



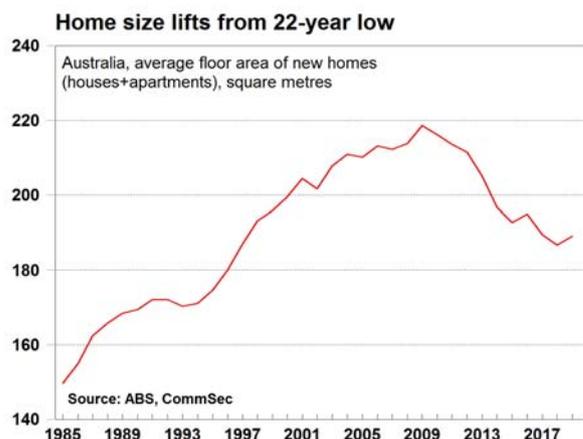
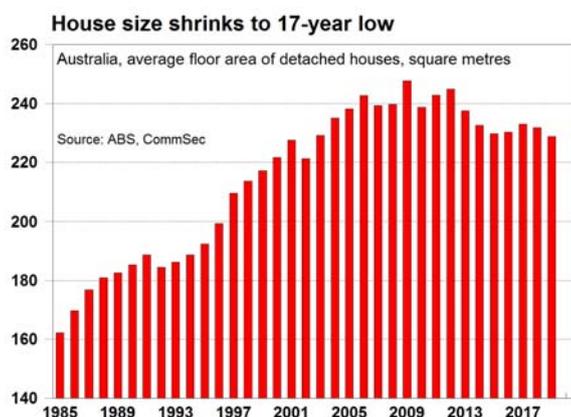
## Australian houses shrink: Smallest in 17 years CommSec Home Size Trends Report

- The average size of an Australian free-standing house has fallen to 17-year lows. Data commissioned by CommSec from the Australian Bureau of Statistics, shows the average new house built in 2018/19 was 228.8 square metres, down 1.3 per cent on a year ago to the smallest house size since 2001/02.
- While the size of an average house shrunk over the past year, the size of the average Australian apartment actually grew by 3.2 per cent over the past year to 128.8 square metres.
- Overall, the average new home (houses and apartments) built in 2018/19 was 189 square metres, up by 1.2 square metres over the year from 22-year lows.
- Australia is still building some of the biggest houses in the world, but, on average, US houses are still bigger by around 5 per cent. And US homes (houses and apartments) are 6 per cent bigger than Australia.
- The ACT built the biggest houses in Australia in 2018/19, ahead of Victoria, Western Australia and Queensland. The average house in NSW is 10 per cent smaller than Victoria.

*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?

- Seven years ago, Aussies were building the biggest detached (free-standing) houses in the world. But in the period since, Aussie home buyers have embraced apartments as well as smaller houses on smaller lot sizes. There are still McMansions being built, but there are fewer of them. Now houses being built in the US are the biggest in the world, around 5 per cent bigger than in Australia.
- Only 21 per cent of ACT dwellings in 2018/19 were houses. But those houses averaged 251 square metres – the biggest in Australia. Victorian houses built last year were 246m<sup>2</sup> - the biggest in seven years.
- The average house built in Tasmania in 2018/19 was the smallest in 23 years and at 21-year lows in Queensland. On average, NSW apartments built in 2018/19 were the smallest in 20 years of records.
- Houses built in Australia over the past year are still far bigger than those built in the 1980s and 1990s. In fact houses are around 5 per cent bigger than 20 years ago and 25 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.
- 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 240.4 square metres (m<sup>2</sup>), around 5 per cent bigger than in Australia. And US homes (houses and apartments) averaged 201.8m<sup>2</sup> in 2018, around 6



Craig James, Chief Economist, CommSec; Twitter: @CommSec  
 Ryan Felsman, Senior Economist, CommSec; Twitter: @CommSec

per cent bigger than in Australia.

- In New Zealand the average home built in 2018/19 was 164.4m<sup>2</sup>, around 13 per cent smaller than in Australia.
- The UK Office of National Statistics and United Nations indicate 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 (41 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 186.8m<sup>2</sup> in 2017/18, the lowest level in 22 years. And the average home size rose by just 1.2 per cent from these lows in the past year.
- Through the 2004-2010 period, the average apartment was around 140m<sup>2</sup>. Today it is closer to 125-130m<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. Clearly, when considering issues like under-supply and over-supply, a range of issues need to be considered.
- An increasing number of home buyers and renters prefer to live closer to offices, restaurants and recreational facilities in cities and towns. And given the limited supply of land, increased building of apartments and townhouses is necessary to satisfy demand.
- Federal, state and local governments are also embracing the trend to urban consolidation, representing a more efficient utilisation of social and economic infrastructure such as roads, schools, public transport and hospitals.

