

## Australian home size hits 22-year low

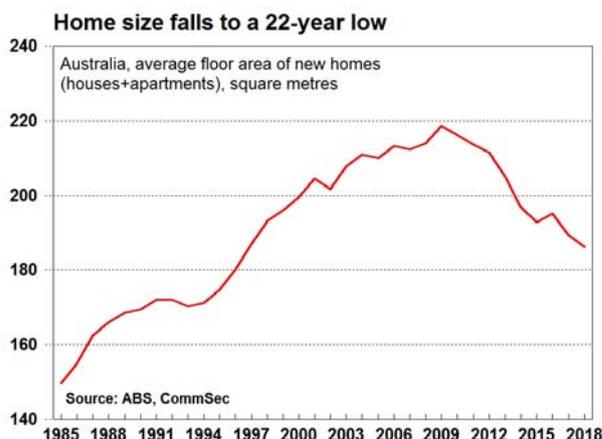
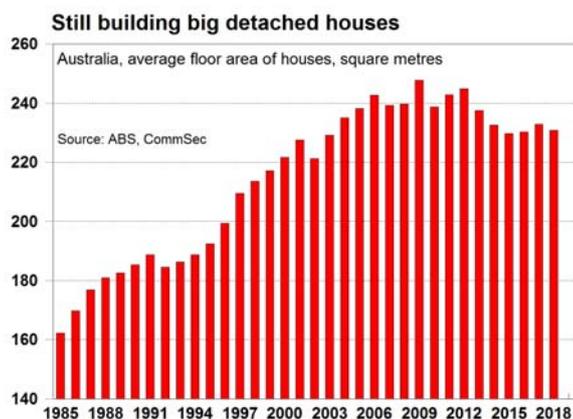
### CommSec Home Size Trends Report

- The average floor size of an Australian *home (houses and apartments)* has fallen to a 22-year low. Data commissioned by CommSec from the Australian Bureau of Statistics, shows the average new home is 186.3 square metres, down 1.6 per cent over the past year and the smallest since 1996. The smaller home size reflects the increased building of apartments (around half of all new building is apartments).
- Australians are also still building big free-standing *houses*, although the average size fell in 2017/18. The average new house built in 2017/18 was 230.8 square metres, down 0.9 per cent on the year. But the average house is 8 per cent bigger than 20 years ago. In fact the average house built today is almost 30 per cent bigger than 30 years ago (the 1987/88 financial year).
- Australia is still building some of the biggest houses in the world, but, on average, US houses are still bigger by around 6 per cent. And US homes (houses and apartments) are 8 per cent bigger.
- Victorians are building the biggest houses in Australia, ahead of the ACT, Western Australia and Queensland. The average house size in NSW fell to a 23-year low in the past year.

*The estimates of home size have implications for home builders, building material producers and home appliance retailers as well as developers, government department and local councils.*

#### What does it all mean?

- Aussies are still building some of the biggest detached (free-standing) houses in the world. But the size of the average new house has stabilised over the past five years after peaking in size around six years ago (the 2011/12 financial year). There are still McMansions being built, but there are fewer of them.
- Houses built over the past year are still far bigger than those built in the 1980s and 1990s. In fact houses are around 8 per cent bigger than 20 years ago and almost 30 per cent bigger than 30 years ago.
- And that is important when doing comparisons of house prices over time. Not only are houses far bigger than those built in the 1980s and before, but the standard of fit-out today is far superior with higher quality kitchens, bathrooms, floor coverings and inclusions like air-conditioners.



