

CONNECTED FUTURE REPORT.

**Is the Australian dream of
property still a reality?**





About Claire

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Claire Madden is a social researcher, media commentator, keynote presenter and founder and Director of the research based strategy agency, Hello Clarity. Claire is in demand for her skill in effectively identifying the changing demographic social trends, and effectively communicating the insights to business leaders, government departments and educators.

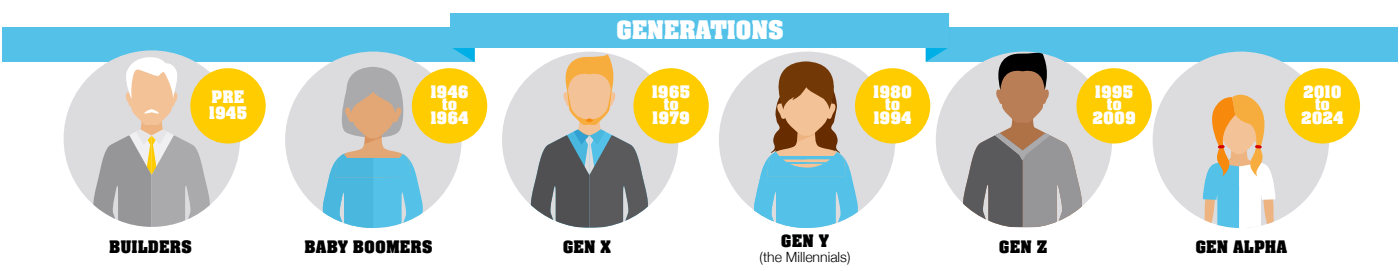
With academic qualifications in communications and postgraduate studies in leadership, Claire brings robust, research-based content to her engaging presentations and consulting. As a social commentator, she has been interviewed on these topics on prominent television programs including Sky News, The Today Show, Sunrise and The Morning Show, as well as on the radio and in print media. Claire is on the board for a financial services company and on the Advisory Board of UTS Business School.



THE AUSSIE DREAM IS ALIVE AND WELL.

The Australian dream has been the stand-alone 3-bedroom home on a quarter acre block with a hills hoist, a barbeque and enough backyard to mow a cricket pitch into the back lawn. The Baby Boomers (born 1946-1964) placed a high degree of importance on home ownership; it was seen as an expression of success and security. But is the Aussie dream as we know it still alive? Data from the CBA ATM study reveals that for almost half of Australians (48.3%), the dream is still alive and well, and for others, the Australian dream is being re-defined. While Gen Y (the Millennials) are delaying traditional

life events such as marriage (which is now 29.8 for females and 31.8 for males), and having fewer children (with the total fertility rate at 1.81 compared to 3.5 in 1961), the average age of a first home buyer has remained relatively constant over the last two decades, hovering around 32 years of age. Clearly there remains a strong drive towards property ownership throughout the generations. However, as Gen Y (born 1980-1994) are reaching the life-marker of taking out a mortgage, what they are buying has changed dramatically from the experience of their Baby Boomer counterparts.



Generations and the years they were born:

| | VIC | NSW | ACT | TAS | QLD | SA | WA | NT | Australian average |
|--|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|
| Optimism | 46.3% | 47.0% | 47.3% | 48.6% | 51.1% | 52.4% | 54.3% | 57.2% | 48.30% |
| Average age of first home buyer (2017) | 32.1 | 32.9 | 32.9 | 30.3 | 32.2 | 32.3 | 32.6 | 32.4 | 32.38 |

Source: Commbank ATM Survey 2017, results as at 17/05/2017. Details at can.com.au.



THE ARCHITECTURALLY DESIGNED DREAM

The 'dream home' is no longer a weatherboard stand alone house but rather an architecturally designed product, as the quality of dwellings has risen over time. The quarter acre block is becoming a threatened species – whilst 74% of those living in cities and 81% of those outside capital cities currently live in a stand alone house, 48% of new residential approvals over the past year have been for medium or high density housing. CBA data reveals that whilst 68% of first home buyers purchased a house in the last year, 16% desire to build their architectural dream home after purchasing vacant land, and 15% purchased an apartment or townhouse.

