



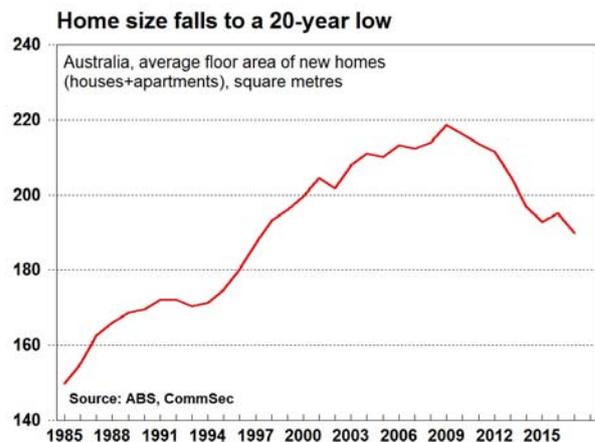
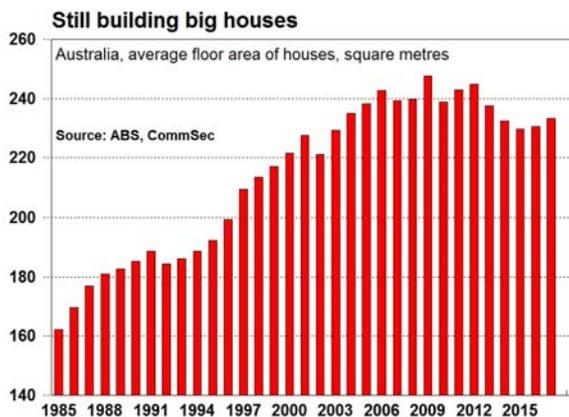
Australian home size hits 20-year low CommSec Home Size Trends Report

- The average floor size of an Australian home (houses and apartments) has fallen to a 20-year low. Data commissioned by CommSec from the Australian Bureau of Statistics, shows the average new home is 189.8 square metres, down 2.7 per cent over the past year and the smallest since 1997.
- The smaller home size reflects the increased building of apartments (around half of all new building is apartments). But Australians are also still building big free-standing houses. The average new house built in 2016/17 was 233.3 square metres, the biggest in four years and more than 11 per cent bigger than 20 years ago. In fact the average house built today is over 30 per cent bigger than 30 years ago (the 1986/87 financial year).
- 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 8 per cent bigger.
- Victorians are building the biggest houses in Australia, ahead of Western Australia and NSW. But notably the average size of houses built in South Australia in 2016/17 was the biggest in the state's history.

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. In fact the size of the average new house has grown slightly over the past two years. But the average house size isn't reaching new highs, having peaked around six years ago. 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 11 per cent bigger than 20 years ago and over 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 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 245 square metres (m²), around 5 per cent bigger than in Australia. And US homes (houses and apartments) averaged 204m² in 2016, around 8 per cent bigger than in Australia.
- In New Zealand the average home built in 2016/17 (data on houses isn't available) was 178.3m², around 6 per cent smaller than in Australia.
- The last global survey conducted by the United Nations indicates that the average floor area of new homes built in US, Australia and New Zealand were far larger than in other European economies.
- In recent years a key trend in Australia has been the increasing number of apartments being built. Seven years ago around 27 per cent of homes built were apartments. Today, apartments account for almost half (47 per cent) of all homes built.
- And the increased number of apartments being built has served to reduce the size of the average home in Australia. In fact the average home was 189.8 m² in 2016/17, the lowest level in 20 years and down 2.7 per cent on a year ago.
- Through the 2004-2009 period, the average apartment was around 140m². Today it is closer to 130m².
- 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.
- Five 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 2016/17		
Average floor area		
State/Territory	Square metres	% change on year
NSW	230.0	1.5
Victoria	242.8	1.5
Queensland	227.3	-4.4
South Australia	214.3	5.5
Western Australia	242.5	6.7
Tasmania	195.5	3.3
Northern Territory	203.0	-1.3
ACT	197.0	8.2
AUSTRALIA	233.3	1.2