**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



Houses built in 2018/19		
Average floor area		
State/Territory	Square metres	% change on year
NSW	221.8	0.7
Victoria	246.0	0.3
Queensland	223.0	-3.3
South Australia	198.0	0.1
Western Australia	225.3	-6.9
Tasmania	178.5	-4.7
Northern Territory	200.5	10.3
ACT	250.8	10.1
<b>AUSTRALIA</b>	<b>228.8</b>	<b>-1.3</b>

Source: ABS, CommSec

Apartments built in 2018/19		
Average floor area		
State/Territory	Square metres	% change on year
NSW	114.0	-2.1
Victoria	147.5	13.2
Queensland	132.8	-0.4
South Australia	139.3	3.9
Western Australia	155.8	16.4
Tasmania	159.3	18.4
Northern Territory	138.8	1.6
ACT	102.0	-13.0
<b>AUSTRALIA</b>	<b>128.8</b>	<b>3.2</b>

Source: ABS, CommSec

All new homes built in 2018/19		
Average floor area		
State/Territory	Square metres	% change on year
NSW	163.5	0.3
Victoria	212.5	5.1
Queensland	190.5	0.0
South Australia	180.0	-1.2
Western Australia	212.3	-2.2
Tasmania	175.0	0.6
Northern Territory	176.8	2.5
ACT	158.0	8.2
<b>AUSTRALIA</b>	<b>189.0</b>	<b>1.2</b>

Source: ABS, CommSec



homes built in Australia.

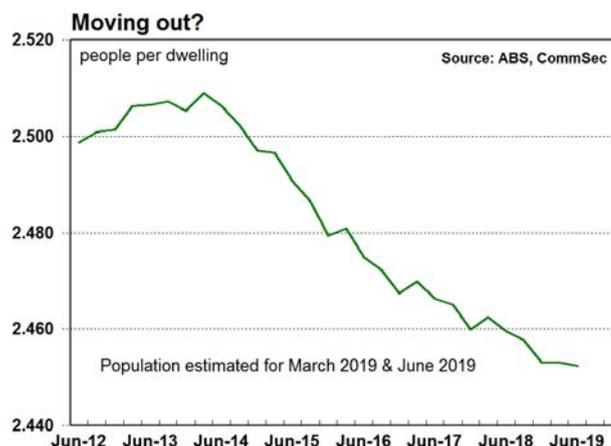
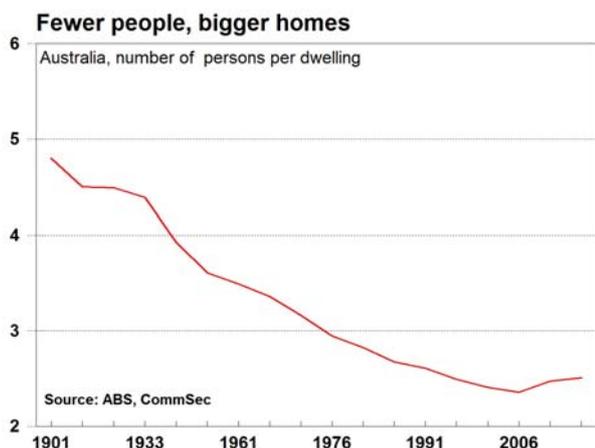
- The data supplied relates to the average size of new homes built – houses, apartments and the average size of all homes. The ABS also indicates the proportion of homes built at the stated “average floor area”.
- The United States Census Bureau provides both median and average estimates of new homes built and also supplies similar floor area data on new homes sold.
- **In 2018/19, the average size of a new house built in Australia** was 228.8 square metres (m<sup>2</sup>), down from 231.8m<sup>2</sup> in 2017/18 and the smallest result in 17 years (since 221.2m<sup>2</sup> in 2001/02).
- **In the US, the average size of a new single-family house built in 2018** (latest estimate) was 2,588 square feet or 240.4m<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 201.8m<sup>2</sup> in 2018.
- **In 2018/19 the average floor area of a new apartment in Australia** (unit, townhouse, villa etc.) was 128.8m<sup>2</sup>, up from 124.8m<sup>2</sup> in 2017/18 but 10 per cent below the high of 143.4m<sup>2</sup> in 2004/05.

