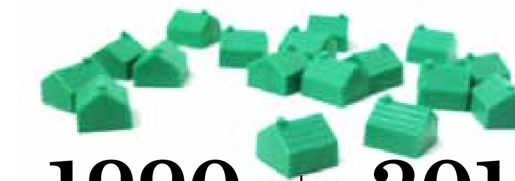
HOME TRUTHS

It's been called the Great Australian Dream, but owning your own home has become closer to a fantasy. Hazel Flynn looks at what has changed, and how some people are beating a different path to home sweet home

NO WONDER YOU CAN'T AFFORD ONE



1970	1990	2013
AVERAGE HOUSE PRICE	AVERAGE HOUSE PRICE	AVERAGE HOUSE PRICE
$12,500	$125,000	$420,000
ABOUT THREE TIMES THE TYPICAL INCOME*	ABOUT FOUR-AND-A- HALF TIMES THE TYPICAL INCOME*	ABOUT SIX-AND-A-HALF-TIMES THE AVERAGE INCOME (IN SYDNEY, IT'S ABOUT NINE TIMES)*

Emma Huber and Yonatan Miller were feeling confident when they set out on the search to buy a house. After all, they had a substantial deposit and their buying ambitions were modest. Surely, it wouldn't be too long before they were settled in their new home, rearranging sofas and debating shades of taupe. So, every Saturday they'd get up early and race to view any property that seemed a likely prospect, based on the listing and agent's price estimate. It wasn't long, however, before reality set in.

"After a while you just stop because you know it's going to be a waste of time," says Huber with a sigh. "Either it's well within your price range, but you wouldn't send your worst enemy to live there, or it's nowhere near your price range and you'd love it. You think, 'I don't want to be disappointed, I'm not going.' It's deflating."

Sound familiar? If you're a potential homebuyer, you've probably spent your Saturdays in exactly the same state of high hope and plunging disappointment. Like Huber and Miller, you probably know firsthand just how hard it has become to get a toehold in the Australian property market. Perhaps you've even given up your vision and become philosophical – or not so philosophical – about renting, although that's not cheap or easy these days either. Or maybe you've found a creative way to skirt around the bleaker realities of the property landscape.

Either way, if you're feeling you've got it tougher than previous generations, you'd be right. Take this figure: in 2001, more than half the suburbs in Australia's capital cities were classed by property experts as "affordable" to buy into. Now it's less than five per cent, and not one of those is an inner-city suburb. Even regional areas have been "infected" with the same price rises, says Ben Phillips, principal research fellow at the National Centre for Social and Economic Modelling (NATSEM).

For first-home buyer wannabes like Lucy Bryson, it's all very alarming.

"I would love to be in a position to buy, to be investing in my future, but I feel like I am going to be stuck renting for ever," laments the 31 year old.

Bryson, an architect, lives in an unrenovated, one-bedroom unit in inner-Sydney Potts Point. Rent, she says, eats up nearly half her salary. ▶

HOW DID HOUSING GET SO UNAFFORDABLE?

■ **GOOD TIMES** Ben Phillips from NATSEM says the past 21 years of uninterrupted economic growth, the move towards two-income families and low interest rates have given Australians much more money to spend, so house prices have risen, particularly in sought-after areas.

■ **BANKS CHANGED** Before bank deregulation in the '80s and '90s, "You had to pretty much beg your bank manager to give you money. In fact, if you were a woman you couldn't even get a loan," says Phillips. Suddenly, post-deregulation banks were competing for customers, putting more people in the market and consequently driving prices up.

THE BIG PICTURE

OUR ASPIRATIONS HAVE CHANGED AS WE HAVE BECOME MORE AFFLUENT. AUSTRALIA HAS THE BIGGEST HOUSES IN THE WORLD. THIRTY YEARS AGO, THE AVERAGE NEW BUILD WAS AROUND

130sqm*

NOW IT'S

250sqm*

IN EUROPE, A TYPICAL DWELLING IS A FAIRLY MODEST TWO-BEDROOM UNIT OF AROUND

80 TO 90sqm*

WHAT CAN $850,000 BUY YOU?

SYDNEY

A two-bedroom, one-bathroom, period terrace house in fair condition with no parking, close to the CBD.

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MELBOURNE

A three-bedroom, two-bathroom, apartment with two parking spaces and private lift entrance in South Melbourne.

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HOBART

A five-bedroom, three-bathroom, two-storey Federation house on a 1224sqm block in West Hobart. Plus up to $95,000 in change.

