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News release

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Increasing percentage of 50-plus year olds still paying off mortgage

The percentage of Australian households which fully own their dwelling has dropped significantly between 2001 and 2006, according to leading independent economic forecaster and industry analyst, BIS Shrapnel.

Between the 1991 and 2001 Census, 43-44 per cent of total households fully owned their dwelling and this dropped to 35.9 per cent in 2006, according to the Australian Bureau Statistics (ABS).

Of particular concern, however, is the jump in the share of empty nester aged households (50-64 year olds) still paying off a mortgage. In 2001, 22.8 per cent of these households still had a mortgage and this rose to 33.6 per cent in 2006 -- continuing an escalating upward trend that started with the 1991 Census.

"That more and more empty nesters are still paying off the family home suggests fewer funds are being put aside for impending retirement and most of the wealth of this demographic is tied up in the value of their dwelling," said BIS Shrapnel senior project manager and report author, Mr Angie Zigomanis.

"Compulsory superannuation may also be encouraging this trend -- households could be expecting their employer contributions to adequately fund retirement, giving them the confidence to maintain a mortgage later in life.

"However, as the 50-to-64 year old demographic approaches retirement age, we expect to see an increase in sales of their homes to release equity to fund retirement and purchase a smaller dwelling.

"This is likely to free-up the larger dwellings to be purchased by the 35-49 aged demographic with growing families who are more likely to be looking to upgrade to a larger dwelling, potentially alleviating some pressure on land in the outer suburbs for larger homes, with more demand in existing areas to accommodate the dwelling preferences of this group."

BIS Shrapnel's *Emerging Trends in Residential Market Demand, 2008*, report, which analysed the data from the 2006 Census and compared it with the findings of the last three Census', suggests Australians are paying off their homes later in life because they are:

- taking out larger mortgages for larger and/or more expensive homes (either during their initial purchase or when upgrading);
- purchasing later in life;
- taking out additional loans for alterations and additions; or
- redrawing on the home loan to finance holidays or household items.

Zigomanis believes children staying at home longer may also be adding pressure to household finances and resulting in households taking longer to pay off the mortgage.

"The 2006 Census also shows the proportion of 20-to-34 year olds still living in the family home has increased from 21.5 per cent of that demographic in 1991 to 23.3 per cent in 2006," said Zigomanis.

“This is not an unexpected trend, given rising property prices, and, not surprisingly, New South Wales and Victoria which had the highest priced residential property as at 2006 also had the largest proportion of 20-to-34 year olds still living at home.”

The proportion of fully-owned homes compared with dwellings being paid off or rented varies from state-to-state. Victoria, South Australia and New South Wales have the highest proportion of dwellings that are fully-owned and BIS Shrapnel believes this is due to the slightly older profile of the population in these states.

Overall, the proportion of rental households has remained at 27-29 per cent over the last 15 years. Rising occupancy in the younger age groups has been offset by a rapidly growing older population that has a higher rate of ownership.

However, Queensland and Western Australia have the lowest share of households who fully own their dwelling, although have the highest percentage of households that are purchasing a dwelling. This reflects the average younger age of residents in both these states, according to Zigomanis. Queensland has the highest proportion of households that are renting, according to the ABS, and Zigomanis believes this could be due to the high migration inflow of that state and households engaging in short-term rentals before purchasing a dwelling.

About BIS Shrapnel

BIS Shrapnel is Australia's leading provider of industry research, analysis and forecasting services. BIS Shrapnel helps clients better understand the markets in which they operate, through reliable and detailed market data, analysis of developments and drivers and thoroughly researched forecasts.

BIS Shrapnel compiles accurate, clearly explained and detailed information on industry sectors, markets and industries in which their clients operate. BIS Shrapnel provides market size and segmentation data, market shares, consumer attitudes and supplier reputation information, and regularly conducts both business-to-business and consumer research.

Over the company's 44-year history, BIS Shrapnel has built up a strong level of expertise and unique methodologies for forecasting.

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