**States & territories**

- **The ACT is building the biggest houses in Australia.** In 2018/19 the average floor area of a house built in the ACT was 250.8m<sup>2</sup>, ahead of Victoria (246.0m<sup>2</sup>), Western Australia (225.3m<sup>2</sup>), and Queensland (223.0m<sup>2</sup> – a 21-year low).
- **The smallest new houses** built were in Tasmania (178.5m<sup>2</sup> – a 23-year low).
- **By contrast, in 2018/19 the biggest apartments** could be found in Tasmania (159.3m<sup>2</sup>) followed by Western Australia (155.8m<sup>2</sup>). The next biggest apartments were built in Victoria (147.5m<sup>2</sup>) and South Australia (139.3m<sup>2</sup>)
- **The smallest new apartments** can be found in the ACT (102m<sup>2</sup>) and NSW (114m<sup>2</sup> - a 20-year low).
- **Of all homes built in 2018/19**, the average floor area was biggest in Victoria (212.5m<sup>2</sup>), then Western Australia (212.3m<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 in 2018/19 and only 21 per cent of ACT homes.

**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.

- 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 townhouses (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 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 townhouses most in demand.

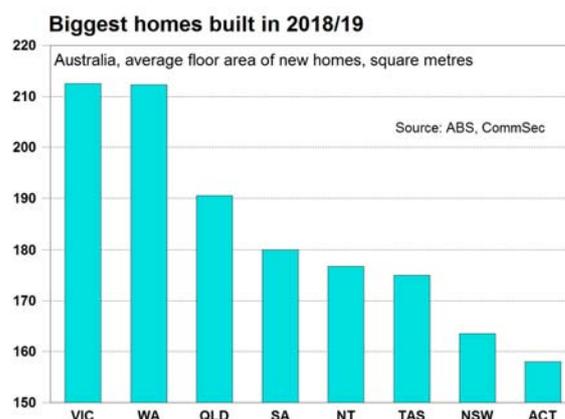
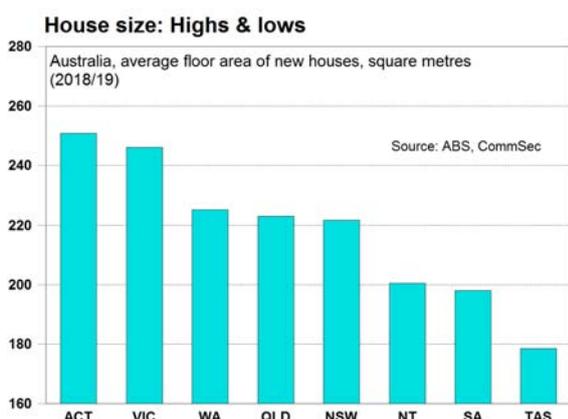
**What is the importance of the economic data?**

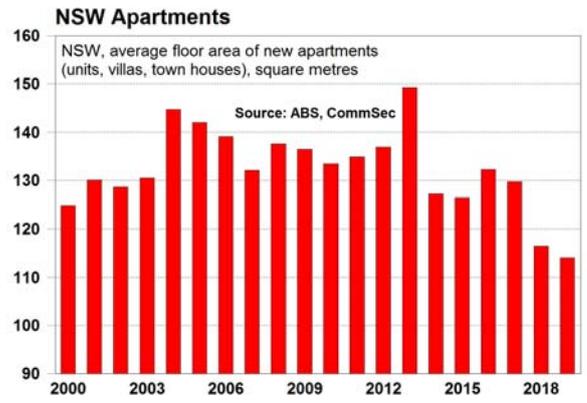
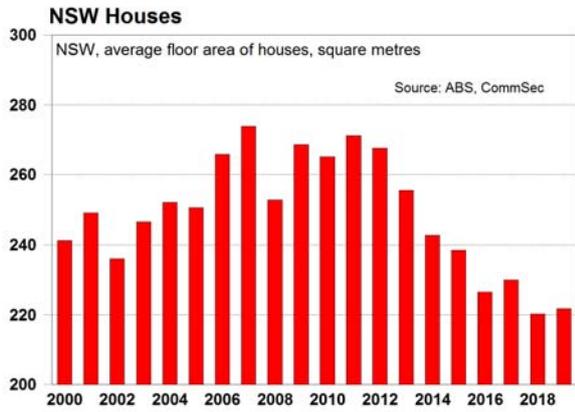
- **The Australian Bureau of Statistics (ABS)** collects data on new home completions. Where the data is made available, estimates of the average floor area of houses and apartments by state/territory can be calculated. Changes in the size of homes has implications for builders, developers and retailers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

