.0	54.4	46.4	44.5	76.7	76.5	21.6	22.6			

Source: 2001 and 2011 Censuses. 2001 data are from 1 per cent Census sample file, and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Mortgaged dwellings include dwellings being purchased under a rent/buy scheme. Dwellings where the structure and/or tenure are 'not stated' are excluded from the totals. 'Flats' include all properties defined by the ABS as: flat, unit or apartment in a one or two-storey block; flat, unit or apartment in a three-storey block; flat, unit or apartment in a four or more storey block; and flat, unit or apartment attached to a house. 'Semi-detached + terrace' includes properties defined by the ABS as: 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys'.

(a) Components presented in the table for detached housing and higher density housing do not total 100 per cent. This is because the total for tenure includes all other tenure types, and the total for dwelling type includes other dwelling types. Other dwelling type includes: caravan, cabin, houseboat; improvised home, tent, sleepers-out; and house or flat attached to a shop, office, etc. All other tenure types include: being occupied rent-free; being occupied under a life tenure scheme; and other tenure types.

There are differences in the type of dwelling and the tenure in which different kinds of households live (Table 2.1). The vast majority of households that own their home (outright or with a mortgage) live in a detached house. In the Council's previous report, the increase in the proportion of households living in higher-density dwellings, particularly couples with no children and couples with children, was noted.<sup>4</sup> Table 2.1 shows that this increase was most evident among those couples with or without children who owned their home with a mortgage and, as such, were somewhat more likely to be more recent entrants into the housing market.

For households that rent, over half (54.4 per cent) rented a detached house in 2011, an increase from 52.0 per cent in 2001. This trend was most obvious for lone person households and one-parent families. The rental market includes both private and social/public rentals. The increase in proportion of households renting has been due to an increase in rentals from a private landlord, while public rental through a state/territory housing authority has been declining. Data from the ABS Survey of Income and Housing show that, in 2010, 23.7 per cent of all households rented from a private landlord, an increase from 20 per cent in 1998, while 3.9 per cent of all households rented through a housing a state/territory housing authority compared with 5.8 per cent in 1998.<sup>5</sup> The Council has previously noted that the relative market share of social and subsidised housing will not be maintained without continued investment.<sup>6</sup>

These changes in tenure and dwelling type should be considered along with changes in the composition of households. Between 2001 and 2011, there was a decrease in the proportion of dwellings accommodating couples with children and an increase in the proportion accommodating couples without children. The increase in couples without children is consistent with an ageing population, that is, with increased life expectancy contributing to the longer survival of older couples<sup>7</sup>. This illustrates the complex causation of changes in housing types and tenures. In other words, while some changes are caused by movements in the demographic structure of the population, their impact is moderated by changes in preference. Those changes in preference, in turn, may be due to increased land prices and reduced opportunity to obtain a detached home on the urban fringe that is reasonably well connected to jobs and amenities.

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4 National Housing Supply Council 2013, *Housing Supply and Affordability Issues, 2012-13*.