As we see a move to larger homes on smaller block sizes, and a move towards medium and high density housing, particularly in capital cities, the backyard is being traded in for bathrooms, and the hills hoist for alfresco dining courtyards. The land size for new homes has been shrinking, however the floor size has been rising. The average site area of a new house in a capital city in 1994 was 802sqm compared to 548sqm today. However the average floor area was 162sqm in 1985, 227sqm in 2003 and is 248sqm today. Household size has decreased from 4.5 people in 1911 to 2.6 today, yet the proportion of first home buyers purchasing four bedroom homes has been increasing.

As technology increasingly impacts our lives, society has shifted more indoors and spare bedrooms are utilized for activities such as home office, gym and home theatre. Children's activities have also shifted to extra-curricular programs outside of the home, such as joining the local soccer or AFL team or swimming lessons at the local pool. 3 in 5 (60%) of children aged 5-14 now participate in sport outside of school hours, compared to 52% two decades earlier. The purpose of the backyard has shifted from games of cricket to outdoor entertaining.

RISING PROPERTY PRICES AND AUSSIE RESILIENCE.

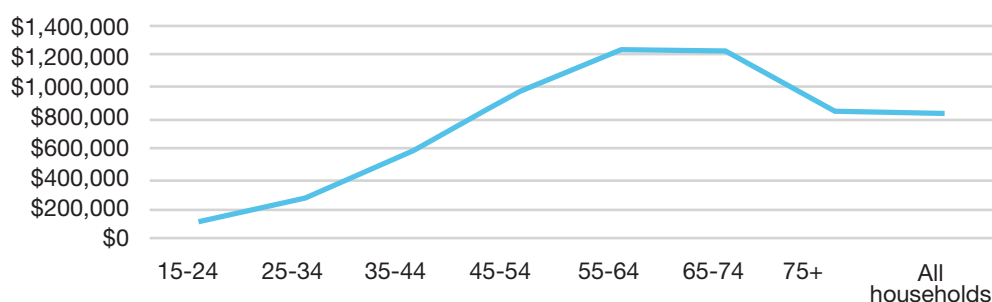
The Baby Boomers and the housing boom

Baby Boomers were entering the housing market in the 1970s and 1980s when the median full time male adult salary was \$3,588 (1968), the average housing loan \$7,100, 13% of household expenditure was on housing, and the average Sydney house price was approximately \$16,750. Gen X entered the market in the late 1990s and early 2000s when average full time earnings (in 2000) were \$43,600, average housing loans were \$133,000, 14% of household expenditure was on housing, and average Sydney house was \$539,000. As more women entered the workforce and there were more double-income earning parents and DINKs (double income no kids), two incomes increasingly went towards the Aussie dream of home ownership. The combined household income of a nuclear family in 2000 was \$62,504.

According to CBA data the Builders and Baby Boomers (over 55's) are most positive about the Aussie dream, with nearly 58% believing the dream is still a reality compared with 48.3% overall. Builders and Boomers hold a large proportion of the wealth in Australia, with the mean household net worth of those aged 55-64 estimated at \$1,239,700, compared to \$268,800 for 25-34 year olds. Many in the older generations have paid off their home loans, fulfilled their 'Australian dream' and are enjoying the capital gains of their quarter acre blocks jumping significantly in property value. Gen X are also relatively optimistic (51.7%) as many are well on the way to paying off their homes and are in a stable stage of life.

Mean net worth by age group:

| | 15-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75 | All households |
|----------------|-----------|-----------|-----------|-----------|-------------|-------------|-----------|----------------|
| Mean net worth | \$115,000 | \$268,800 | \$573,300 | \$944,900 | \$1,239,700 | \$1,230,200 | \$850,900 | \$809,900 |



GEN Y'S RESILIENCE IN SPITE OF THE DREAM SEEMING DIM.

Gen Y's resilience

As the older Gen Ys came of mortgage-attaining age (32) in the 2012, there had been a 125% increase on housing costs since 2000, with the average loan escalating to \$299,000. With the average full time wage at \$75,600, 18% of household budgets were being spent on housing to reach the median house price in Sydney reaching \$855,000.

As has been relatively consistent over the years, the majority of first home buyers are aged 25-34 (57%), with a quarter (24%) aged 35-44. Whilst the 25-34 year olds are the most likely to be taking out a mortgage, they are less likely to be feeling optimistic about the reality of the Australian dream (42.9% of 25-34 year olds compared to 48.3% overall). The CBA data shows that the Australian dream seems most distant just before 30 years of age, and just prior to the typical age that first home buyers are likely to take out a mortgage.