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- While global statistics on home size are difficult to come by, latest data indicates that Australian homes are the second biggest in the world, behind the US.
- The average new house built in the US last calendar year (latest available) was 244 square metres (m<sup>2</sup>), around 6 per cent bigger than in Australia. And US homes (houses and apartments) averaged 202m<sup>2</sup> in 2017, around 8 per cent bigger than in Australia.
- In New Zealand the average home built in 2017/18 was 172.1m<sup>2</sup>, around 8 per cent smaller than in Australia.
- The UK Office of National Statistics indicates that the average floor area of new homes built in the US, Australia and New Zealand were far larger than in European economies.
- In recent years a key trend in Australia has been the increasing number of apartments being built. Eight years ago around 27 per cent of homes built were apartments. Today, apartments account for almost half (46 per cent) of all homes built.
- And the increased number of apartments being built has served to reduce the size of the average new home built in Australia. In fact the average home was 186.3m<sup>2</sup> in 2017/18, the lowest level in 22 years and down 1.6 per cent on a year ago.
- Through the 2004-2010 period, the average apartment was around 140m<sup>2</sup>. Today it is closer to 125m<sup>2</sup>.
- The shift to smaller apartments may mean that more of them need to be built to house the growing population compared with free-standing houses. And this point emphasises that when considering issues like under-supply and over-supply, a range of issues need to be considered.
- Six years ago economists were baffled by the failure of home building to lift to the level of assumed underlying demand. However the “apparent paradox” was explained by structural change such as demographics and increased utilisation of Australia’s large homes.
- Now household size is falling again, and at the same time that the average home size is also falling. And if current trends continue, then clearly more homes can be built without resulting in over-supply conditions. In short, supply would merely be responding to stronger demand. The key point being that it is not just population, but demographics and choice of accommodation driving demand.

Houses built in 2017/18		
Average floor area		
State/Territory	Square metres	% change on year
NSW	220.3	-4.2
Victoria	244.8	0.8
Queensland	230.8	1.8
South Australia	197.8	-7.7
Western Australia	235.3	-0.6
Tasmania	186.8	-5.0
Northern Territory	181.8	-10.5
ACT	242.3	1.7
<b>AUSTRALIA</b>	<b>230.8</b>	<b>-0.9</b>

Source: ABS, CommSec

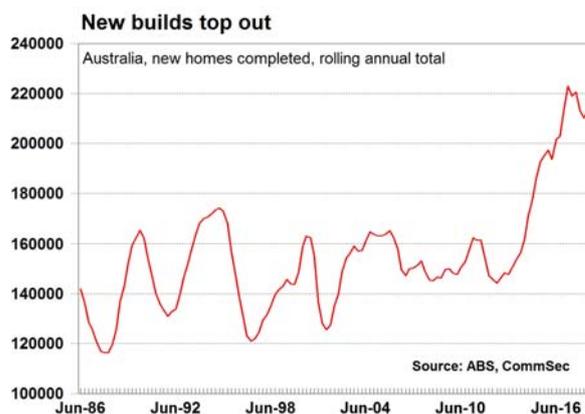
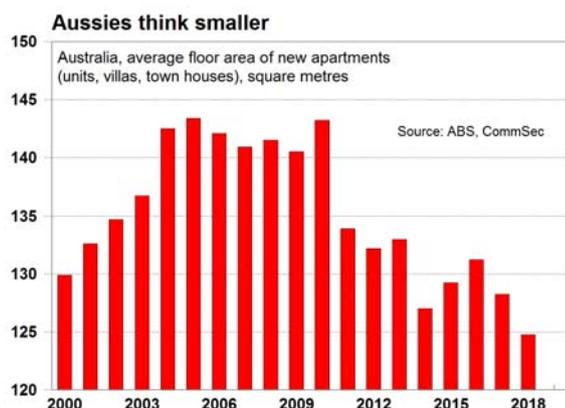
Apartments built in 2017/18		
Average floor area		
State/Territory	Square metres	% change on year
NSW	116.5	-10.2
Victoria	130.3	-0.6
Queensland	133.5	6.4
South Australia	133.8	-12.2
Western Australia	133.8	8.7
Tasmania	134.5	3.7
Northern Territory	136.5	-11.7
ACT	118.0	23.2
<b>AUSTRALIA</b>	<b>124.8</b>	<b>-2.7</b>