5 ABS 2012, *Australian Social Trends, data cube – Housing* cat.no.4102.0.

6 National Housing Supply Council 2010, *2<sup>nd</sup> State of Supply Report*, p88.

7 National Housing Supply Council 2013, *Housing Supply and Affordability Issues, 2012-13*.

## Tenure by dwelling type

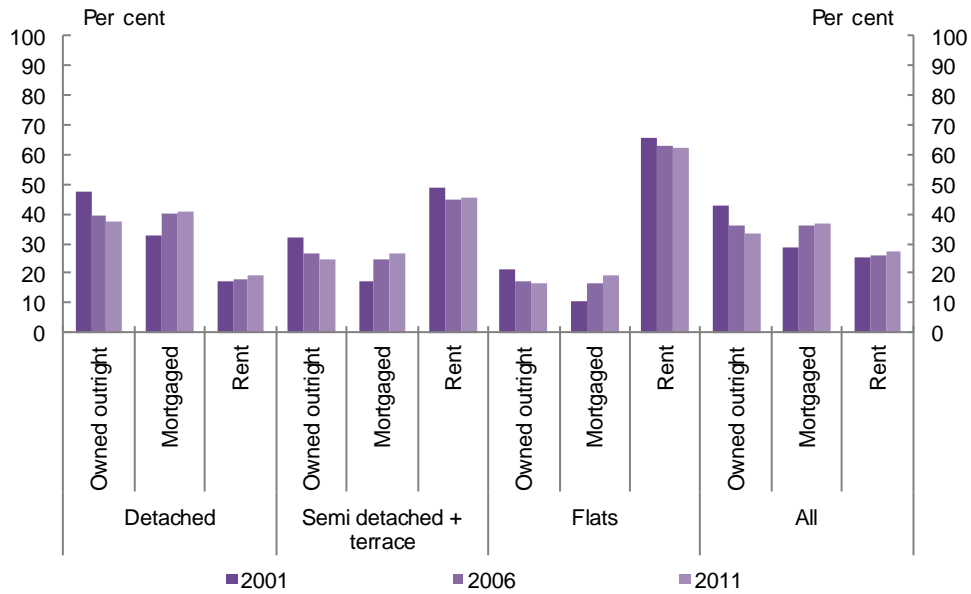
Housing tenure differs across dwelling types. Historically, flats and apartments (flats) are more likely than detached houses to be rented. However, as Figure 2.2 shows, there was a decline in the share of flats rented between 2001 and 2011 from 66 to 62 per cent, with a corresponding increase in the share that were owner-occupied. This may, in part, reflect changing lifestyle preferences and affordability constraints, with some households choosing to purchase smaller higher-density dwellings in more accessible locations.

The majority of the population, however, continue to conform to a traditional model of housing tenure. People living in detached ‘family’ homes are more likely to own their own home while those living in flats are more likely to rent. However, the increase in owner-occupation in flats and apartments, coupled with such dwellings accounting for an increasing share of total stock, means that more of those now entering home-ownership are doing it in dwelling types that tended to be rented. It is likely that the main drivers of this trend are an increasing supply of such dwellings and the deteriorating affordability of detached houses in suitable locations.

Detached houses and semi-detached/terrace houses/townhouses (attached houses) are more likely than flats to be owner-occupied. In 2001, 81 per cent of detached houses were owner-occupied, compared with 79 per cent in 2011. The share of attached houses that were owner-occupied increased from 49 per cent in 2001 to 51 per cent in 2011. As was the case for all types of property, there was a decline in the proportion of attached homes owned outright and an increase in the share where the dwelling was owned with a mortgage.

The shifting balance from outright ownership to ownership with a mortgage is consistent with findings from the Council’s previous report, which illustrated this across most age groups and particularly among older households. The traditional home-ownership model of households paying off their mortgage as they move into their later working years is no longer as widespread. Higher house prices may mean that owners are more likely to take on larger debt and hold this debt for longer. However, easier access to mortgage finance to fund other investments and spending is also likely to have played a major part, along with increased superannuation, which has tended to both reduce the primacy of housing as a form of retirement security and made it possible to repay mortgage debt comparatively late in life.

**Figure 2.2 Housing tenure by occupied dwelling type, Australia, 2001, 2006 and 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Mortgaged dwellings include dwellings being purchased under a rent/buy scheme. Dwellings where the structure and/or tenure are 'not stated' are excluded from the totals. 'Flats' includes all properties that the ABS defines as: flat, unit or apartment in a one or two-storey block; flat, unit or apartment in a three-storey block; flat, unit or apartment in a four or more storey block; and flat, unit or apartment attached to a house. 'Semi detached + terrace' includes properties defined by the ABS as 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys'.

There are differences in the type of dwelling and the tenure under which people of different ages live (Table 2.2). The vast majority of households who own their home (outright or with a mortgage) live in a detached house, regardless of the age of the household reference person. However, between 2001 and 2011, there was an increase in the proportion of households that live in higher-density dwellings across all age groups with the exception of those aged 65 years and over. This increase was most obvious among those who own their house with a mortgage, and across those where the household reference person was relatively young. The increase in higher-density housing was not replicated widely among renters, with an increase in renting detached houses evident among most age groups.

