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Implications of declining home ownership



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Key issues

- Declining home ownership, particular among the young and less wealthy, is likely to continue.
- Emphasising home ownership as the primary path to secure housing can inadvertently exclude vulnerable and marginalised groups.
- The Productivity Commission has recommended establishing a coordinated research framework on rental regulation to better understand the trade-offs in the Australian context and has also recommended a review of Commonwealth Rent Assistance.
- Different countries have applied various approaches to tackle this issue, though measuring success or transferring it to other contexts is problematic.
- Applying and enforcing renters' rights is intrinsically linked to the broader housing market, including supply.

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Introduction

In recent decades, Australia has experienced a notable decline in home ownership and a correlating rise in the proportion of renters. Declining home ownership is particularly pronounced among younger Australians but the increase in ‘lifetime renters’ is also becoming evident. Given the continued growth in national house prices, these issues are likely to remain.

Historically, Australians have emphasised home ownership as the primary means of securing stable housing. So highly is it valued that home ownership remains the ‘Great Australian Dream’ and has led to a system in which homeowners enjoy many benefits, including some delivered by governments. The flipside is that there is substantial stigma attached to renting, having failed to achieve this ideal.

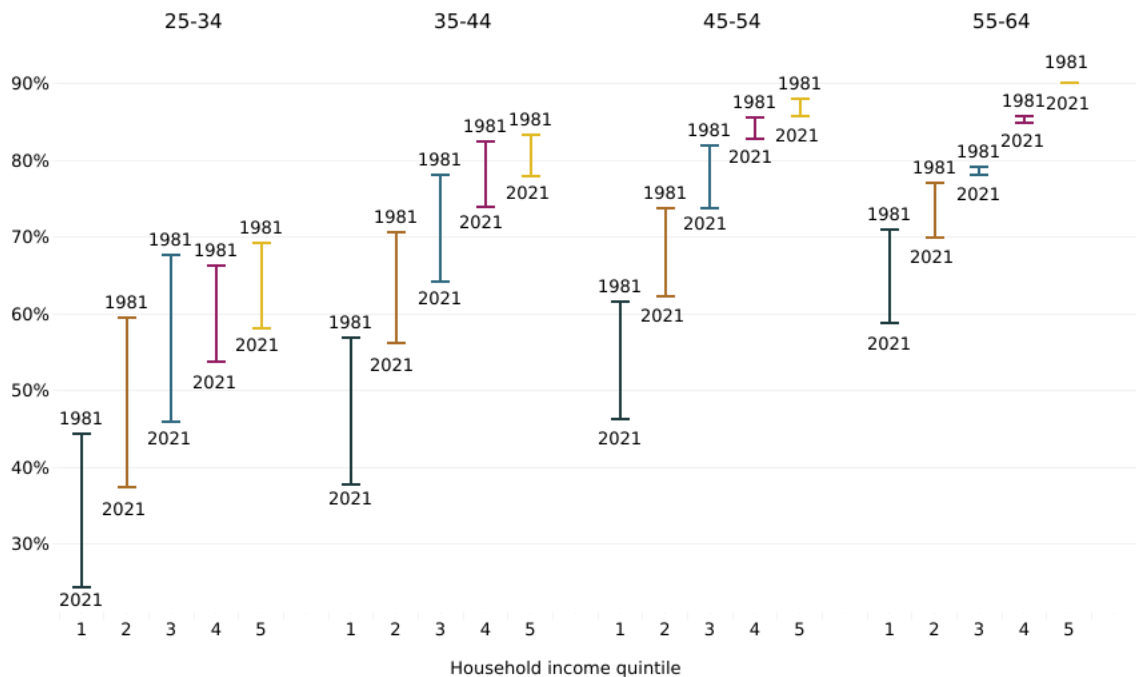
The [OECD has advocated](#) a shift towards supporting more diverse housing, including private rental and social and affordable housing. Within their own contexts, Germany, Canada and New Zealand have also demonstrated various policy responses. This article examines these among broader economic and social housing issues and highlights possible policy actions for Australia.