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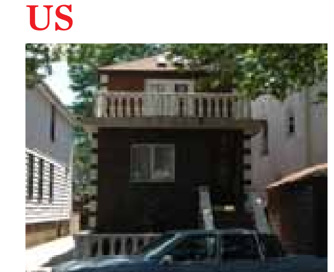
US



A large four-bedroom, three-bathroom (plus car parking) freestanding house in Brooklyn, New York.

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FRANCE

A five-bedroom, five-bathroom (plus utility rooms, attic and wine cellar) 19th-century chateau on 1.7ha of land, near Hesdin in northern France.

PHOTOGRAPHED BY GETTY IMAGES; WWW.PROPERTYSHARK.COM.
*ACCORDING TO THE NATIONAL CENTRE FOR SOCIAL AND ECONOMIC MODELLING

An inheritance, hard work and a "very, very lucky" real estate find saw Emma Huber and Yonatan Miller (with Billie, one, Ariel, two, and poodle Fletcher) achieve their ideal family lifestyle.

THE FINANCIAL SEA CHANGE

With a combined annual income of $73,000 and the unpredictable earnings and sporadic work history common to hospitality workers, there was "no way in hell" bartender Emma Huber, 36, and chef Yonatan Miller, 38, could have bought property in Sydney without parental help. Miller's parents inherited money and offered to let their son use $100,000 of it – if, and only if, it went towards buying property. So just two years into their relationship, the couple entered the market. But even with a six-figure deposit, they had to find something they could actually pay off.

Finally, after six months of intensive searching, they "got very, very lucky", paying $530,000 for a "one-and-a-half bedroom" flat in Rose Bay. "The first thing we did was put up an $8 knife magnet," laughs Huber. Miller grins: "We didn't have to ring anyone to find out if we could put a screw in the wall."

A little over two years later, Huber was pregnant and their tiny unit (70sqm) seemed cramped. Money was tight; they couldn't afford anything bigger in Sydney. But one day, driving the 85 kilometres south to Wollongong to visit her parents, "something just clicked". The couple moved in with Huber's parents until they were sure, then took the plunge, buying a two-bedroom house in the suburb of Woonona within walking distance of the beach. Their block is 700sqm – 10 times the size of their Sydney flat. They paid $535,000. With the profit they made selling the flat after just three years, they opened their own cafe, Sandygoodwich.

They have two kids, a thriving business, a big property, chooks and a dog. Yes, they're each working 80-hour weeks at the moment and are sorely sleep deprived, but "it's been a good move without a doubt", says Huber. "In Sydney, we were just getting by. You never felt like you could get ahead, or save any money. Here we work damn hard, but we're building something up, and if you can get half an hour you can be on a completely undeveloped beach with dogs and kids – you can reconnect with what matters."

So what property advice will they give their kids? Miller doesn't miss a beat: "Be good to your grandparents."

"Living on my own means there is no way I can pay for my place and save for a deposit. I find it frustrating that I have a good job and earn a reasonable wage, but I have very, very little prospect of getting into the property game."

It was a different story for Bryson's parents. Her mother, Sarah, paid $29,000 for her first home at the age of 23. Her father and his first wife owned a harbourside apartment before they were 30 years old.

"By the time my parents were my age, they had bought and sold several properties and made good profits. They were so much further ahead. The only way I am going to be able to buy as a single woman is if I win the lottery."

Bryson has an annual income of nearly $100,000. If things followed the same formula as the two generations before her, she'd be able to pick up a nice first home for around $275,000. But everything has shifted.

"The Australian housing ladder used to work pretty effectively: you'd leave the family home, move into the private rental market for a short period, and then, typically on marriage, move into home ownership," explains Dr Ian Winter, executive director of the Australian Housing and Urban Research Institute (AHURI). "Today, the rungs on the housing ladder are just too far apart."

Think of the difference between what you earn and what you'll pay for an average house as the BMI of property prices: in less than two generations we've gone from a small, trim figure to a bloated number that pushes would-be buyers into the red zone.

Phillips explains: "If you go back to, say, 1970, we had average house prices of about $12,500 – about three times the typical income. Now, nationally, we have average house prices of $420,000 – about six-and-a-half times the average income. In Sydney, the typical house price is about nine times the median household income.

"First-home buyers are the ones who are struggling. They're staying in rental properties for longer. They're getting into housing later, they're having to take out a very large loan and they're taking longer to pay off their loan," he adds. "The people who gained from the increase are those who bought back in the '60s, '70s and '80s – and even into the '90s."