Whilst Gen Y are pulling out all stops to ensure the Australian dream of owning property lives on, there is still a degree of apprehension on how attainable that reality is. Males in Gen Y were the most apprehensive individual group, with only 44% believing the dream is still a reality, slightly below their female counterparts. This is a notable difference compared with males over 55 who were the most positive group (58.2%). Males from the Builders and Boomers generations (over 55s) have had more career earning years and are more positive about the possibility of the Australian dream.

First Home Buyers by age group:

| | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65+ | Australian average |
|-------------------------------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|
| Optimism | 45.3% | 41.5% | 44.5% | 48% | 49.5% | 52.1% | 53.8% | 55.5% | 57.8% | 61.4% | 48.30% |
| % of First Home Buyers | 11.10% | 57% | | 24% | | 7% | | 0.80% | | 0.10% | |

Generational optimism of males and females:

| | Gen Z | Gen Y | Gen X | Boomers and Builders | Average |
|--------------------------|-------|-------|-------|----------------------|---------|
| Optimism: Males | 45.7% | 44.0% | 51.5% | 58.2% | 48.1% |
| Optimism: Females | 44.8% | 44.8% | 51.9% | 56.7% | 48.5% |



The emerging Gen Zs

Gen Zs are more optimistic than Gen Y, however many are yet to embark on the journey of home ownership, with only 1 in 10 (11%) of current first home buyers aged under 24. Today, as Gen Z consider their future options of achieving the Australian dream, the full time wage is \$79,700, Sydney house prices have reached a median of \$1.15 million and the average loan size for a first home buyer is \$316,300. For first home buyers, a higher proportion of weekly income is spent on housing costs, with 21% of first home buyer's gross weekly income going to this. While costs are rising and a greater percentage of household expenditure is going on housing costs, Aussie's are doing what it takes to own property. From committing two incomes to the housing dream to increasing formal education in order to boost earning options, generation by generation, Australians are resilient and committed to the Aussie dream.



Living in your state of optimism

CBA data reveals that the state you live in does impact your state of optimism, with people residing in Victoria and New South Wales, being the least optimistic, while those in Northern Territory and Western Australia believing the dream is more attainable. Correlations can be drawn between the median house prices and the degree of optimism, with New South Wales and Victoria having the highest average house price nationally (median house price in Sydney is \$991,000 and Melbourne \$720,000).

The Boomers and Builders are consistently more optimistic than Gen Ys, yet Gen Y continuing to enter the housing market. Perhaps one of the reasons they are delaying life markers such as marriage and children is to focus on some income generating years to save the deposit and purchase property, thus keeping the dream alive.

Generational optimism by State:

| | VIC | NSW | SA | WA | NT | National Average |
|--------------------------------|--------|--------|--------|--------|--------|------------------|
| Optimism: Gen Y | 42.65% | 42.76% | 51.42% | 51.09% | 56.11% | 44.30% |
| Optimism: Boomers and Builders | 55.60% | 58.20% | 58.35% | 59.94% | 66.67% | 57.50% |

Optimism and Price comparison:

| | NT | WA | SA | QLD | TAS | ACT | NSW | VIC | AUSTRALIA |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Optimism: The Australian property dream is still a reality | 57.24% | 54.25% | 52.38% | 51.07% | 48.59% | 47.31% | 47.00% | 46.29% | 48.28% |
| Average loan size (July 2016) | \$272,200 | \$317,700 | \$263,200 | \$297,700 | \$255,800 | \$326,100 | \$351,900 | \$320,600 | \$316,300 |
| Mean dwelling price (Dec 2016) | \$461,000 | \$536,600 | \$435,400 | \$492,200 | \$343,900 | \$642,900 | \$864,900 | \$690,100 | \$656,800 |

REGIONAL REALITIES AND SUBURBAN SENTIMENT.



Regional vs city sentiment

Those living in regional areas are more likely to believe that the reality of the Australian property dream is still alive (52% compared to 47% in the city). The least optimistic are CBD dwellers; for example, optimism in Sydney CBD is just 38.3% and Melbourne CBD is 36.2%. Those in smaller cities and suburban areas such as Darwin (56.31%), Brisbane's West (53.2%), Melbourne's South East (51.1%) and Sydney's West (59.6%) were significantly more optimistic than those in the major city centres.