Source: ABS, CommSec

All new homes built in 2017/18		
Average floor area		
State/Territory	Square metres	% change on year
NSW	162.8	-10.5
Victoria	201.8	1.5
Queensland	190.5	5.8
South Australia	182.3	-9.3
Western Australia	211.5	1.0
Tasmania	173.5	-7.1
Northern Territory	172.5	-8.7
ACT	151.5	-0.8
<b>AUSTRALIA</b>	<b>186.3</b>	<b>-1.6</b>

Source: ABS, CommSec



## What do the figures show?

### Australia & US home completions

- CommSec commissioned the Australian Bureau of Statistics to supply data on the average size of new homes built in Australia.
- The data supplied relates to the average size of new homes built – houses, apartments and the average size of all homes. The ABS also indicates the proportion of homes built at the stated “average floor area”.
- The United States Census Bureau provides both median and average estimates of new homes built and also supplies similar floor area data on new homes sold.
- **In 2017/18, the average size of a new house built in Australia** was 230.8 square metres (m<sup>2</sup>), down from 232.8m<sup>2</sup> in 2016/17 and well down from the record high of 247.7m<sup>2</sup> in 2008/09.
- **In the US, the average size of a new single-family house built in 2017** (latest estimate) was 2,631 square feet or 244.4 square metres (m<sup>2</sup>), down from a record 249.6m<sup>2</sup> in 2015. Australian houses were last bigger than US houses in 2011/12.
- **The average US home (houses and apartments)** was 202.0m<sup>2</sup> in 2017.
- **In 2017/18 the average floor area of a new apartment in Australia** (unit, townhouse, villa etc.) was 124.8m<sup>2</sup>, down from 128.3m<sup>2</sup> in 2016/17 and 13 per cent below the high of 143.4m<sup>2</sup> in 2004/05.

### Average Size of New Homes Across the Globe, m<sup>2</sup>

United States	202.0
Australia	186.3
New Zealand	172.1
Cyprus	141.0
Luxembourg	131.0
Portugal	106.0
Spain	99.0
Scotland	96.0
France	94.0
Italy	94.0
Germany	94.0
Wales	90.0
England	90.0
Greece	89.0
Ireland	81.0
Lithuania	63.0
Latvia	63.0
Romania	45.0

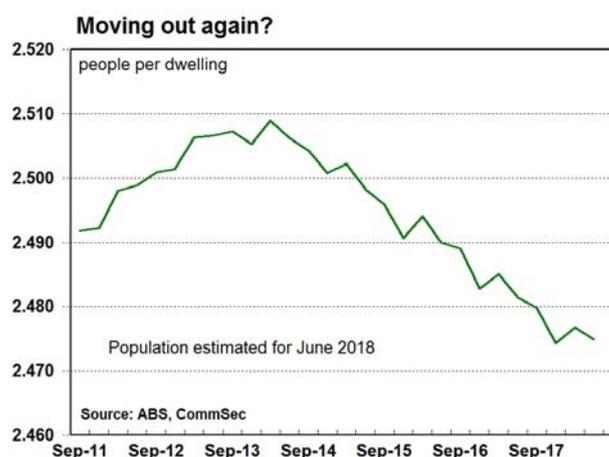
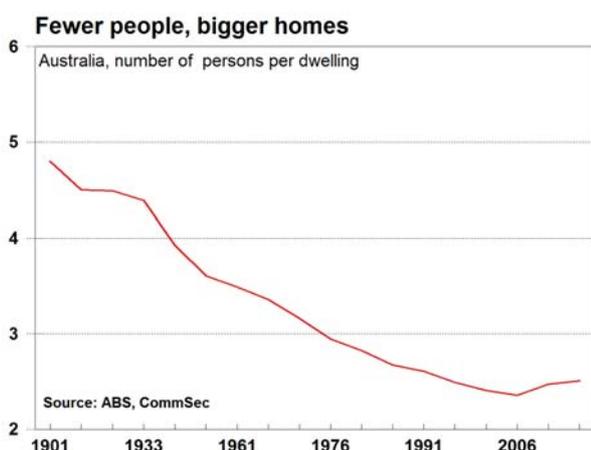
Source: US Census Bureau, Statistics NZ  
ABS, Office of National Statistics