There are numerous theories being floated around about how to increase housing affordability, but definitive answers are in short supply. Some of the suggestions – such as building more apartments and smaller houses – are long-term strategies that will have little impact on current property seekers.

But, like the people in the case studies in this story decided, perhaps it is time to come up with a different strategy – and even a different way of thinking about how we are living our lives – to affect real change.

PHOTOGRAPHED BY TOMASZ MACHNIK. HAIR AND MAKE-UP BY JESSICA DIEZ, KATE BLAINEY/ UNSIGNED MANAGEMENT. *ACCORDING TO THE NATIONAL CENTRE FOR SOCIAL AND ECONOMIC MODELLING. **ACCORDING TO THE AUSTRALIAN HOUSING AND URBAN RESEARCH INSTITUTE

Even combining incomes, Charlotte Ree and her boyfriend will have to save for years – while paying high rent – to accumulate a mortgage deposit.

THE LONG-TERM RENTER

Charlotte Ree is only 22, but she's a renting veteran, now in her sixth leased house in five years. "I've had a whole variety of experiences," she reveals. "I've lived with my best friend and it was the best thing in the world – until girls do that usual friendship thing where something happens and you break up. I've woken up to flatmates snorting cocaine outside my door. I've had flatmates steal clothes. I've also had some really, really good experiences, but to say that I'm over sharing a place is an understatement. That's why it's just me and my boyfriend this time around."

Ree, a book publicist, and her boyfriend, Diego Vidal, who is studying business and working full-time managing restaurants, have a combined annual income of about $100,000. But they cannot get into the Sydney property market, and have resigned themselves to renting for a few more years yet.

"We've been to rental inspections where there were another 50 couples standing in line. It's so competitive, it's awful," comments Ree.

"We had to leave our last place because there was a mould outbreak in the kitchen. The real estate agent wouldn't fix it. They would come in and repaint it, and then it would come back. We had to threaten to take them to the Tenancy Tribunal. We now pay $680 for a two-bedroom place in Glebe, which we can only afford because my mother works in Sydney one week a month and her company gives her $150 for accommodation – she pays it to us and stays here.

"These are inner-city prices, but I work in the city and I want to live in the inner city," she says. "Whatever we'd make up for in cheaper rent further out we'd lose in time and transport costs to get to work.

"They wouldn't give us any longer than a six-month lease on this place, which is really distressing because at the end of it I'll be away travelling for work and if we do have to move it will be such a stress. If they do renew they have the right to put the rent up to $700, $750 a week.

"We've been saving like crazy to put together a deposit – we're aiming for $60,000. But even with the First Home Owner Grant (www.firsthome.gov.au) it will take us years. We want to travel, and this year we're travelling to the US and Mexico and Cuba for five weeks. We want to do Europe, too, but we said, 'No, we've got to save for a house.'"

Ree reckons it will be another five or six years at best before she and Vidal have accumulated enough of a deposit to enter the property market. Even then, they will probably only be able to afford to buy an apartment in a suburb in outer western Sydney as an investment, and rent it out. It's not their ideal, but it's a plan.

WE'RE STUCK IN THE PAST

A TYPICAL HOUSEHOLD 30 YEARS AGO WAS 4+ PEOPLE*

NOW THE AVERAGE IS 2.5 PEOPLE*

AND 24% PER CENT OF HOUSEHOLDS ARE SINGLE-PERSON, YET ONE-BEDROOM DWELLINGS MAKE UP ONLY 5% OF THE HOUSING STOCK**

WHY WE NEED TO RETHINK RENTING

"Our system has assumed private rental is a stepping stone," says Dr Ian Winter of AHURI. "But for many, many renters now, private renting will be their [final] destination. From our research, between 30 and 40 per cent of private tenants will simply be renting continuously for 10 years or more. That changes the whole nature and dynamic of what we think the rental market should be about."

Australians tend to have a poor view of renting, which is in contrast to other countries. Many European nations, where "home ownership is not revered to the same extent" show how it can be done, he says. "They have got far stronger tenants' rights, longer-term leases, greater security of tenancy. And one of the quid pro quos is that landlords have guaranteed longer-term income."

AVERAGE LENGTH OF A TYPICAL RENTAL LEASE

AUSTRALIA	LESS THAN 1 YEAR
FRANCE	3 YEARS
IRELAND	4 YEARS
SPAIN	5 YEARS
GERMANY	INDEFINITE
NETHERLANDS	INDEFINITE

- Australia is one of the few OECD countries that allows "no grounds" evictions.
- In some countries, including Germany, tenants are free to redecorate their home as long as they return the place to neutral before moving out. ▶

Left: Brett Schembri, Lisa Halpin and son Connor moved into their brand-new Adelaide home just before baby Holly was born.