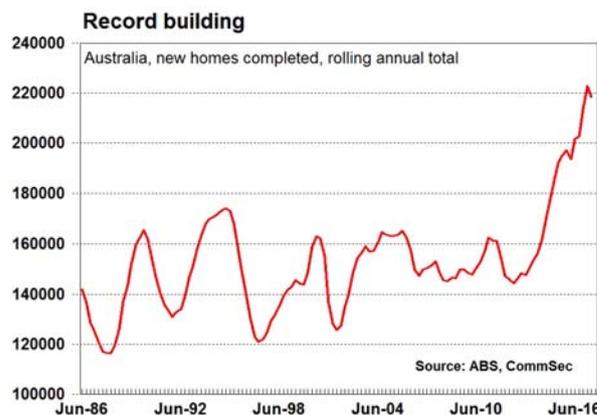
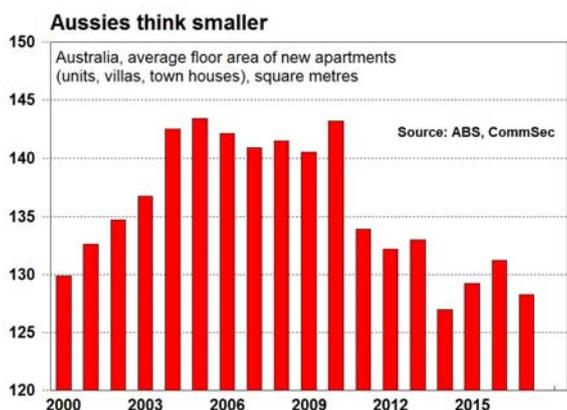
Source: ABS, CommSec

Apartments built in 2016/17		
Average floor area		
State/Territory	Square metres	% change on year
NSW	129.5	-2.1
Victoria	131.0	-2.4
Queensland	125.5	-2.7
South Australia	152.3	14.9
Western Australia	123.0	-4.5
Tasmania	129.8	5.7
Northern Territory	154.5	-10.8
ACT	95.8	-3.8
AUSTRALIA	128.3	-2.3

Source: ABS, CommSec

All new homes built in 2016/17		
Average floor area		
State/Territory	Square metres	% change on year
NSW	181.5	-2.7
Victoria	198.8	-1.4
Queensland	179.5	-8.3
South Australia	201.0	8.9
Western Australia	214.3	4.5
Tasmania	185.8	3.2
Northern Territory	189.0	-2.5
ACT	132.5	2.9
AUSTRALIA	189.8	-2.7

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 2016/17, the average size of a new house built in Australia was 233.3 square metres (m²), up from 230.5m² in 2015/16 but down from the record high of 247.7m² in 2008/09.**
- **In the US, the average size of new single-family houses built in 2016** (latest estimate) was 2,640 square feet or 245.3 square metres, down from a record 249.6 m² in 2015. Australian houses were last bigger than US houses in 2011/12.
- **The average US home (houses and apartments) was 204.3m² in 2016.**
- **In 2016/17 the average floor area of a new apartment in Australia** (unit, townhouse, villa etc.) was 128.3m², down from 131.3m² in 2015/16 and 10.5 per cent below the high of 143.4m² in 2004/05.

Average Size of New Homes Across the Globe, 2016, m²

United States	204.3
Australia	189.8
New Zealand	178.3
Turkey	151.1
Norway	128.2
Denmark	125.5
Philippines	117.6
Greece	101.7
Belgium	99.0
Germany	96.6
Finland	95.6
Poland	91.8
Chile	87.9
Japan	85.0
France	81.2
Russia	68.8
Hong Kong	43.6

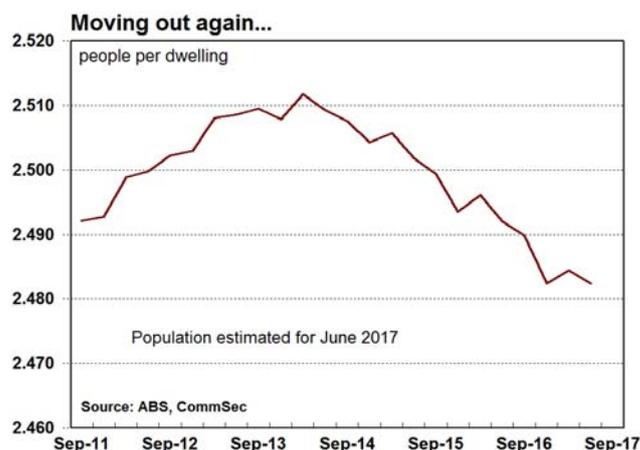
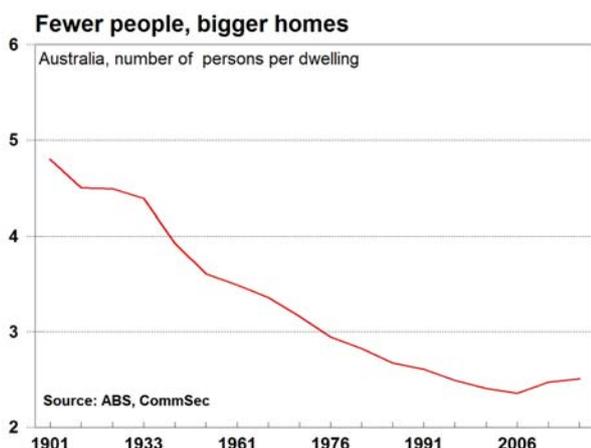
Source: UN, US Census Bureau, Statistics NZ