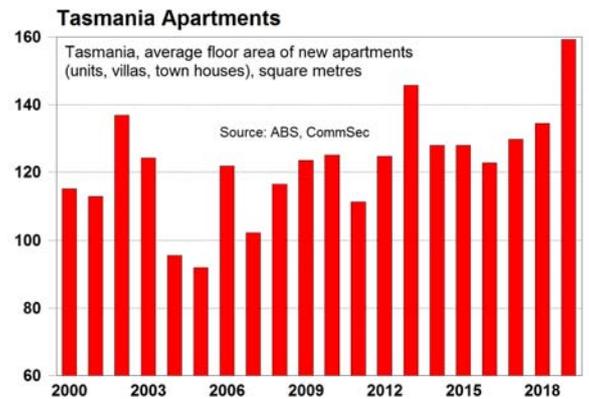
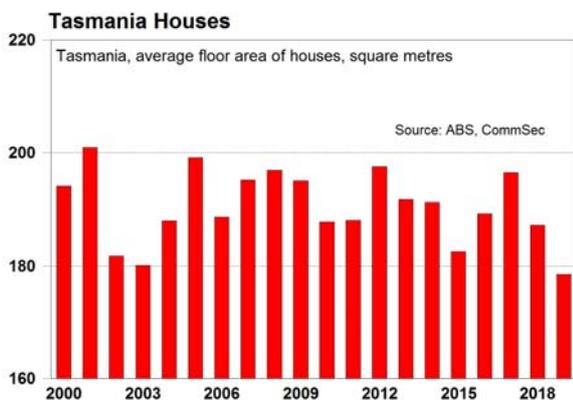
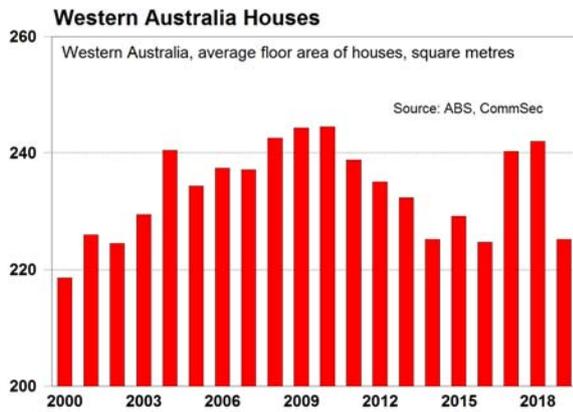
**What are the implications for interest rates and investors?**

