



Demographics, demand and a little design

Census makes sense, but floorplan design is critical

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For more than 20 years now I've been talking about the change in demographics and household formations in Australia. These are the very changes which are going to determine the types of properties more people will live in as the effect of those changes occur in our society. Numbers and statistics have always fascinated me because even though they are just numbers and are sometimes considered boring, it is these numbers which actually speak to you and give you an understanding of why and what is actually happening in the residential property market. The latest Australian Bureau of Statistics (ABS) data cannot be fudged, changed and regardless of what market sentiment is, or at least newspaper comment is, the figures on the changes to household formations in Australia tell the story very clearly.

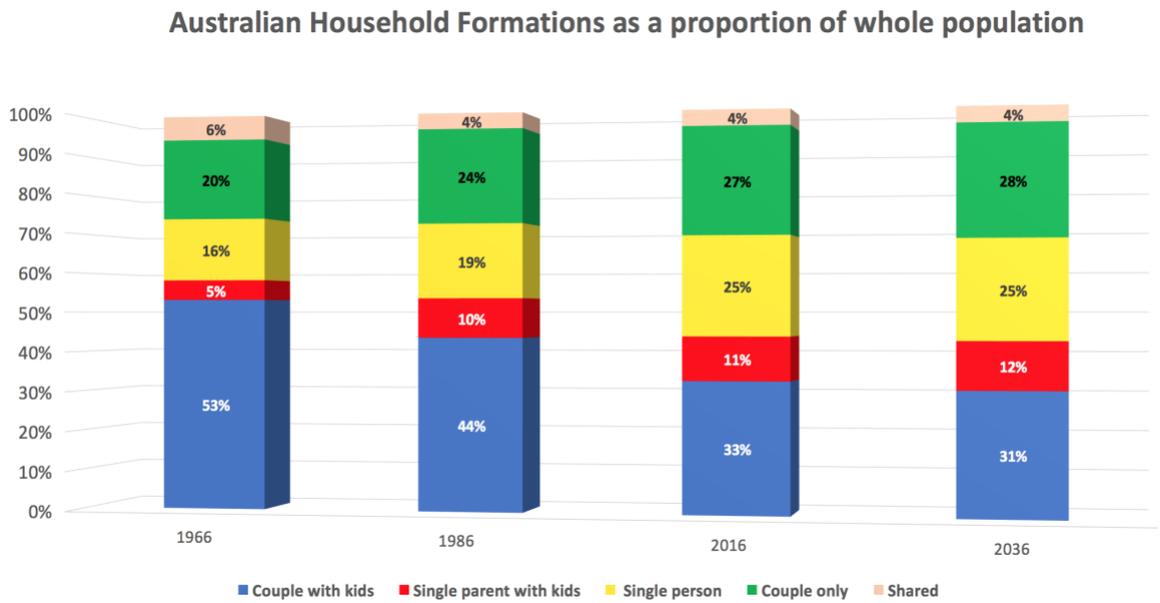
We've recently reviewed the historic data regarding demographics in Australia and included the latest data from the most recent Census completed by the ABS in 2016. What we've found is already impacting the residential property market and will continue to do so in the future. The magnitude of the shift in demographics over the last 50 years and even just over the last 30 years is nothing short of game changing.

The census figures show that Australians are, in greater numbers than ever before, living either on their own or in two person households. The percentage of family households, whether as a couple or a single parent family with children, is reducing as an overall proportion of the population.

In order to highlight and clarify the changes that have been occurring, we have put together a few graphs that show these changes visually. Each graph represents the data in a slightly different manner in order to clarify the magnitude of the shift that has been occurring.

Note: These numbers refer to household formations, not physical property types e.g. house and land, units etc. The time period covered is 50 years and we have shown the information from three ABS Census's, specifically 1966, 1986 and 2016. The 2036 data is the ABS's projections for household formations in that year. Each household formation type is shown as a proportion of the whole, 100 percent, of the population.

Chart 1 - Household Formations as a proportion of all households



What is clearly evident in chart 1, is that couple families with children (the blue area on the graph) has been reducing since 1966 and is projected by the ABS to continue to fall as a percentage of all households. At the same time, single and two person households (the green and yellow area on the graph) have been growing substantially.