### States & territories

- **Victorians are building the biggest houses in Australia.** In 2017/18 the average floor area of a house built in Victoria was 244.8m<sup>2</sup>, ahead of the ACT (242.3 m<sup>2</sup>), Western Australia (235.3m<sup>2</sup>), and Queensland (230.8m<sup>2</sup>).
- **The smallest new houses** built were in the Northern Territory (181.8m<sup>2</sup>) and Tasmania (186.8m<sup>2</sup>).
- **By contrast, in 2017/18 the biggest apartments** could be found in the Northern Territory (136.5m<sup>2</sup>) from Tasmania (134.5m<sup>2</sup>).
- **Of the bigger states and territories**, South Australia and Western Australia built the biggest apartments in 2017/18 with the average floor area for both states at 133.8m<sup>2</sup>, ahead of Queensland (133.5m<sup>2</sup>).
- **Of all homes built in 2017/18**, the average floor area was biggest in Western Australia (211.5m<sup>2</sup>), then Victoria (201.8m<sup>2</sup>). In Western Australia over 75 per cent of homes built were free-standing houses, and in Victoria houses were 56 per cent of the total. By comparison, only around 43 per cent of homes built in NSW were free-standing or detached houses.

## Home size peaks, more apartments, occupancy falls again

- Since the first Census was conducted in 1911, and up to 2006, the number of persons per dwelling consistently fell. In 1911 there was an average of 4.5 people in every home. But by 2006 this ratio had almost halved to around 2.4 people in every home. Not only were more homes being built but other factors like families with fewer children, more divorces and fewer marriages taking place had resulted in smaller families.



- And as noted above, homes had been getting bigger until a few years ago. Apart from floor area, another way of looking at home size is the number of bedrooms. In the 2016 Census almost a third of homes had four or more bedrooms whereas 20 years ago the ratio was one in every six homes.
- Census figures are only produced every five years. But fortunately demographic estimates are produced each quarter and they provide a guide to current trends in dwelling occupancy.
- From 2006 to 2013, the number of people per dwelling rose. At face value, the modest increase in average household size may not seem significant. But it was the first increase in household size – and as a consequence, the average number of people in Australian homes – in at least a century.
- Children were staying home longer with their parents – no doubt the cost of homes and rising rents being key influences. With the ageing population, more generations were choosing to stick together in the one dwelling – a trend that is a consequence of the increased size and quality of homes. New migrants also chose to stay with family or friends. And given the increased preference to attend universities and colleges, Generation Y was forced to share accommodation and save longer to buy a home.
- But according to quarterly ABS data, since 2014 the number of people per dwelling has been falling. Lower interest rates and the increased supply of cheaper apartments and town houses (compared with free-standing houses) have prompted older couples to down-size. And more Generation Y / Millennials have been moving out of home and renting or taking ownership of accommodation more appropriate to their needs.
- In part, the decline in household size explains some of the lift in home building. Higher population growth – especially in NSW, Victoria and the ACT – also explains the lift in home building. The question is whether household size continues to fall over the next few years or whether the higher home prices act to stall demand, again prompting greater co-habitation of dwellings.
- Free-standing houses now account for just over half of all new homes built with high-rise apartments and town houses most in demand.

#### What is the importance of the economic data?

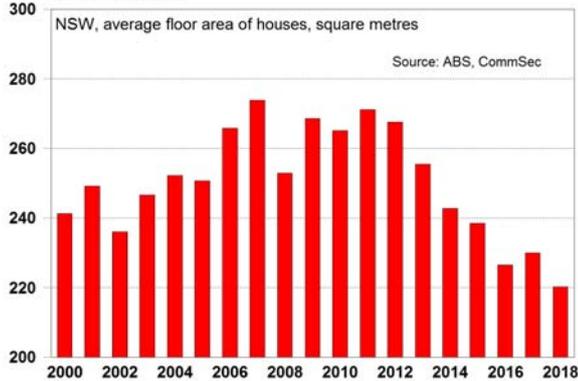
- **The Australian Bureau of Statistics (ABS)** collects data on new home completions. Where the data is made available, estimates of the average floor area of houses and apartments by state/territory can be calculated. Changes in the size of homes has implications for builders, developers and retailers of home appliances. If bigger homes are built, this may result in fewer homes being built to absorb increases in population.