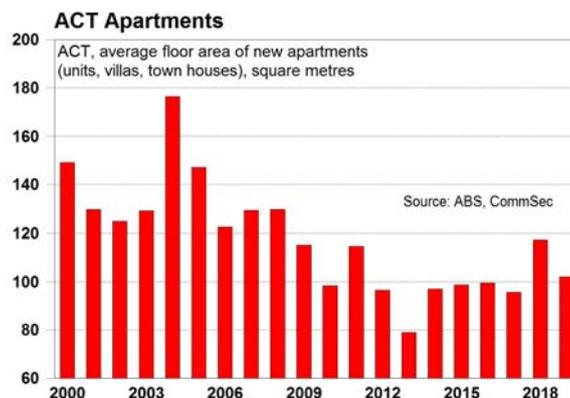
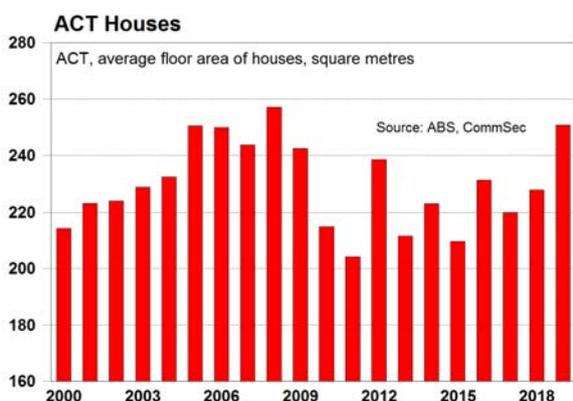
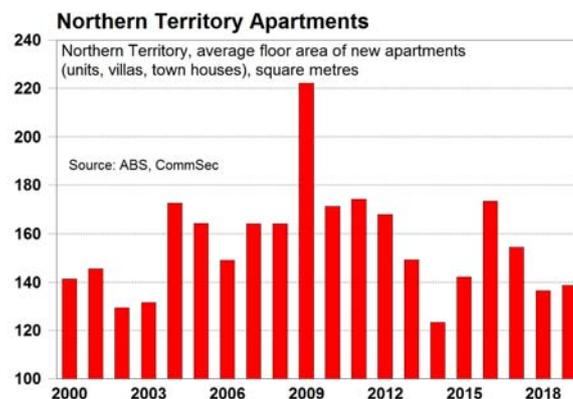
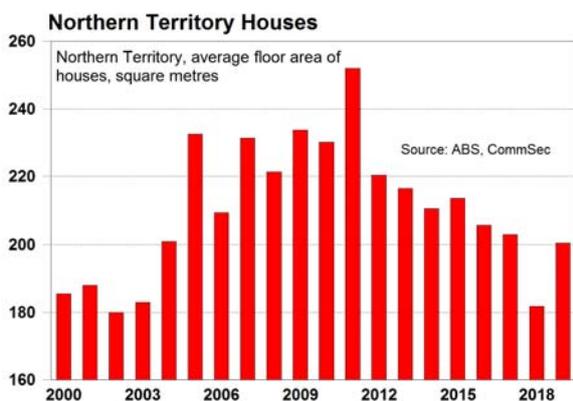
- Australians continue to build some of the biggest houses in the world. But an increasing proportion of Australians – especially in Sydney and Canberra – also want smaller homes like apartments, semi-detached homes and townhouses. As a result, the average home size has been falling over the past decade.
- Generation Y, Millennials, ‘down-sizers’ and small families want to live closer to work, cafes, restaurants, shopping and airports and have been giving up living space for better proximity to the desirable amenities.
- So urban consolidation continues. Older free-standing houses are making way for apartments. Building completions hit record highs in the year to March 2017, and have hovered near the highs in the period since. New council approvals to build homes have eased substantially from highs but there is still a substantial amount of work to be done.
- It is important to note that there are major differences in house size across Australia. In 2018/19 only 21 per cent of ACT dwellings completed were houses, but those houses were the biggest in the nation and the biggest for the ACT in 11 years. Victoria built the second biggest houses in the nation and the biggest for the state in seven years. By contrast the average new free-standing house built in NSW was 10 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 on-going need for a greater number of smaller homes to be built.

Craig James, Chief Economist, CommSec; Twitter: @CommSec  
 Ryan Felsman, Senior Economist, CommSec; Twitter: @CommSec









**IMPORTANT INFORMATION AND DISCLAIMER FOR RETAIL CLIENTS**

The Economic Insights Series provides general market-related commentary on Australian macroeconomic themes that have been selected for coverage by the Commonwealth Securities Limited (CommSec) Chief Economist. Economic Insights are not intended to be investment research reports.

This report has been prepared without taking into account your objectives, financial situation or needs. It is not to be construed as a solicitation or an offer to buy or sell any securities or financial instruments, or as a recommendation and/or investment advice. Before acting on the information in this report, you should consider the appropriateness and suitability of the information, having regard to your own objectives, financial situation and needs and, if necessary, seek appropriate professional of financial advice.

CommSec believes that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made based on information available at the time of its compilation, but no representation or warranty is made as to the accuracy, reliability or completeness of any statements made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed by any other member of the Commonwealth Bank of Australia group of companies.

CommSec is under no obligation to, and does not, update or keep current the information contained in this report. Neither Commonwealth Bank of Australia nor any of its affiliates or subsidiaries accepts liability for loss or damage arising out of the use of all or any part of this report. All material presented in this report, unless specifically indicated otherwise, is under copyright of CommSec.

This report is approved and distributed in Australia by Commonwealth Securities Limited ABN 60 067 254 399, a wholly owned but not guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. This report is not directed to, nor intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or that would subject any entity within the Commonwealth Bank group of companies to any registration or licensing requirement within such jurisdiction.