The redefined dream

The Australian dream is changing shape for those wanting to live in close proximity to work in the major city centres. Property priorities are shifting as the proportion of buyers who are now owning flats, units or apartments is steadily increasing; in 1995/96 just 7% of first home buyers purchased medium or high density housing; this increased to 13% by 2009/10 and to 15% by 2016/17.

The growing demand

In addition to the escalating house prices, Australia's growing population has put pressure on the supply and demand cycle. When the Boomers entered the market in the mid 1970s, the Australian population was 13.7 million, compared to the 24.4 million Australians needing housing today. Whilst Australia currently has 9.4 million households, it's estimated to increase to 11.1 million by 2027, meaning an additional 1.7 million households will emerge in the next decade (an 18% increase). While 3 in 10 (31%) of Australians are tenants, the majority of Australians either fully own or are paying off their home (69%), a statistic which has remained relatively consistent over the last five decades showing the Australian property ownership dream has lived on through time.

While the dream has taken a different form, from stand alone houses with backyards to townhouses, units and apartments for many, it is evident that property ownership remains high on the aspiration list and deep in the heart of Australians. Shaped in an era of digital technologies and global communication platforms coming to the fore, Gen Y are an 'options' generation. They have prioritised global travel, lifestyle experiences, stayed longer in formal education and attained the name KIPPERS (Kids in Parents' Pockets Eroding Retirement Savings) for staying in the family home later in life. Yet now they are in their prime career building and family forming years, and the deeply embedded Australian dream of property ownership appears to be living on. They, like their predecessors, are finding a way to overcome the obstacles, respond to new realities, and see the (re)defined dream come alive.

BUSINESS

**Are Australian
businesses ready to
face the future?**



THE CHANGING LANDSCAPE

Rapid digital disruption, increased global connectivity and the emergence of artificial intelligence are converging to reshape the business landscape. Labour mobility is high, with 950,300 Australians changing jobs in the last 12 months, and 54% of these changing industry. Baby Boomers comprise 25% of today's workforce however as they are reaching retirement, they will be just 8% of the workforce in 2025, when Gen Y and Z will make up 64% of workers. With the increased casualisation of the workforce and high job mobility, it is estimated that Gen Zs will have 17 jobs across 5 careers in their lifetime. Yet despite this constant change, half of Aussies (49.1%) believe Australian businesses are ready to face the future.

Whilst half of Aussies are optimistic, others may be apprehensive about how many jobs will be replaced by robots performing tasks that only humans could do previously. With increased automation, it is estimated that 40% of Australia's jobs will be threatened by computerisation in the next 10-15 years.

Those jobs at the highest risk are those that require low levels of social interaction, creativity and mobility and dexterity. There is also a levelling out of the playing field with the expansion of the global labour market, which grew by 1.1 billion workers in the last three decades, and 84% of new workers were from developing economies. With greater access to education across the board, Australia's relative competitive advantage of the educated workforce will be on a more even playing field with other nations in the future. Whilst there were 1 million STEM degrees in Asia in 2002, this had increased to an estimated 3.5 million by 2015. Increased global connectivity has opened up a more global marketplace for Australian businesses, enabling varied and affordable options of goods and services to be produced anywhere in the world, however it also reduces the prosperity of nations and businesses that are not competitive.

Older and optimistic

While we often equate the younger generations with being empowered, tech savvy and optimistic about the future, and can be quick to sum up older generations as being more cautious and apprehensive, new data released by the CBA reveals that the opposite is the reality in this case; the older you are, the more optimistic you are about Australian businesses being ready to face the future.

Cities of Uncertainty

Where you live is also an indicator of your sentiment, with those feeling the brightest about the future of Australian businesses residing in NT (61%) followed by WA (52%), however these states comprise just 1 in 8 workers nationally (12.4%). The less optimistic residents are those of VIC (47%) and Tasmania (47%). Indeed, those living in Melbourne CBD are the least optimistic (40%), with Sydney's CBD slightly more positive (44.4%) which is contrasted significantly with those in Darwin (59%) and Perth metro region (52%).

