

## **More Australians are happy to remain tenants for life, writes Paul Edwards.**

The question seems like a no-brainer: is renting better than owning? Invariably the answer is no but tweak the question and ask if renting is better than buying. Then the answer can be a tangle of yeah-but-no-but-yeah-but-maybe.

The great Australian dream has been to own a house, or at least to start the process of buying one, a journey that can take half a lifetime. For many young people today, however, that dream has become almost impossible.

Melbourne has overtaken Sydney as Australia's least affordable capital city, construction levels are down, population continues to rise and land prices show no signs of softening. These are solid pointers to the beginning of the end of the dream for many people.

So what? Does that mean the sky is falling? No, it simply means we are moving along the same path as some of the world's most affluent countries, where more people rent than buy and don't really care.

In Germany, which has about the same wealth per person as Australia, 67 per cent of households are rented. Super-rich Switzerland has a similar figure. This compares with just 30 per cent in Australia but our figure is climbing.

Dr Terry Burke, the professor of housing studies at Swinburne University, says home ownership is in slow and permanent decline.

"Governments might prattle on about building ownership but the policies they put in place are more about capturing votes," he says.

"For example, they look at reductions in stamp duty and increasing the first home owner's grant, rather than dealing with the structural problems that have made ownership unaffordable."

Psychologist Merryn Snare says our fixation with buying rather than renting is leading to social problems. 'I think that people who can't raise the money for a deposit may feel overwhelmed and helpless,' she says. 'Poor self-image may result but there may also be a tendency to deflect their feelings via anger or blame on others — including the banks.'

Darren McMullin, a rental manager with Kay & Burton, has many clients who pay rents way above the national average wage — some as much as \$4000 a week.

He says these people feel no social stigma about renting and certainly don't feel they're failures. Most are successful in their chosen fields and life in general. For most, renting is a temporary status. In fact, some have investment properties of their own.

"But most are renting for a reason: marriage break-up, renovation of their principal home, job relocation," Mr McMullin says. "But some have sold their home in a buoyant market and are keeping an eye open for a downturn in prices.

"It's the Australian dream to own a house. People like the security of ownership but as housing costs increase, I suspect some people will have no choice but to rent."

The benefits of renting include:

You can live in a location where you simply couldn't afford to buy.

You can move into a zone to qualify for a sought-after school.

You can rent while the market is hot, then quickly move from your rental property when prices stabilise and you find your dream house at a price you can afford.

Rental prices are usually lower than mortgage repayments, freeing up funds for investments in other areas such as the sharemarket.

Buying a house is far less affordable than it was a year ago and Melbourne is the worst-affected city. Rising borrowing costs and higher property prices have pushed Melbourne beyond Sydney on the HIA Commonwealth Bank Housing Affordability Index.

Real Estate Institute of Victoria spokesman Robert Larocca says that although home ownership is part of the nation's psyche, living habits are changing. An example is Melburnians' embrace of high-rise and medium-rise apartments.

"If there is going to be a shift away from the traditional notion of owning your own home, there will need to be changes in the laws as well," he says. "Currently, they are not set up to provide the long-term tenure that people who wish to rent all their life may want."

This uncertainty is one of the pillars propping up the housing market. Toby Archer, a policy and liaison officer with the Tenants Union of Victoria, says the private rental market lacks regulation in regard to affordability, rent-setting and security when compared with nations such as Germany.

"It's also important to recognise western European nations with a high proportion of tenants also have significant social housing systems and relatively small private rental markets," he says. "Here, that structure is reversed."

Mr Archer says marketing campaigns have a strong influence on people aspiring to be home owners.

"The marketing of first-home packages exploit the very powerful cultural norm of ownership. Given the very strong preference for home purchase, the advertising tends to focus on all of the tangible and psychological benefits associated with housing, including social status and physical and financial security."

Psychologist Merryn Snare says many members of generations X and Y are not as concerned as their parents about home ownership.

"There is evidence these groups prefer to put money into other investments, rather than have the responsibility of property and gardens," she says. "To them, renting apartments in trendy or convenient locations seems attractive."

However, she says, the belief remains that rent money is "dead money". "And if the dream of owning a home on a quarter-acre [1130-square-metre] block was what their parents aspired to, then I would expect people who couldn't achieve this are likely to feel like a failure — unless they thrive on being rebellious."

Professor Burke says that historically, Australians have been attracted to home ownership as a 'wraparound housing tenure' that enables them to add on to the house, or wrap around it, the aspirational lifestyle that individualistic Australians value.

“The ownership of a detached house enables a household to extend upwards or outwards; to put in a swimming pool; to build a garage or carport for one, two or more cars; to put in an outdoor entertainment area based around the barbecue; to have a large garden and landscape it and spend Sunday afternoon at Bunnings,” he says.

“Unless you own the dwelling and have the external space, you can’t wrap these things around the dwelling. What can a renter do by comparison?”

Professor Burke and co-author Kath Hulse have completed an Australian Housing and Urban Research Institute report on the costs and benefits of ownership for households with low to medium incomes. One of their key conclusions is that home ownership is in slow and permanent decline. ‘In these circumstances, future policy directions should be about bringing to renters some of the qualities of ownership, such as security of tenure and some ability to make it home,’ Professor Burke says.

“By 2020, something like 40 per cent of Australians will be longterm or permanent renters, with many of them being children. We have to ensure they can live in housing with the same security and dignity as owners.”

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