What’s changing?

Since peaking at 71% in 1966, [home ownership in Australia has declined](#) from 70% in 1981 to 67% in 2021. The decline is [particularly apparent among young people](#); for those aged 25–34, home ownership has decreased from 61% to 43%. In comparison, for those aged 55–64 home ownership has decreased from 81% to 76% (see Figure 1).

This is in the wider context of [delays in other major life events](#), such as finishing education and securing employment. However, [Curtin University researcher Rachel Ong ViforJ has argued](#) that the shifts in home ownership also reflect structural factors. These include ‘rising real house prices and growing labour market precariousness, which are incompatible with long-term mortgage commitments’ (p. 118). ViforJ’s analysis aligns with data showing lower income Australians are also much less likely to be homeowners, including older cohorts. Specifically, while 55–64-year-olds in the top 20% of incomes have high levels of home ownership similar to those in 1981, the bottom 20% have seen home ownership decline from 71% to 59%.

Figure 1 Home ownership for different age and income groups



Notes: Reproduced with permission from Grattan Institute analysis. Private dwellings only. Excludes tenure or income not stated. ‘Other’ tenure is counted as a non-owner. Household incomes are reported in ranges, so sorting into quintiles is an approximate exercise. This means small changes in ownership rates may not be significant. Income is not equalised due to data limitations.
 Source: Grattan analysis of ABS 1981 Census 1 Per Cent Sample File and the ABS 2021 Census 5 Per Cent Sample File.

Unsurprisingly, declining home ownership coincides with rising property rental. Between 1981 and 2021 the [proportion of Australian renters](#) rose from 27% to 31% and they are generally younger and have lower incomes than the broader population. They are also more likely to be Aboriginal or Torres Strait Islander, single parents, unemployed, international students or immigrants. The proportion of older women renting due to family separation is also rising.

The contexts of owning or renting

Home ownership

Home ownership has many advantages, including stability and security (especially in older age) and the ability to adapt the home to new requirements. The Commonwealth Government also provides implicit benefits to homeowners, such as:

- excluding the primary residence within the personal income tax system ([capital gains](#) and investment income)

- exempting much of the wealth held in the primary residence from welfare system ‘asset tests’. For instance, [Age Pension](#) eligibility only assesses the first \$252,000 of a primary residence’s value within the asset test.

These benefits can have a significant financial impact and have arguably become a [component of Australia’s retirement income system](#). Governments have also implemented various ‘first-home owner’ schemes, as well as incentives to boost housing supply.

Renting

Renting can offer significant flexibility, including easier relocation without the logistical and financial (especially stamp duty) burdens of buying and selling a home. The [OECD argues](#) that ‘compared to ownership, renting has the advantage of encouraging greater labour mobility, which helps to deepen the labour market’ (p. 75). In terms of federal government benefits, Commonwealth Rent Assistance provides financial support to eligible low-income individuals and families.

However, renting provides considerably less stability, with standard rental contracts being 12 months. More frequent relocation can also bring substantial costs, while low vacancy rates can create substantial power differentials between landlord and tenant.

Policies in the Australian context

In Australia, different levels of government involvement significantly complicate housing policy. While state and territory governments maintain overarching responsibility, the Commonwealth controls the related personal income tax and transfer system.

Residential tenancy laws aim to provide renters with improved security, safety and accessibility. Such laws regulate evictions, pet ownership, minor alterations, and minimum standards. While the states and territories are responsible for such regulations, in 2023 [National Cabinet agreed](#) to collaborate on improving protections. In turn, the Australian Housing and Urban Research Institute has [published a ‘report card’ to assess progress](#).

As with all policy areas, there are trade-offs when considering the extent to which a sector should be regulated. Policymakers must weigh the benefits of tenant protections against the potential negative impacts.

The Productivity Commission (PC) has also [examined Australia’s housing and rental markets](#) and recommended:

- reviewing Commonwealth Rent Assistance to improve its sufficiency, fairness and effectiveness
- establishing a ‘what works’ centre to build and share knowledge of state and territory housing regulations and their impacts.