States & territories

- **Victorians are building the biggest houses in Australia.** In 2016/17 the average floor area of houses built in Victoria was 242.8m², ahead of Western Australia (242.5m²), NSW (230.0m²) and Queensland (227.3m²).
- **The smallest new houses** built were in Tasmania (195.5m²) and the ACT (197.0m²).
- **In 2016/17 the biggest apartments** could be found in the Northern Territory (154.5m²). However, the data may be distorted by the small number of completions in the year (1,173).
- **Of the states**, South Australia built the biggest apartments in 2016/17 with the average floor area at 152.3m², ahead of Victoria (131.0m²) and Tasmania (129.8m²).
- **Of all homes built in 2016/17**, the average floor area was biggest in Western Australia (214.3m²), then South Australia (201m²). In Western Australia over 69 per cent of homes built were free-standing houses, and in South Australia houses were 73.2 per cent of the total. By comparison, only 43.6 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 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 again been falling. Lower interest rates and the increased supply of cheaper apartments (compared with houses) have prompted older couples to down-size. More Generation Y have been looking to move out of home and take 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 and Victoria – 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 acts to stall demand, again prompting greater co-habitation of dwellings.

What is the importance of the economic data?

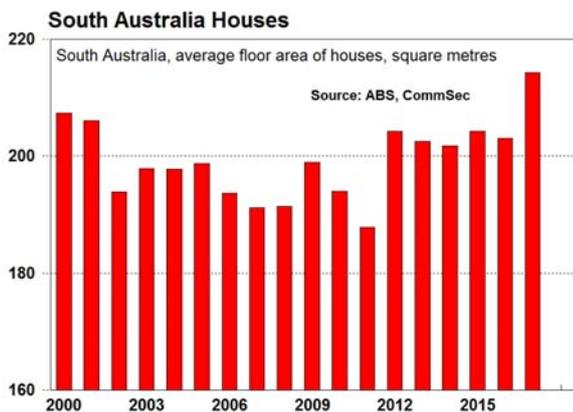
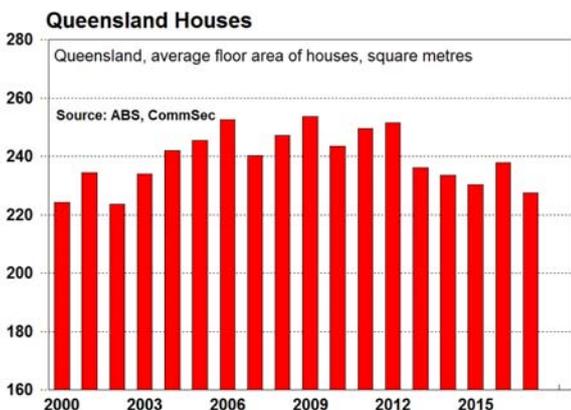
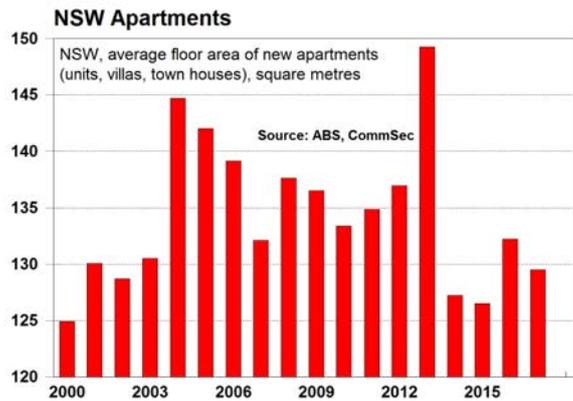
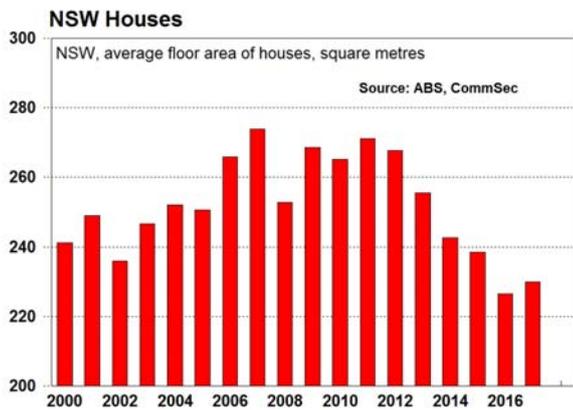
- **The Australian Bureau of Statistics (ABS)** collects data on new home completions. Where the data is made available, estimates of the average floor area of the new homes can be calculated. Changes in the size of homes has implications for builders, developers and retailers of home appliances. If 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?