**Table 2.2 Proportion of occupied dwellings that are detached or higher density, by age of reference person by tenure, 2001 to 2011**

Tenure Type	Owned outright				Owned with a mortgage				Rented				Total — all tenure types			
Dwelling type	Detached house		Higher-density Dwelling		Detached house		Higher-density dwelling		Detached house		Higher-density dwelling		Detached house		Higher-density dwelling	
Age of Reference Person	Per cent															
	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011	2001	2011
15-24 years	79.3	74.9	19.5	23.6	90.2	81.5	12.3	18.3	45.3	50.9	52.6	48.2	57.0	60.2	41.4	38.9
25-34 years	82.3	79.0	15.7	19.9	88.0	79.2	11.8	20.6	72.2	51.1	36.6	48.2	72.3	65.7	26.7	33.8
35-44 years	89.7	87.0	9.2	11.9	64.9	87.4	7.2	12.4	61.1	62.0	37.0	37.1	82.8	78.9	16.2	20.6
45-54 years	91.7	89.3	7.2	9.6	93.0	89.5	6.7	10.3	53.9	61.3	43.9	37.3	83.5	82.4	15.4	16.8
55-64 years	90.1	88.1	8.4	10.6	87.4	87.1	11.7	12.6	50.4	52.6	47.5	45.7	83.2	81.0	15.2	17.8
65 years and over	82.9	83.3	15.9	15.5	83.5	84.4	16.9	15.2	33.2	39.6	65.6	59.2	74.4	75.3	24.4	23.5
Total	87.1	85.5	11.6	13.3	89.8	86.2	9.8	13.6	52.0	54.4	46.4	44.5	78.4	76.5	20.4	22.6

Source: 2001 and 2011 Censuses. 2001 data are from 1 per cent Census sample file, and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Mortgaged dwellings include dwellings being purchased under a rent/buy scheme. Dwellings where the structure and/or tenure are 'not stated' are excluded from the totals. 'Flats' includes all properties that the ABS defines as: flat, unit or apartment in a one or two-storey block; flat, unit or apartment in a three-storey block; flat, unit or apartment in a four or more storey block; and flat, unit or apartment attached to a house. 'Semi-detached + terrace' includes properties defined by the ABS as 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys'. Total — all tenure types includes all other tenure types, as well as all other dwelling type, so components presented in table do not add to total.

(a) Components presented in the table for detached housing and higher-density housing do not total 100 per cent. This is because the total for tenure includes all other tenure types, and the total for dwelling type includes other dwelling types. Other dwelling types include: caravan, cabin, houseboat; improvised home, tent, sleepers-out; and house or flat attached to a shop, office, etc. All other tenure types include: being occupied rent-free; being occupied under a life-tenure scheme; and other tenure types.



## Tenure by state and territory

**Table 2.3 Tenure, proportion of private occupied dwellings, by state and territory, 2001 and 2011.**

Tenure Type	Owned outright		Owned with a mortgage		Total home-ownership		Rented	
	2001	2011	2001	2011	2001	2011	2001	2011
<b>State/territory</b>	Per cent							
NSW	43.5	34.1	24.9	34.2	68.4	68.3	28.8	29.8
Vic	45.2	35.1	29.4	36.8	74.6	72.0	23.0	26.3
Qld	38.2	29.7	27.8	35.4	66.0	65.1	31.3	32.9
SA	41.2	33.7	30.4	36.2	71.6	69.9	25.7	27.7
WA	37.3	30.2	33.9	38.7	71.1	69.0	25.9	28.5
Tas	43.2	37.1	29.8	35.0	72.8	72.1	24.8	25.9
NT	17.6	16.3	29.5	31.8	47.2	48.0	48.8	46.8
ACT	34.6	28.8	35.1	39.5	69.7	68.3	28.9	30.4
Australia	41.8	32.9	28.2	35.8	69.9	68.7	27.4	29.3

Source: 2001 and 2011 Censuses of Population and Housing, Expanded Community Profile.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor households. Mortgaged dwellings include dwellings being purchased under a rent/buy scheme. Dwellings where the tenure is 'not stated' are excluded from the totals. Other tenure type is included in total for tenure, but not shown in this table. Therefore, components for total home-ownership and rented do not add to 100 per cent.