#### What are the implications for interest rates and investors?

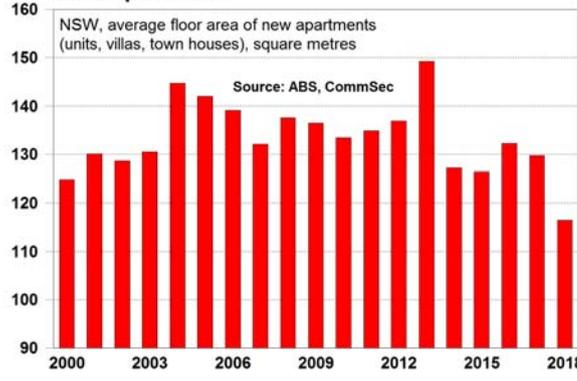
- Australians continue to build some of the biggest houses in the world. But an increasing proportion of Australians – especially in Sydney, Melbourne and Brisbane – also want smaller homes like apartments, semi-detached homes and town houses. As a result, the average home size continues to fall – now at 22-year lows.
- Generation Y, Millennials, couples and small families want to live closer to work, cafes, restaurants, shopping and airports and are giving up living space for better proximity to the desirable amenities.
- So consolidation is occurring in the eastern states. Older free-standing houses are making way for apartments. Building completions hit record highs in the year to March 2017, but have hovered near the highs in the period since. Similarly approvals to build homes have eased from highs but there is still a substantial amount of work to be done.
- It is important to note that there are differences in house size across Australia. In the past year the average size of houses built in Victoria, Queensland and the ACT has lifted. In fact in 2017/18 Victoria built the biggest houses in six years. And on average ACT houses built in 2017/18 were the biggest in nine years. But the average new free-standing house built in NSW was the smallest in 23 years and 11 per cent smaller than Victoria.
- Clearly the changes in housing demand and supply, and the differences across the country, have major implications for builders, developers, investors, building material companies, financiers and all levels of Government. With the average number of people in homes falling and population rising, there is a need for a greater number of smaller homes to be built. There are still few concerns about broader or localised housing oversupply.

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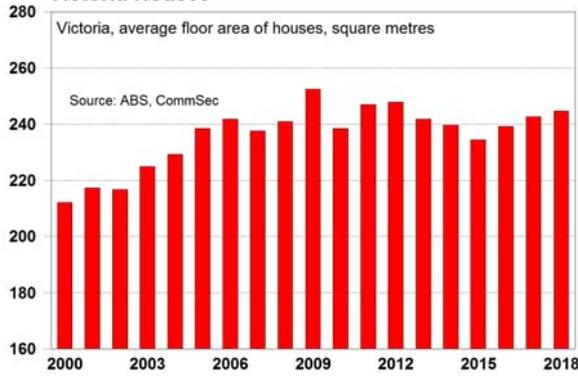
**NSW Houses**