Between 1966 and 2016, a period of 50 years, homes occupied by couple families with children have fallen from 53 percent to 33 percent, a fall of almost 40 percent. In that same time, homes occupied by a single person and couple households have risen from 36 percent to 53 percent, a rise of over 50 percent. That means that the two groupings of singles person households and couples without children, now account for over half of all occupied properties in Australia. It is impossible that these demographic shifts are not impacting the residential property market in Australia.

Chart 2 – Individual household type trends

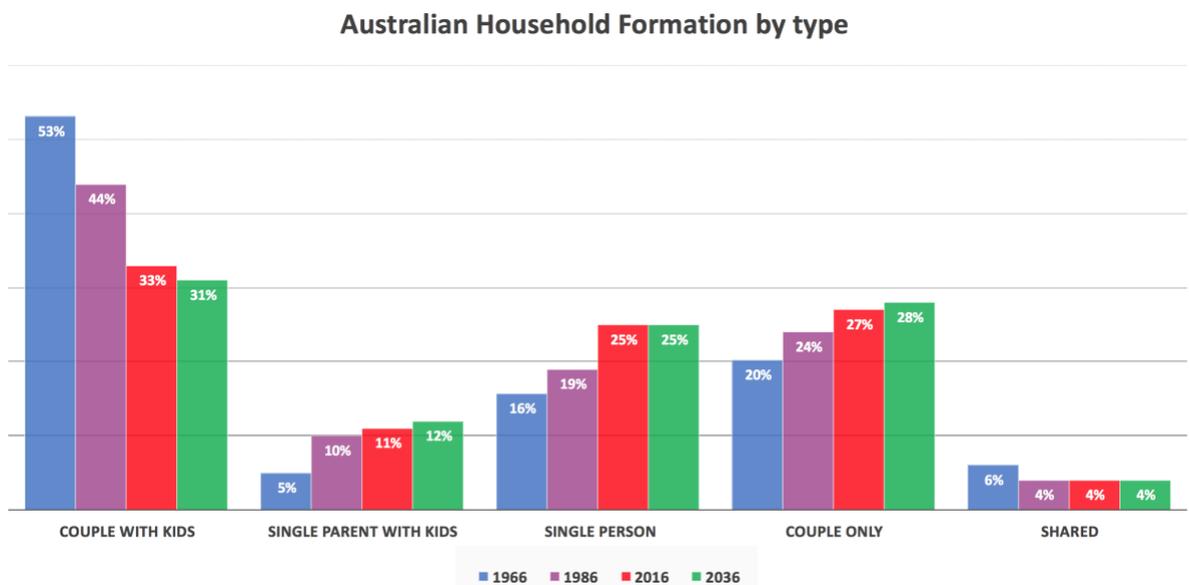


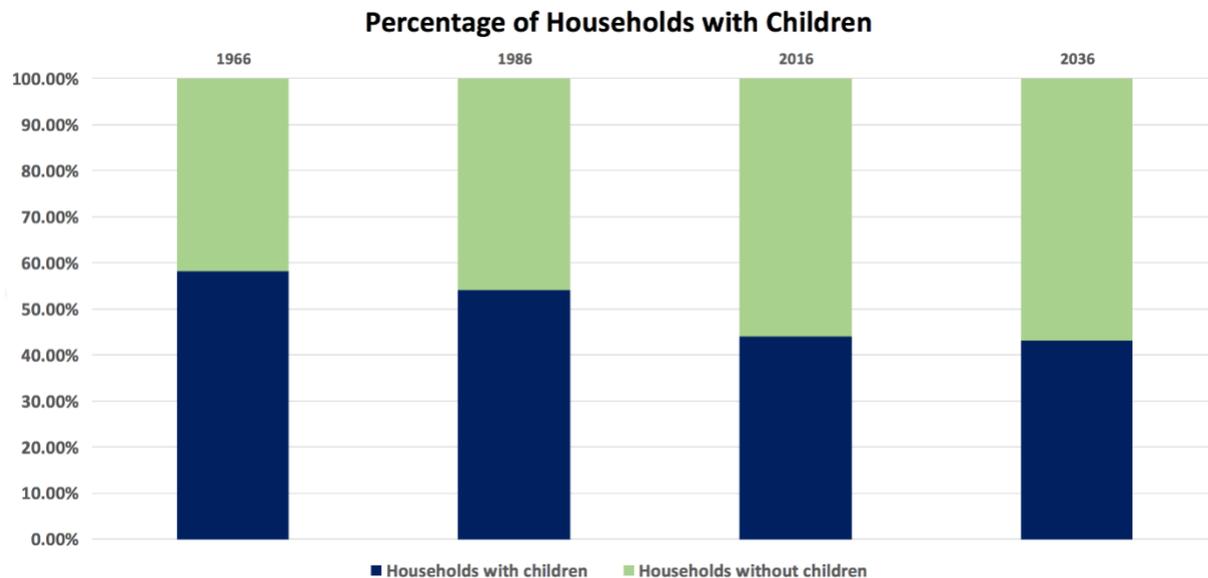
Chart 2 demonstrates how dramatic the changes have been for each household formation. Quite clearly couples with children households are trending lower and significantly lower. Whilst in stark contrast to this, single person households and couple only households have seen solid growth. The numbers and change in demographics in only 50 years has been quite staggering.