Table 2.3 shows housing tenure across the states and territories. A shift from owned outright to owned with a mortgage was observed across all states and territories between 2001 and 2011. The greatest decline in dwellings owned outright occurred in Victoria, Queensland and New South Wales. In 2011, Tasmania (37.1 per cent) and Victoria (35.1) had the highest proportion of dwellings owned outright. In 2011, the Australian Capital Territory (39.5 per cent) and Western Australia (38.7 per cent) had the highest proportion of dwellings owned with a mortgage.

Between 2001 and 2011, there were increases in the proportion of dwellings rented in all states and territories, with the exception of the Northern Territory. The largest increases in rental occurred in Victoria and Western Australia. In 2011, the states with the highest proportion of dwellings rented were the Northern Territory (46.8 per cent) and Queensland (32.9 per cent). The following sections of this chapter provide more detailed analysis of dwelling type and tenure among the states and territories.

## Detached dwellings by state and territory

Detached dwellings make up the vast majority of the occupied dwelling stock across Australia (Table 2.4), accounting for over three-quarters of all such properties in 2011. While there are differences in this share across the country, in most states and territories, there was a decline between 1991 and 2011 in the proportion of the occupied stock comprising detached houses.

Detached houses as a proportion of total occupied stock was highest in Tasmania at 87 per cent, followed by Western Australia and South Australia at a little over 80 per cent.

The proportion of total stock comprising detached houses was lowest in the Northern Territory and New South Wales (69 per cent and 71 per cent, respectively). The Australian Capital Territory has experienced the greatest decline in the proportion of detached housing to total stock over the decade to 2011 (from 79 per cent to 74 per cent). The lower proportion of detached houses in the Northern Territory at least partly reflects the fact that it has a significantly larger share than other states and territories of occupied dwellings that are ‘caravans, cabins, houseboats’, ‘improvised homes, tents, sleepers-outs’ and ‘houses or flats attached to a shop, office, etc’.

**Table 2.4 Detached houses as proportion of occupied dwelling stock, 1991, 2001, 2006 and 2011**

	1991	2001	2006	2011
	per cent			
<b>NSW</b>	76.6	73.4	72.5	70.6
<b>Vic</b>	82.6	80.4	78.6	78.0
<b>Qld</b>	84.0	81.5	80.5	79.5
<b>SA</b>	78.8	79.4	80.4	80.4
<b>WA</b>	81.4	81.0	81.4	81.1
<b>Tas</b>	86.8	87.4	87.1	86.7
<b>NT</b>	70.5	70.9	71.3	69.0
<b>ACT</b>	82.4	78.9	77.5	74.1
<b>Australia</b>	79.8	78.3	77.8	76.5

Source: 2001, 2006 and 2011 ABS Censuses of Population and Housing. 2001 data are from Expanded Community Profiles, while 2006 and 2011 data are from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Cases where dwelling type is known but tenure is ‘not stated’ and ‘not applicable’ are included.

The most common tenure across the detached housing stock is still owner-occupation (Figure 2.3). As noted earlier in this chapter, the share of owner-occupied dwellings fell between 2001 and 2011. However, in 2011, almost four-fifths of detached houses were owner-occupied. Again, consistent with the trend across the total dwelling

stock, there has been some shift from outright ownership to homes owned with a mortgage.

In 2011, the Northern Territory had the lowest proportion of detached houses that were owner-occupied at 55 per cent, a share that increased by around 1 percentage point from 2001 (Figure 2.3). Victoria and Queensland had the highest rate of ownership (outright or with a mortgage) for detached houses in 2011 at 82 per cent. In Victoria, this proportion fell by 3 percentage points over the decade, and in Queensland it increased by 6 percentage points. The Council hypothesises that the latter may have been partly the outcome of retirees migrating to Queensland, having sold their homes in the more expensive southern capital cities.