Optimism by Age:

| Age | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65+ | Australian Average |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|
| Optimism | 44.4% | 41.5% | 44.5% | 48.6% | 50.8% | 53.6% | 56.2% | 57.3% | 59.8% | 64.5% | 49.1% |

Optimism by State:

| | VIC | TAS | NSW | ACT | SA | QLD | WA | NT | National |
|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|----------|
| Optimism | 46.6% | 46.7% | 49.6% | 49.7% | 50.6% | 50.7% | 52.2% | 60.6% | 49.1% |
| % of national workforce | 25.8% | 2% | 31.5% | 18% | 6.8% | 19.7% | 11.2% | 12% | 100% |

POSITIONED FOR GROWTH

Whilst technology will lead to automation of some tasks, it will create opportunities for new jobs which do not even exist yet. The demographic realities of a growing and ageing population will also have an impact on what sectors and businesses are positioned in growth areas. The largest employment sector in Australia is Health Care and Social Assistance, employing 1.5 million people, or 12.6% of the labour force, and due to Australia's growing and ageing population, this sector will continue to grow. However retail trade (which is Australia's 2nd largest sector, employing 10.1% of the national labour force has been declining due to the shift to online retail.

In a context of change, Australian businesses will be well positioned for the future as leaders, managers and teams read the trends and maximise the opportunities that the technological change and demographic realities present, as well as take advantage of the opportunities that an increasingly global marketplace provides.

Australia's employment by sector:

| Sector | Number of workers 2017 ('000) | % of workforce | % change last year |
|---|-------------------------------|----------------|--------------------|
| Health Care and Social Assistance | 1512.7 | 12.6% | 0.5% |
| Retail Trade | 1216.6 | 10.1% | -4.9% |
| Construction | 1114.8 | 9.3% | 5.3% |
| Professional, Scientific and Technical Services | 1002.2 | 8.4% | -1.4% |
| Education and Training | 959.2 | 8.0% | 4.1% |
| Manufacturing | 899.1 | 7.5% | 1.1% |
| Accommodation and Food Services | 848.1 | 7.1% | 3.0% |
| Public Administration and Safety | 822.5 | 6.9% | 9.6% |
| Transport, Postal and Warehousing | 594.6 | 5.0% | -7.1% |
| Other Services | 487.0 | 4.1% | 6.4% |
| Administrative and Support Services | 425.6 | 3.5% | -1.5% |
| Financial and Insurance Services | 442.2 | 3.7% | 4.9% |
| Wholesale Trade | 380.2 | 3.2% | 6.7% |
| Agriculture, Forestry and Fishing | 298.7 | 2.5% | -5.7% |
| Arts and Recreation Services | 206.8 | 1.7% | -11.3% |
| Mining | 241.7 | 2.0% | 5.8% |
| Rental, Hiring and Real Estate Services | 214.2 | 1.8% | -3.6% |
| Information Media and Telecommunications | 203.4 | 1.7% | -1.0% |
| Electricity, Gas, Water and Waste Services | 131.4 | 1.1% | -5.2% |