The PC has further suggested that addressing rental housing supply barriers would reduce rent costs, and highlighted the [nexus between tenant rights and housing supply](#):

When vacancy rates are low and renters have few options in the private rental market, they have less bargaining power with landlords. This compounds issues of security, safety and accessibility for renters, and can undermine the effectiveness of tenancy reform by reducing renters’ ability to enforce their rights. (p. 15)

The international housing experience

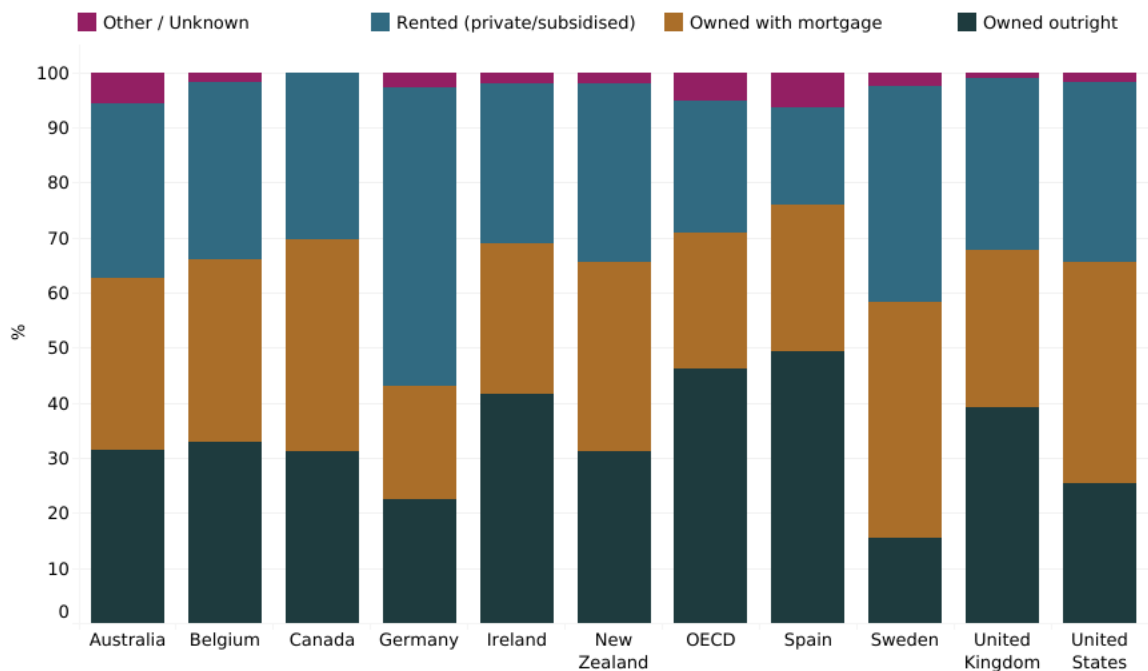
In 2023, the OECD [broadly recommended](#):

Policy should shift the focus away from promoting homeownership, which is often achieved through tax breaks for borrowers, and instead provide support, where appropriate, across the tenure spectrum. This would imply ensuring inclusive access to good-quality housing through a combination of well-functioning private rental markets, and adequate social and affordable housing. (p. 69)

It further [recommended that governments prioritise](#) ‘implementing rental-market regulations that, while protecting tenants, include sufficient flexibility to maintain incentives to supply rental housing’ (p. 107).

Australia’s home ownership level (63%) is below the OECD average (71%). Since 2010, most OECD and EU countries have had a fairly stable tenure mix favouring home ownership. However, in nearly all OECD countries [home ownership rates among low-income households](#) have declined during this period. Figures 2 and 3 below show how Australia compares to select Western OECD nations.