It is evident that states with relatively low levels of detached housing tend to be those with large capital cities and high land prices, where larger detached dwellings are likely to be out of reach for many potential buyers. It is also evident; however, that denser forms of dwellings are becoming more prevalent in smaller cities and regional centres (Canberra being a case in point). This may be driven by the rising cost of servicing land and, thus, the price of detached housing, but could also be due to changing life-style preferences, particularly those of younger people expecting to move for work, to delay having children and to have fewer children compared with previous generations.

**Figure 2.3 Proportion of detached houses that are owner-occupied by state/territory 2001, 2006, 2011**



Source: 2001, 2006 and 2011 ABS Censuses of Population and Housing. 2001 data are from Expanded Community Profiles, while 2006 and 2011 data are from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Owner-occupied dwellings include: dwellings owned outright, dwellings owned with a mortgage, and dwellings being purchased under a rent/buy scheme.

Dwellings for which structure and/or tenures are 'not stated' are excluded from totals.

**Figure 2.4 Proportion of detached dwellings that are rented, by state/territory 2001, 2006, 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Dwellings for which structure and/or tenures are 'not stated' are excluded from totals.

The relatively high proportion of overall of rented dwellings in the Northern Territory is displayed in Figure 2.4 as applying to detached houses. Queensland, Western Australia, and South Australia experienced the largest increase in the share of rented, detached houses over the decade to 2011. This is consistent with an overall increase in the proportion of dwellings that are rented in these states between 2001 and 2011.

## Semi-detached, terrace and townhouses dwellings, by state and territory

Semi-detached, terrace and townhouses (referred to as 'attached houses') make up a relatively small share of occupied housing at just under 10 per cent in 2011 (Table 2.5), an increase from 7.4 per cent in 1991. These properties accounted for 14 per cent of occupied dwellings in the Australian Capital Territory and over 10 per cent in New South Wales, South Australia, Western Australia and the Northern Territory.

**Table 2.5 Semi-detached, terrace and townhouse share of occupied dwelling stock, 1991, 2001, 2006 and 2011**

	1991	2001	2006	2011
	per cent			
<b>NSW</b>	6.6	9.1	9.6	10.5
<b>Vic</b>	7.3	8.0	8.8	9.2
<b>Qld</b>	3.8	6.6	7.4	8.1
<b>SA</b>	13.3	11.5	10.3	10.5
<b>WA</b>	11.6	11.2	10.2	10.3
<b>Tas</b>	5.9	5.2	3.9	5.2
<b>NT</b>	7.9	10.3	9.9	11.1
<b>ACT</b>	9.6	12.6	12.9	14.1
<b>Australia</b>	7.4	8.7	8.9	9.6

Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Dwellings for which structure and/or tenures are 'not stated' are excluded from totals.

Data for semi-detached, terrace and townhouse include properties defined by the ABS as: 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys' (based on records where dwelling type is recorded). Cases where dwelling type is known but tenure is 'not stated' and 'not applicable' are included.

While the increase in attached houses as a share of all dwellings may not appear dramatic, it comes from a low base. As with the increase in the share of flats and apartments, this may reflect increased demand for small dwellings due to affordability constraints, as well as the greater emphasis on infill and higher-density development seen in many cities.

**Figure 2.5 Share of semi-detached, terrace and townhouse dwellings that are owner-occupied, by state/territory, 1991, 2001, 2006, 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Dwellings for which structure and/or tenures are 'not stated' are excluded from totals.

Data for semi-detached, terrace and townhouse include properties defined by the ABS as: 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys' (based on records where dwelling type is recorded). Cases where dwelling type is known but tenure is 'not stated' and 'not applicable' are included. Owner-occupied dwellings include dwellings owned outright, dwellings owned with a mortgage and dwellings being purchased under a rent/buy scheme.