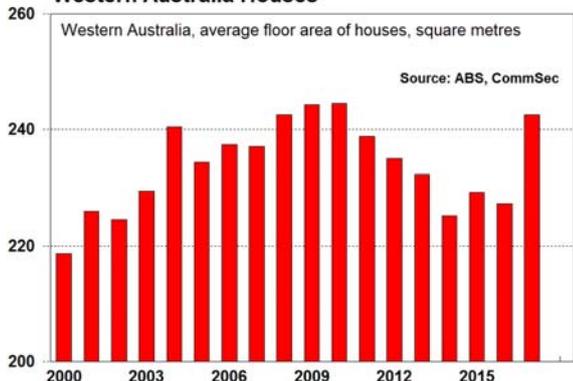
- Australians continue to build some of the biggest houses in the world. But an increasing proportion of Australians – especially in Sydney, Melbourne and Brisbane – also want smaller homes like apartments, semi-detached homes and town houses. As a result, the average home size continues to fall – now at 20-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. And while building completions hit record highs in the year to March, approvals to build homes are rising again.
- 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 both South Australia and Western Australia has lifted. In fact South Australia built the biggest homes on records going back 30 years. And on average Western Australian houses built in 2016/17 were just short of record highs for the state.
- 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.

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Western Australia Houses



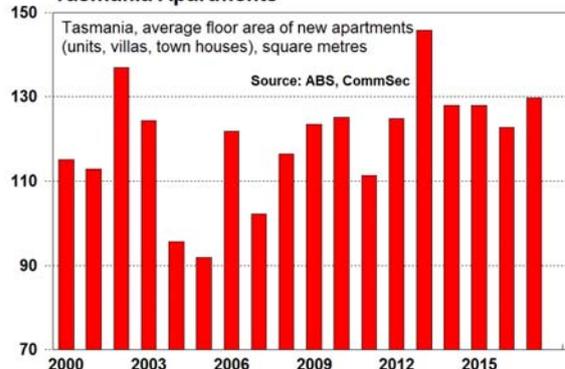
Western Australia Apartments



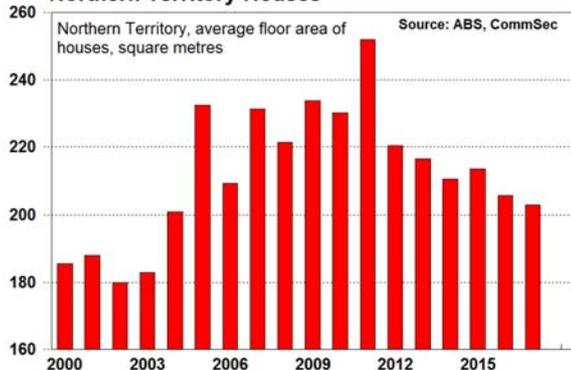
Tasmania Houses



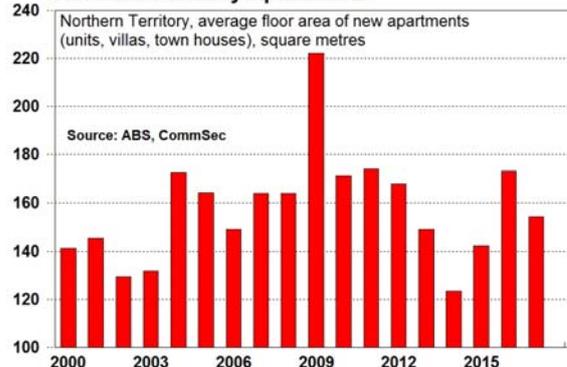
Tasmania Apartments



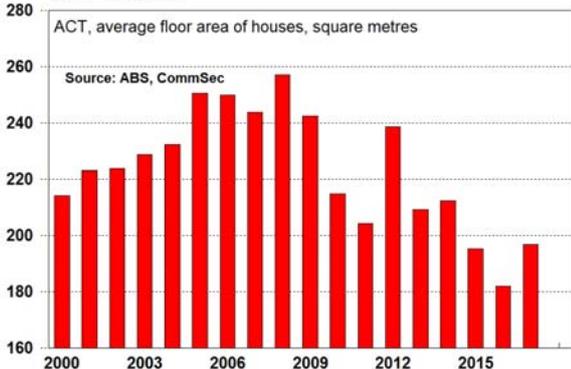
Northern Territory Houses



Northern Territory Apartments



ACT Houses



ACT Apartments