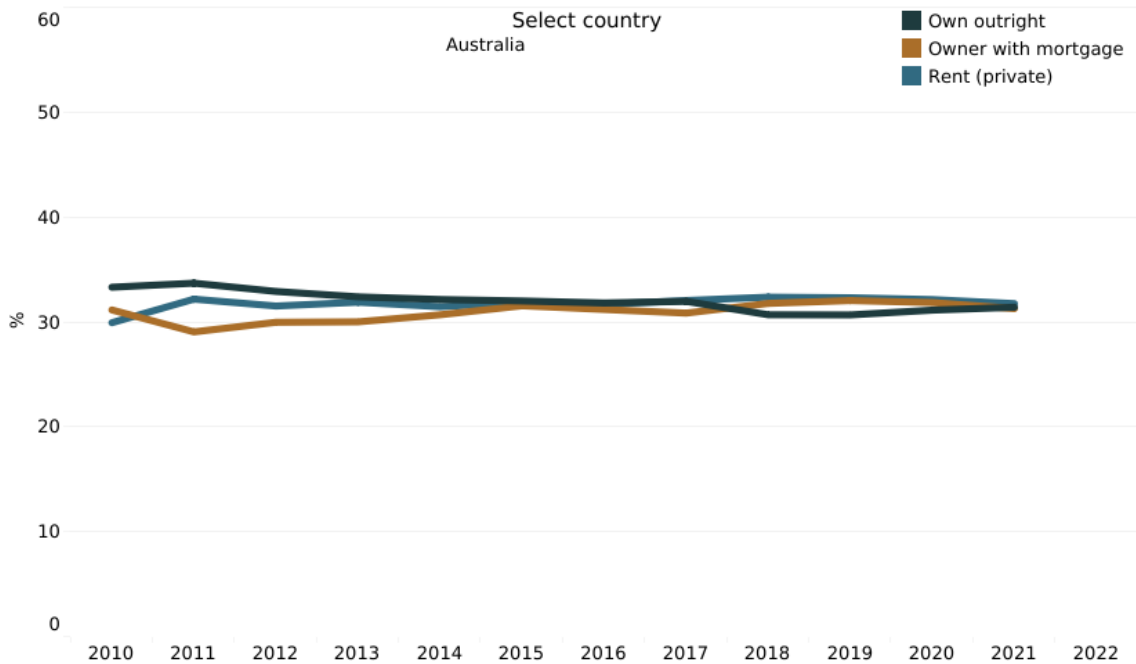
Figure 2 Share of households by tenure types, 2021, select OECD countries



Note: Data for Canada is from 2019.

Source: Housing tenure distribution, Share of households in different tenure types, OECD HM.3.A1.

Figure 3 Housing tenure distribution by year, 2010 to 2022



Source: OECD

Case study comparisons

The following section examines comparative rental affordability and security policies in Germany, Canada and New Zealand. These are [complex \(‘wicked’\) issues](#) with no simple ‘one size fits all’ solution or clear means of measuring success. Additionally, policies rarely translate easily between countries due to differences in cultural values, demographics and housing market dynamics.

The impact of any regulation is not always clear or predictable, and this is particularly true with housing. For example, a [more highly regulated rental market](#) could see rents increased or non-compliant properties removed from the market. Research also suggests that restricting evictions may increase tenant screening and discrimination, with landlords more risk averse.

Germany

In 2023, [approximately 37 million people in Germany rented](#), compared to around 28 million home owners. Germany’s rental regulation system is particularly robust, offering [protection from eviction](#) and [limits on rent increases](#). [Local tenant associations also advocate for members’ interests](#) and advise on tenancy contracts and laws. The umbrella body, [Deutscher Mieterbund](#), represents tenants’ interests nationally, incorporating state and local tenant organisations. Accordingly, renting is [perceived as a long-term housing option](#), with renters feeling [a heightened sense of being ‘settled’](#).

Notwithstanding such protections and representation, renters still face challenges. For example, despite [tenant association lobbying](#), [rents are rising](#) partly because ‘temporary’ and

‘furnished’ apartments are [exempt from rent controls](#). [These higher priced units](#) in turn increase the city-wide rent index. Additionally, [rent controls themselves are opposed](#) by those who argue (including property owners and investors) that they can exacerbate rental shortages and deter new housing investment.