Owner-occupation of attached houses increased from 2001 to 2011 in all states and territories (Figure 2.5). A decline in outright ownership of attached houses in most states and territories was more than offset by an increase in the share owned with a mortgage. The largest overall increase in the proportion of these properties that were owner-occupied occurred in Queensland and South Australia, both of which experienced an increase of around 6 percentage points. However, in 2011, the highest proportion of owner-occupied attached dwellings was in Victoria and New South Wales (58 per cent and 56 per cent respectively). Tasmania had both the lowest share of attached housing and the lowest share of owner-occupied attached housing.

**Figure 2.6 Share of semi-detached, terrace and townhouse dwellings that are rented, by state/territory 2001, 2006, 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Dwellings for which structure and/or tenures are 'not stated' are excluded from totals.

Data for semi-detached, terrace and townhouse include properties defined by the ABS as: 'semi-detached, row or terrace house, townhouse etc with one storey'; and 'semi-detached, row or terrace house, townhouse etc with two or more storeys' (based on records where dwelling type is recorded). Cases where dwelling type is known but tenure is 'not stated' and 'not applicable' are included.

A significantly larger proportion of attached houses are rented compared with detached houses (45 per cent and 20 per cent, respectively). However, there was a decline in the share of these properties being rented between 2001 and 2011 across all states and territories (Figure 2.6). The decline was greatest in South Australia, Queensland and the Northern Territory.

## Flats, units and apartments by state and territory

Flats, units and apartments account for a relatively small share of overall occupied dwelling stock, (13 per cent in 2011). However, this share has increased in recent years and that is likely to continue. More and more, the focus of strategic plans for many major cities is now on accommodating population growth by way of increasing the density of existing urban areas, rather expanding outwards beyond the city fringe.

**Table 2.6 Flats, units and apartment as proportion of occupied dwelling stock, 1991, 2001, 2006 and 2011**

	1991	2001	2006	2011
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	per cent			
<b>NSW</b>	15.0	16.1	16.9	18.0
<b>Vic</b>	9.0	10.8	11.9	12.2
<b>Qld</b>	9.2	10.2	10.6	11.1
<b>SA</b>	6.9	8.3	8.6	8.6
<b>WA</b>	5.5	6.6	7.2	7.6
<b>Tas</b>	6.0	6.5	8.2	7.3
<b>NT</b>	13.6	13.1	14.3	15.8
<b>ACT</b>	7.7	8.3	9.3	11.6
<b>Australia</b>	10.4	11.7	12.3	13.0

Source: 2001, 2006 and 2011 Censuses of Population and Housing. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Data for flats, units or apartments include properties defined by the ABS as: 'flat, unit or apartment in a one or two-storey block'; 'flat, unit or apartment in a three-storey block'; 'flat, unit or apartment in a four or more storey block'; and 'flat, unit or apartment attached to a house' (based on records where dwelling type is recorded). Cases where dwelling type is known but tenure is 'not stated' and 'not applicable' are included.

As Table 2.6 shows, the proportion of the entire dwelling stock accounted for by flats, units or apartments increased across all states and territories in the 20 years between 1991 and 2011. The increases were largest in the Australian Capital Territory (3.9 percentage points), where flats, units and apartments account for 12 per cent of all housing stock in 2011, and New South Wales (3 percentage points), where flats, units and apartments now account for nearly one in five of all dwellings (18 per cent).

The share of flats that were owner-occupied increased between 2001 and 2011 in all states and territories (Figure 2.7). The largest increases in the proportion of owner occupied flats was in the Australian Capital Territory (10 percentage points) and the Northern Territory (6 percentage points), albeit starting from a lower base in both cases. This partly reflects the increasing proportion of additions to dwelling stock that are flats, units and apartments. The Council has previously noted that the construction of higher-density forms of housing approached or exceeded growth in detached housing over a sustained period<sup>8</sup> only in the Northern Territory and the ACT.

New South Wales had the highest share of flats in owner-occupation at 38 per cent in 2011, and an increase from 33 per cent a decade earlier. This compared to an Australia-wide increase of just over three percentage points to 35 per cent.