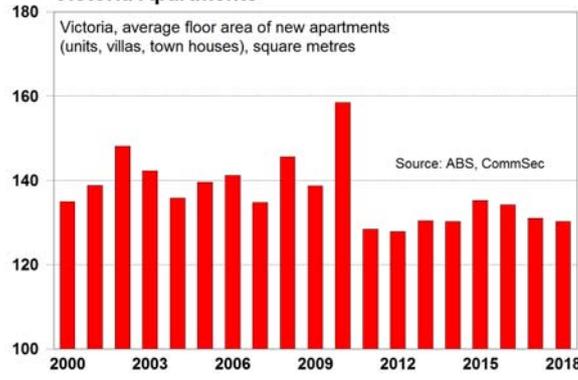
**NSW Apartments**



**Victoria Houses**



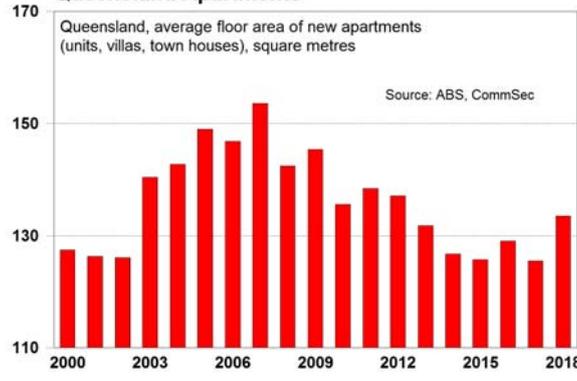
**Victoria Apartments**



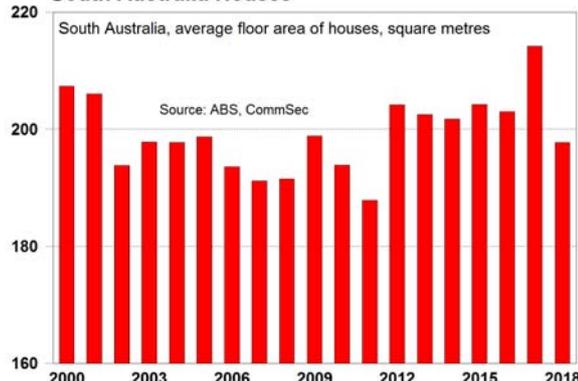
**Queensland Houses**



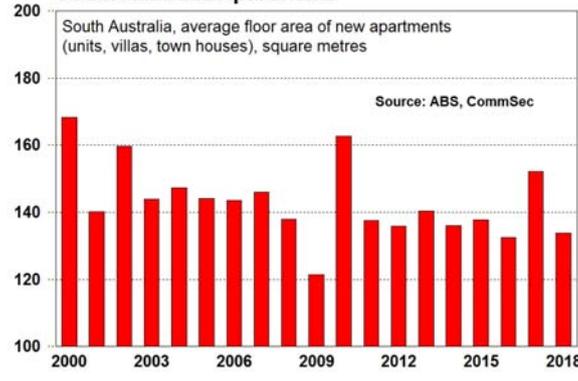
**Queensland Apartments**



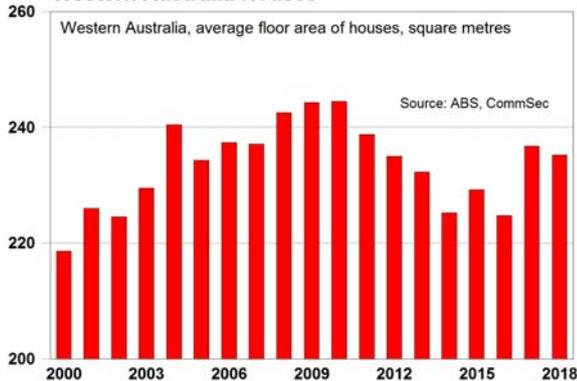
**South Australia Houses**



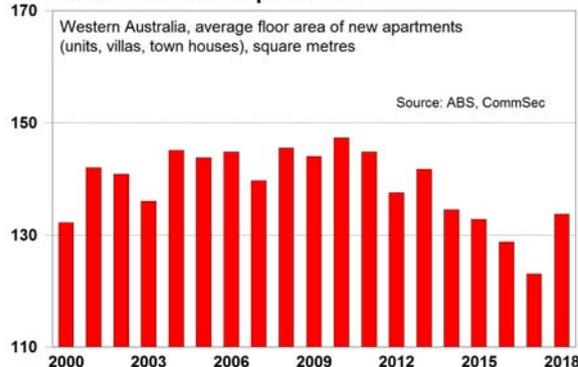