SKILLS

**Do our kids have the skills
they need for tomorrow?**

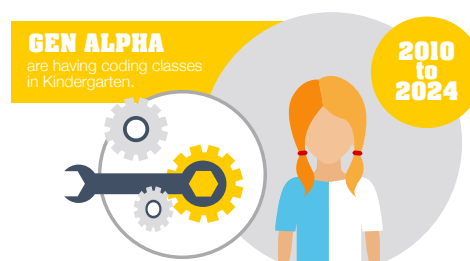
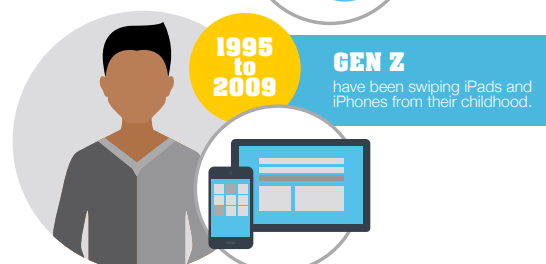
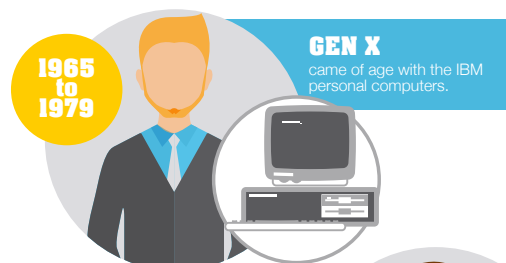
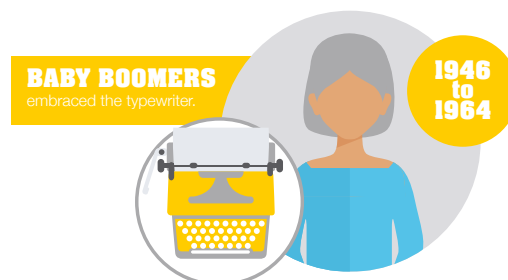
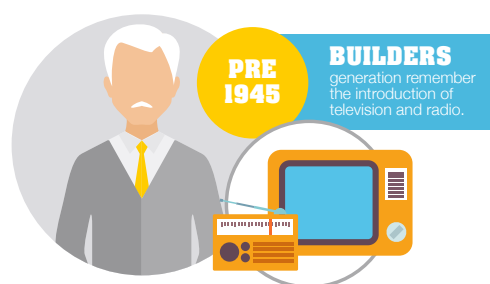
The Builders' generation remember the introduction of the television and radio, the Baby Boomers embraced the typewriter, Gen X came of age with the IBM personal computers, Gen Y spent their formative years surfing the world wide web, Gen Zs have been swiping iPads and iPhones from their childhood, and today's kids, our Gen Alphas, are having coding classes in Kindergarten.

As Gen Z and Gen Alpha complete their schooling and enter the workforce, they will need to embrace new skills and new mindsets to succeed in the new world of work. As employees they will need to be adaptive and agile in order to integrate job roles with rapidly advancing automated systems and handle changing employment markets and organisational structures. They will need to be entrepreneurial to create roles that don't yet exist, have well developed problem solving skills and an advanced emotional intelligence, as routine tasks are increasingly automated, and service sector roles increasingly demand social interaction. Those who will be well equipped for the workplace of tomorrow will be analytical, evaluative, life-long learners and confident problem solvers. Whilst today's emerging generations are the most technologically savvy, globally aware, socially networked and formally educated the world has ever seen, yet according to CBA data, just half of Australians (49.9%) believe our kids have the skills they need for tomorrow.

Parents believe their kids have what it takes

The parents of Gen Z and Gen Alpha are today's Gen Xs and Gen Ys. Whilst the median age of a first time mother hit a low of 25.4 years of age in 1971, it has continued to increase, now reaching 30.1 years of age for first time mums and 33.0 for dads. Interestingly, the CBA data reveals a significant jump in optimism for those in this age bracket of the early 30s in believing that our kids have the skills they will need for tomorrow, compared to those in their late 20s.

It seems that parents have an optimism for their children's future, being more likely to respond 'yes' that our kids have the skills they need for tomorrow. The biggest optimism leap happens in the mid-late 30s, the life-stage where parents see their offspring starting school (a 5.15% increase from the 25-29 year olds), with over half (51.2%) optimistic about the skill base for our kids. From basic literacy and numeracy being taught alongside coding lessons for Kindergarten kids, parents are confident their kids are being equipped for tomorrow.



Optimism for our children's future by age:

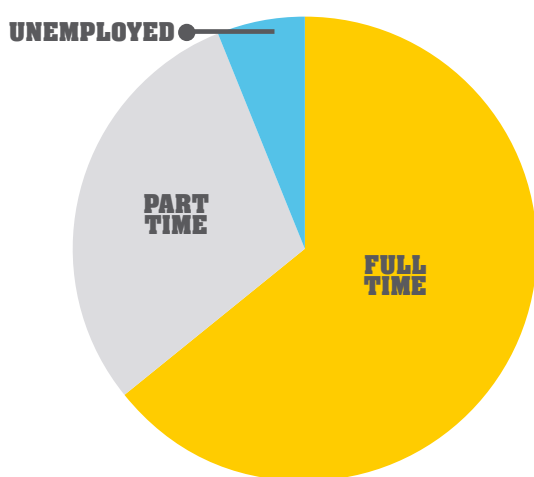
| Age | 18-24 | 25-29 | 30-34 | 35-39 | 40-44 | 45-49 | 50-54 | 55-59 | 60-64 | 65+ | Australian Average |
|----------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------------|
| Optimism | 43% | 41.2% | 46% | 51.2% | 52.6% | 54.4% | 55.4% | 56.4% | 58.6% | 60.5% | 49.9% |