Consequently, our bias towards a home on its own block of land, other than for a couple family with children, is no longer as valid as it once was. It is because of the demographic changes taking place that a proliferation of medium and higher density properties are being developed. The market always gets the general trends right. The problem is the appropriateness of many of the properties being built. More medium and higher density properties will need to be designed to meet the lifestyle aspirations of the changing demographics, but more on that later in this article.

In addition to these demographic trends, our main population centres are getting much larger and more populated. As a result, properties close to the centres of those cities are becoming more expensive and out of reach for many, especially for houses on their own blocks of land. The changes in household formations in Australia mean more people will be happy to live in something other than a single lot house. It is obvious from current trends that more people want to live closer to the amenities provided in our more expensive inner city locations. New medium and higher density properties are going to address some of the housing affordability issues currently being experienced by those who want to live in those locations.

With a rapidly growing population we have no choice other than to build more residential property to house that population. The question is who are we building the properties for and where do they want to live?

Chart 3 - Percentage of households with Children.



Source: ABS

Chart 3 will help you to see who we have to accommodate in the properties. We have grouped all types of household formations into two distinct categories, those with children at home and those without children.

Now it is quite clear that the trend is showing that an increasing number of households today do not have children living in them. This means that single lot houses are no longer the only option or even the most appropriate option for a majority of households. It is also becoming apparent that some family groupings with children are choosing amenity over space and are happy to live in something other than a single lot house. Most people who move into our larger cities want to live as close to the central infrastructure as they can. Now we can see why an increasing number of properties that have been, and are to be built, will be properties in medium and higher density developments, that is apartments (units) and townhouses.

Governments of all persuasions have been scratching their heads to how they can accommodate more people closer to the centre of their main population areas. This is so they can use the existing infrastructure because that is where people want to live. The bonus is that if they get this right it is a far less costly exercise than building new infrastructure to open up land on the fringes of our cities and pushing people further out of town where the amenities people want do not exist.

In Melbourne, the city which soon will be Australia's largest, the State Government has developed design regulations which require more natural light and better room sizes in medium and higher density accommodation. This is a very sensible start and will help to accommodate the demographic changes that are occurring in that city.

We have talked many times about the need for good design in residential properties. Unfortunately, we are still regularly faced with developments where the floorplans of those properties simply do not work well and will not accommodate the comfortable long term living requirements of just about any category of household formation.

More work obviously has to be done in this space and people will need come to terms with the fact that if they want to live closer to the centre of our larger cities, where the jobs are, they will have to pay the price that those properties cost. A solution to living in more medium and higher density accommodation may be to multifunction some of the areas within those properties to create additional living space. As a prerequisite of this it is essential that the property floorplans need to be designed to accommodate those multi-functioned uses.

Australia has some of the largest average property sizes in the world and despite the fact that we have more land available than most countries. Our people have spoken very clearly about where they want to live and that is close to the centres of our major cities. When this is married with the changes in household formations as clearly evidenced by the latest ABS census, it means that if we get the designs of the properties right, the desirability and uptake of more medium and higher density property will increase. Price growth for those types of properties that are well designed and in good locations will follow.