Canada

In 2017, the Canadian Government launched an approximately A\$130 billion [National Housing Strategy](#) (NHS), which included plans to address rental challenges by increasing supply. For example, the [Apartment Construction Loan Program](#) provides low-cost funding to rental apartment developers from the construction to operational phase. The [Frequent Builder Framework](#) further provides loans to ‘established housing providers’ to expedite affordable rental housing construction. The [Federal Lands Initiative](#) also supports surplus federal lands and buildings being transferred or leased to affordable housing developers.

Despite these initiatives, [demand for rental housing grew in 2024](#), particularly in large urban areas where high housing prices and overall cost of living made saving for a down payment challenging. In 2022, just 6% of Canadian home owners had [unsuitable, inadequate or unaffordable housing](#), compared with 22% of private renters and 31% of social and affordable housing tenants.

[Significant knowledge gaps](#) regarding the Canadian housing (and specifically rental) market remain, which the NHS has pledged to remedy. For its part, the Canada Mortgage and Housing Corporation now produces regular [Rental Market Reports](#), while the [Canadian Housing Survey](#) now incorporates additional rental market information.

New Zealand

According to New Zealand [Ministry of Housing and Urban Development analysis](#), more New Zealanders are now renting, and for longer periods of time. Additionally, as national house prices rise, [so too have rents](#).

In 2020, the previous national government amended the Residential Tenancies Act 1986, [introducing measures](#) to ‘modernise’ tenancy laws and rental standards. Key changes included preventing landlords from ending a periodic tenancy without reason, and limiting rent increases. However, in late 2024 the current government [passed amendments](#) reversing many of these reforms in an attempt ‘[to encourage more rental homes](#)’. A particularly [controversial element](#) is the reintroduced ‘[no cause](#)’ terminations, which some (including academic [Myra Williamson](#)) [have argued](#) significantly weaken tenants’ rights.

Conclusion

Both the OECD and [Australian housing experts](#) have argued the need for greater neutrality in housing policy, alongside increased social and affordable housing supply. The latter is likely to become even more pressing, as the number of vulnerable lower-income renters continues to rise. But beyond the practicalities of making rental housing more secure and accessible,

accepting long-term private rental as a viable alternative to home ownership remains a significant cultural barrier. This is especially problematic while home ownership remains such a significant source of wealth and growing inequality. In describing the realities of this cultural divide, Canadian journalist [Brad Badelt articulated his perspective](#) of ‘renter’s shame’, asserting:

The prospect of being a renter for life carries a feeling of guilt. I’ve heard it described as “renter’s shame.” Maybe I didn’t save hard enough. Maybe I should have elbowed into a more affordable area, even if it meant buying an undersized, overpriced studio. Regardless, the outcome is clear: I’ve failed to achieve one of our country’s most commonly held dreams.

Further reading

- Productivity Commission, [Submission](#) to the Senate Standing Committees on Community Affairs – Community Affairs References Committee, *Inquiry into the Worsening Rental Crisis in Australia*, [Submission no. 148], August 2023.
- Bruno Albuquerque, Eugenio M. Cerutti, Yosuke Kido and Richard Varghese, [Not all Housing Cycles are Created Equal: Macroeconomic Consequences of Housing Booms](#), IMF Working Papers, WP/25/50, (International Monetary Fund, February 2025).
- National Housing Supply and Affordability Council, [State of the Housing System](#), (Canberra: National Housing Supply and Affordability Council, 2024).
- OECD, [OECD Regions and Cities at a Glance 2024](#), (Paris: OECD Publishing, December 2024).
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- OECD, [Brick by Brick \(Volume 2\): Better Housing Policies in the Post-COVID-19 Era](#), (Paris: OECD Publishing, June 2023).
- Hal Pawson, Vivienne Milligan and Judith Yates, [Housing Policy in Australia: A Case for System Reform](#) (Singapore: Palgrave Macmillan, 2019).

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