**South Australia Apartments**



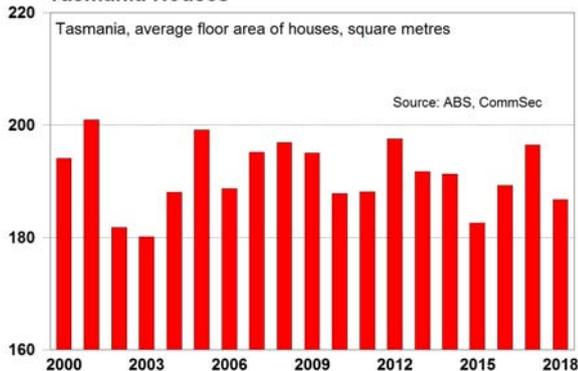
**Western Australia Houses**



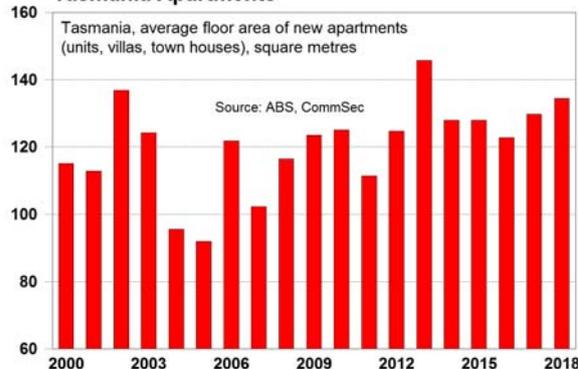
**Western Australia Apartments**



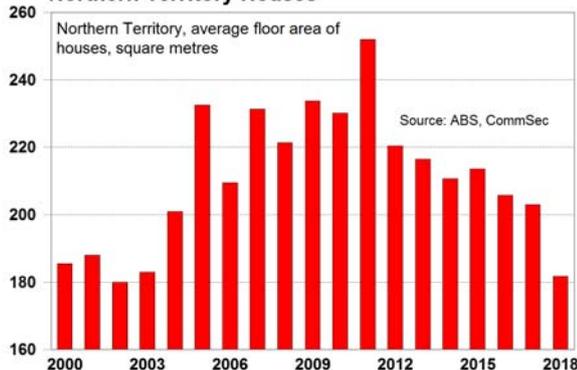
**Tasmania Houses**



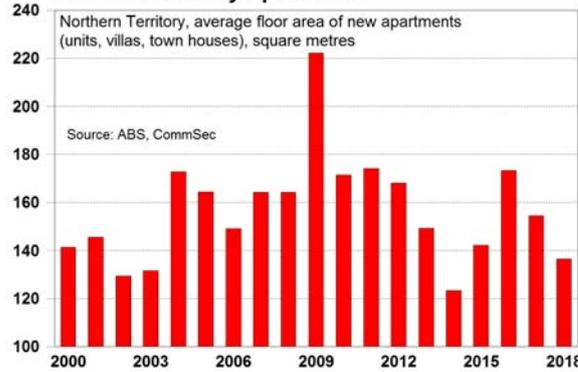
**Tasmania Apartments**



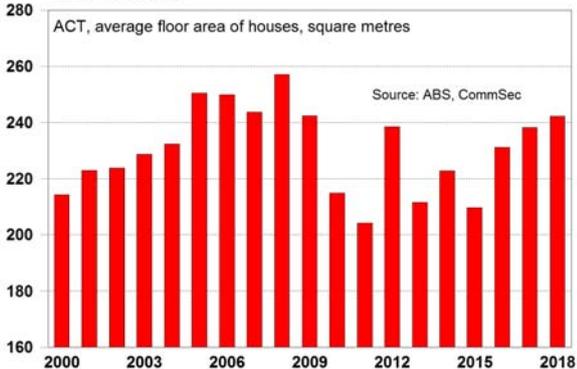
**Northern Territory Houses**



**Northern Territory Apartments**



**ACT Houses**



**ACT Apartments**