<sup>8</sup> National Housing Supply Council 2013, *Housing Supply and Affordability Issues, 2012-13*.



**Figure 2.7 Share of flat, unit and apartment dwellings that are owner-occupied by state/territory 2001, 2006, 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Mortgaged dwellings include dwellings being purchased under a rent/buy scheme. Data for flats, units or apartments include properties defined by the ABS as: 'flat, unit or apartment in a one or two-storey block'; 'flat, unit or apartment in a three-storey block'; 'flat, unit or apartment in a four or more storey block'; and 'flat, unit or apartment attached to a house'. Dwelling and tenures 'not stated' and 'not applicable' are excluded from both tenure and dwelling structure totals.

Tasmania and the Northern Territory had the largest share of rented flats in 2011 (Figure 2.8). This remained the most common type of tenure for these properties, at over 60 per cent across all states and territories, with the exception of New South Wales (where it was just below this mark). There was a decline in all states and territories in the proportion of flats rented between 2001 and 2011. This was particularly so in the Australian Capital Territory (10 percentage point decline) and the Northern Territory (7 percentage point decline). This is consistent with the increasing proportion of additions to housing stock that are higher-density dwellings in these territories, coupled with more households choosing to purchase and live in higher-density dwellings.

**Figure 2.8 Share of flat, unit and apartment dwellings rented by state/territory 2001, 2006, 2011**



Source: 2001, 2006 and 2011 Censuses. 2001 data are from Expanded Community Profiles 2006 and 2011 from Tablebuilder.

Note: Data are based on occupied private dwellings on Census night and exclude dwellings occupied by visitor and group households. Data for flats, units or apartments include properties defined by the ABS as: 'flat, unit or apartment in a one or two-storey block'; 'flat, unit or apartment in a three-storey block'; 'flat, unit or apartment in a four or more storey block'; and 'flat, unit or apartment attached to a house'. Dwelling and tenures 'not stated' and 'not applicable' are excluded from both tenure and dwelling structure totals.

## Conclusion

This chapter and the previous Council report observe a shift in tenure occurring between 2001 and 2011, with a decrease in home-ownership and a corresponding increase in renting. Furthermore, those who own their own house are now more likely to do so with a mortgage. Although the magnitude of the change in aggregate home-ownership is not substantial, it is replicated in all states and territories. It is also consistent with the trend to lower ownership rates in younger age groups that became evident in census data and surveys of income and housing throughout the preceding decade, if not longer. It is also evident that home-ownership rates are lowest in states with the largest cities and the highest proportions of people living in major urban centres.

If the trend toward increasing rental tenure continues, this could have significant implications for the development and construction industries, as well as for financial institutions and government policy. The rental market in Australia is relatively unsophisticated, because the supply-side is dominated by individual investors owning one, two or more negatively-gated dwellings. Unlike its equivalent in the commercial

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office arena, the residential rental sector is not recognised as a distinct asset investment class and there is little or no investment into this sector by institutions like superannuation funds. While banks have been happy to support investment by retail ‘mum-n-dad’ investors drawing on equity growth in their home and investment properties, they are likely to be more circumspect in the face of low and uncertain growth in residential property prices.

Moreover, most of the market seems to be geared to short-term leases that align with the traditional view of renting as a transitional or temporary tenure (for example, for students, staff and managers whose time in the area is limited).

Renting is sometimes perceived as the tenure of last resort for lower income households and others who cannot access home-ownership. While the social housing sector provides affordable rental for long-term tenants, it cannot satisfy demand, with the result that the private rental market is the primary source of rental housing for most who would qualify for social housing. Rents are higher and the duration of occupancy is managed by the almost universal device of short-term leases. It is inevitable that the rental market will need to change in order to accommodate increased demand for longer-term rental accommodation, and that the policy settings that govern rent assistance for lower-income households and the provision of social housing will need to be re-examined in this light.