THE FIRST-HOME BUILDERS

Two crucial advantages meant that Adelaide couple Brett Schembri and Lisa Halpin were able to afford a home of their own: first, the city's relatively low property prices, compared to other capitals; and second, a lender called HomeStart Finance (www.homestart.com.au), a body set up by the South Australian government specifically to get people on to the property ladder. But there was sacrifice.

"We were about to start planning our wedding, when we decided to go for the house option instead," reveals Halpin.

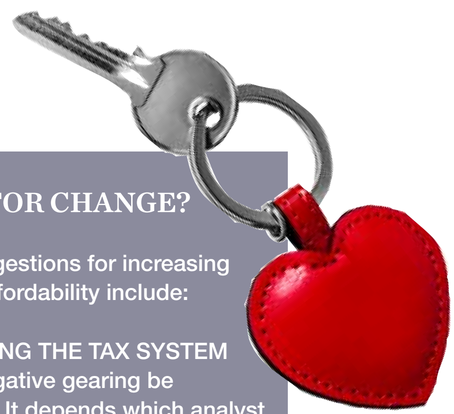
Schembri, 26, a technical analyst, and Halpin, 29, a casino supervisor, had a combined income of just over $100,000 and were in their third rental, paying $320 a week for an older house with "a few maintenance issues that weren't getting fixed", says Schembri. "It was frustrating, thinking, 'We could renovate this,' and not being able to." They looked at existing houses, going to inspection after inspection, but, "when we started comparing the areas we wanted to live, it was almost the same price to build as buy".

Then a development opened in the southern suburb of Morphett Vale, close to their families, with a $328,900 house/land package they liked. "We had a lot of issues getting financial approval, because things were tight and we were first home buyers," recalls Schembri. Other lenders wanted a 20 per cent deposit, but HomeStart required only 4.5 per cent. Equally importantly, the scheme also offers preferential repayment terms.

Having lived with her parents for months to save money, a heavily pregnant Halpin, Schembri and their two-year-old son, Connor, moved into their brand-new home in May. "We wanted three good-sized bedrooms, a couple of living areas and a couple of good-sized bathrooms, and we got that," says Schembri. "It's great."

THE MIND SHIFT

"Programs like *House Rules* and *The Block* have encouraged people to get into property investment. Housing is now thought of as investment goods rather than just a basic necessity of life," says Phillips. Our tax system has encouraged this, with negative gearing (the ability to write off costs, including interest paid on loans) if you're a landlord; and no capital gains tax on owner-occupied houses – meaning whatever profit you can make on your own home is yours to keep, so people come to view their home as an investment tool, not just shelter.



ROOM FOR CHANGE?

Some suggestions for increasing housing affordability include:

■ CHANGING THE TAX SYSTEM Should negative gearing be scrapped? It depends which analyst you favour: it either encourages productive investment or provides the rich with a handy tax write-off at the expense of the rest. Sweden takes the opposite approach to us: there, it's owner-occupiers who get big tax breaks, not investors.

■ GOVERNMENT INTERVENTION South Australia and Western Australia both have government-created organisations to help people who might otherwise miss out buy homes, with SA's HomeStart offering mortgages with as little as a three per cent deposit, and WA's Opening Doors scheme (www.openingdoors.housing.wa.gov.au) lowering repayments by taking over up to 30 per cent of the mortgage in exchange for equity in the property. In contrast, China has dissuaded buyers by raising minimum deposits for first mortgages to 30 per cent and second to 60 per cent.

■ DOWNSIZING Building more units and smaller houses is one step in making property more affordable. But, warns Dr Winter, "We're talking 15, 20, 25 years before we see significant changes."

■ RENTAL REFORMS When it comes to lowering rents, one method being tried out is via the National Rental Affordability Scheme (find details at www.fahcsia.gov.au), first introduced in 2008. It offers financial incentives to build or invest in dwellings that are then rented out – at least 20 per cent below market value – to low- and moderate-income households. Advocacy group Australians For Affordable Housing (www.housingstressed.org.au) campaigns for urgent reform. ■

PHOTOGRAPHED BY JAMES KNOWLER; GETTY IMAGES. HAIR AND MAKE-UP BY KIRSTIE WYATT