



## I'll be renting for the rest of my life...

With the ongoing concerns about increasing property prices, home ownership, the cost of living, and small or no wage increase, the question that continues to come up in general conversation is 'how will our children ever enter the property market?'

**Did you know** that approximately 28% of our Australian population at any time are in rental accommodation<sup>1</sup>?

The percentage of owners (including those with a mortgage) vs renters has not changed significantly since the very first census of population and housing in 1966. In 1966 the proportion of owner occupied private dwellings vs rental was 71.4%<sup>2</sup>. The most recent census information of 2006 shows home ownership has dropped slightly to 69.8%.

Although there has been a slight drop in home ownership, the population has more than doubled over the same time from 11.65M to currently over 23.8M<sup>3</sup>. In fact, home ownership rates in Australia still put us in the top five of all OECD countries.

### So what can renters do?

#### Home ownership

The legal rights and obligations that home owners have in relation to the property they live in vary considerably according to the type of housing.

For example, those who own their home:

- have greater security of tenure than most renters whose occupancy rights are subject to review at relatively frequent intervals.
- generally have more freedom than renters to modify the property to suit their specific needs and tastes (eg to keep pets, take in boarders or run a business from home).

In the course of repaying their home loan, owners usually accumulate wealth in the form of home equity that can then be used to secure finance for other purposes.

Conversely, they face considerable costs associated with buying and selling property, so home owners have less flexibility when it comes to moving house.

#### Renting

On the other hand, renting can have advantages over home ownership, such as:

- greater flexibility to move elsewhere at short notice,
- lower housing costs than many owners repaying a mortgage,
- the opportunity to invest in other assets which may yield higher returns than home ownership, plus
- renting avoids repair and maintenance costs, rates and insurance bills that are all part and parcel of home ownership.

#### Can you rent AND buy?

Sometimes it makes more sense to become a **renting investor**, ie continuing to live in rental accommodation and buying an investment property before buying a home. Young investors in particular may do this for a number of reasons:

- They can rent in the trendy, lifestyle driven areas they want to live - but cannot afford - and still get a foot in the property market. An investment property may not necessarily be in the area - or even state - that they want to live but can be chosen purely for affordability and good rental returns.
- They may still be living at home with their parents rent free, enabling them to save and invest.
- Their lifestyle is still transient - travelling, moving around with jobs or relationships. They may not be sure where they want to plant their 'property roots' yet.
- They don't see a large, non tax-deductible mortgage on a home as the best use of their money at this stage of their life.

Co-ownership scenarios may be another option for younger buyers. Pooling financial resources with family or friends may allow them to enter the property market faster than they would be able to do on their own. However, this option is a little more complex than a typical individual owner/occupier or investor purchase so you need to establish a borrowing arrangement to protect your investment.

1. Abs.gov.au

2. Abs.gov.au

3. Sources include: World bank, ABS population clock

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