

Missing Middle

What does the future hold?

For mine demographics shape almost everything.

Future demographic shape

If that is true, what does Australia's demographic shape look like over the next decade?

The first table shows that baby boomers, who were helping drive generic house price growth over the past two decades, are now starting to downsize and/or retire. As a result, the size of both the downsizing and retirement housing market will grow in size over the next decade.

Also coming through are more first home buyers. This segment is expected to see the largest growth in the coming decade. High overseas migration – whereby the average age of a new overseas migrant is 29 years – means many more potential first home buyers.

Australia: Past and forecast household buyer type

Household buyer type	Last decade Annual change		Next decade Annual change		Change
	No.	%	No.	%	No.
Young renters	29,000	23%	14,000	9%	-15,000
First home buyers	7,000	6%	29,000	20%	22,000
Upgraders	28,000	22%	18,000	12%	-10,000
Downsizers	36,000	29%	47,000	32%	11,000
Retirees	12,000	10%	26,000	18%	14,000
Aged	14,000	11%	14,000	9%	0

Total households	126,000	100%	148,000	100%	22,000
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Some comments

Most aging **baby boomers** look to downsize/retire in their local area.

But most are not that interested in trading in their detached home for a tight mid-to-high rise apartment. A 'middle ground' product is really wanted. Better still, is one which can accommodate a relative, grandchildren, visitors, a tenant and in due course, a carer.

First home buyers often need assistance to help pay the mortgage. Many now take in a tenant.

My Housing Demand Model

Our modelling suggests that over the next decade more housing that fits between a small apartment (often downtown and in large, soulless complexes) and traditional detached homes will be needed.

This housing is often, these days, described as the "**missing middle**".

See the schematic below.

Housing supply Last five years



Housing demand Next decade



More detail

Breaking this demand down further, our work suggests that the demand for housing that caters for sharing is very high – up to 25% – over the next decade.

At present, less than 5% of Australia's existing housing stock successfully caters to this market.

See the second table for more detail.

Australia: Next decade by dwelling type

Dwelling type	Single occupancy	Multi-occupancy	Total demand
Detached houses on land > 400m2	20%	10%	30%
Detached houses on land < 400m2	15%	5%	20%
Townhouses/villas/terraces/Plexes	15%	5%	20%
Apartments	15%	5%	20%
Age-related care	10%		10%
Total demand	75%	25%	100%

End note

Looking forward, I believe that many Australians will be forced to compromise on their housing. This is already happening in many locales.

And if I am right – what is often labelled as the “**missing middle**” these days – should better weather the storm.

To that end, multi-occupancy property is looking more promising rather traditional housing. This applies to owner residents as well as investors.

For investors, multi-occupancy product already shows a much higher return than most other housing types. More people are sharing accommodation and a key to getting a better rental yield is to hold property that facilitates sharing.

For mine an astute passive investor will buy strategically for a rental return and not just buy a common property in anticipation of generic price growth.

They will also buy a property with strong owner-resident resale appeal. This increasingly will mean a dwelling which appeals to multi-generational households.

Until next time,

Michael

Michael Matusik

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Matusik Missives are free but public support is vital so that I can continue to fund investigations and publish posts which speak reason to the distortion. **Your annual \$99 donation helps me, help you! Click [here](#) to donate.**