This chapter has also identified signs of a shift toward higher-density housing (comprising flats, units, apartments and semi-detached housing, such as townhouses). Higher-density housing accounted for around one-quarter of all occupied dwellings in 2011, an increase from a decade earlier. Contrary to trends in tenure across the dwelling stock as a whole, a larger share of higher-density dwellings were owner-occupied than a decade earlier. It is important to note that, while higher-density housing now accounts for a greater proportion of new housing construction than in the past, the impact on the composition of the overall housing stock is modest. In the last half century, however, the share of higher-density dwellings has increased nearly threefold (from less than 8 per cent of all occupied private dwellings in 1961 to almost 23 per cent in 2011).

There is likely to be a range of cultural and economic reasons for the shift toward higher-density dwellings. Among other factors, the increased focus on higher-density residential development, particularly near transport hubs and employment opportunities within existing urban boundaries, means these properties may be more attractive than detached homes built on greenfield sites located further from city centres, especially if the latter lack good-quality public transport infrastructure.

The Reserve Bank of Australia has also noted the recent increases in approvals to build higher-density housing in spite of approvals for detached housing remaining

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subdued.<sup>9</sup> It further noted that rising land prices relative to incomes and increased congestion had made living on the urban fringe less attractive, while a shift in preferences to living closer to city centres and existing infrastructure may have increased the attractiveness of higher-density dwellings.

Increased owner-occupation of high-density dwellings may also be partly explained by the cultural expectations and circumstances of migrants. Previous work commissioned by the Council<sup>10</sup> has shown that some categories of migrants, particularly students and newly-arrived skilled migrants, are more likely to live in higher-density dwellings.

Research by the Grattan Institute has also pointed to changing household preferences for higher-density housing. Before taking account of budget constraints, the preferred housing option for many households is a relatively large detached dwelling, located near the city, shops, and in the same area as friends and family. However, when budget constraints and other trade-offs are considered,<sup>11</sup> the prevalence of that preference diminishes, with many switching their preference to higher-density housing. The Grattan Institute study found unmet demand for such housing in Sydney; their research indicated that more households preferred higher-density dwellings than there was stock available.

Changes in the nature of apartments being built may also have increased owner-occupation of higher density dwellings. The last Council report found that the share of flats with three or more bedrooms increased from just less than 13 per cent in 2001 to almost 18 per cent in 2011, which could mean that there are now more apartments that are a closer substitute for detached dwellings.

While overall home-ownership rates have fallen for detached housing, the share owned with a mortgage has increased noticeably in the decade to 2011. This is likely to partly reflect higher house prices feeding into larger mortgages later in life. However, as noted above, it could also reflect greater use of mortgage finance secured on a primary residence (a relatively inexpensive way to fund other spending and investment, particularly among more wealthy households). Longer life-expectancy and the ability to stay in the workforce longer than previous generations might also explain the ability and willingness of some households to extend a mortgage later into life.

Some of the change in tenure and dwelling patterns observed over the period 2001-2011 may be in response to the composition of available housing supply — households may adapt their preferences according to what is available. It is also likely

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9 Speech by Assistant Governor (Economic) of the Reserve Bank of Australia Christopher Kent on 14 March to the Australian Institute of Building.

10 Khoo, SE, McDonald, P, Temple, J and Edgar, B 2012, *Scoping Study of Migration and Housing Needs, report for the National Housing Supply Council.*

11 Kelly, J.F., Weidmann, B., and Walsh, M., 2011, *The Housing We'd Choose*, Grattan Institute, Melbourne.

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that the designers, developers, builders and financiers have responded to changing preferences. As noted, there were modest changes to the composition of the total dwelling stock over the decade to 2011, which is unsurprising, given the inherent inertia in the housing system —new supply adds only around 1.6 per cent<sup>12</sup> to the total stock each year. There were also changes in tenure — a clear trend of falling owner-occupation of detached dwellings and rising owner-occupancy of higher density dwellings. Barring a transformation in the factors that drive the changing attractiveness of these dwelling types (particularly in relation to transport infrastructure, the incidence and impact of congestion, access to jobs, and availability of higher density dwellings) the Council believes this is likely to continue for some time.

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12 National Housing Supply Council 2013 *Housing Supply and Affordability Issues, 2012-13*.