The unsure under 30s

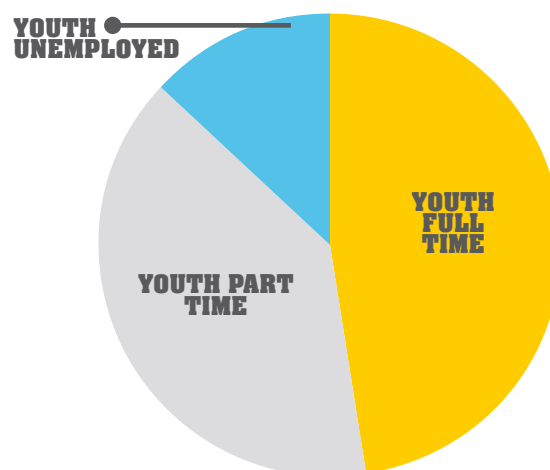
Although they are tech savvy and formally educated, as the 25-29 year olds are finishing their studies and commencing their careers, they are the least optimistic, with just 2 in 5 (41.2%) believing Aussie kids having the skills they need for tomorrow. They may be more acutely aware of the speed of technological change and have a degree of uncertainty and apprehension about what skills their future employment will require, given that many of the jobs they will work in may not be invented yet.

Additionally, this lower optimism rating may be related to the challenge this age group have been facing with high unemployment and increasing competition around qualifications and formal education; whilst today's young people are spending longer in formal education than previous generations, the youth unemployment rate (of those aged 15-24) is sitting at 13.0%, more than double the national unemployment rate of 5.8%.

Employment: National

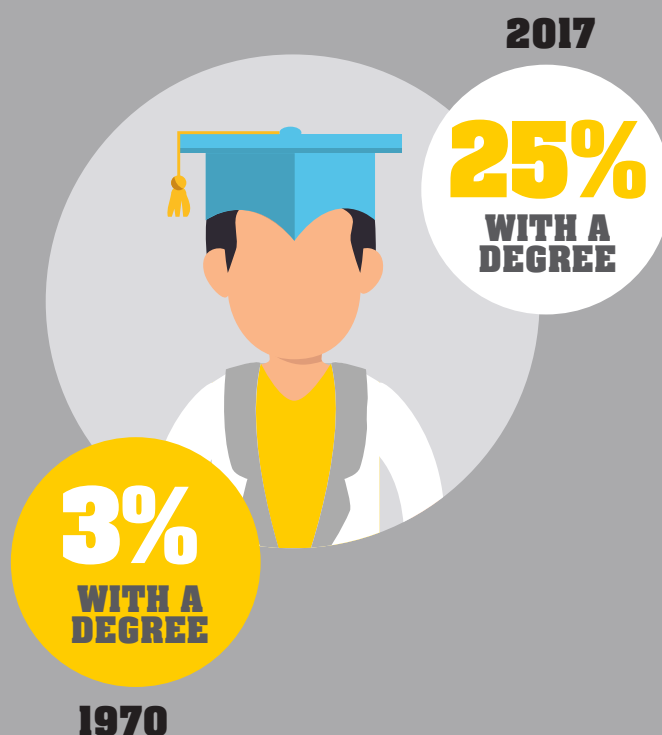


Employment: Aged 15-24



An increasingly educated era

In the 1970s, just 3 in every 100 working-age Australians had a higher education qualification (a Bachelor degree or higher). This has now increased eight fold to one quarter of Australians having a university degree. This is even higher amongst younger generations; with 37.1% of those aged 25-35 holding a degree compared to 23.9% of those age 55-59 years. Across the board, 59% of Australians now hold a post-school qualification. There is a correlation with education and employment; two thirds of employed people have a post-school qualification, compared to half (51%) of unemployed people and 41% of those not in the labour force. To remain current and to maintain a competitive edge, Gen Z and Gen Alpha will need to embrace the characteristic of being lifelong learners.





State optimism, supportive suburbia and cautious city dwellers

The Northern Territory and Western Australia, which also have higher than average Gross State Product per capita are most confident that our kids have the skills they will need for tomorrow (53.7% and 54.1% respectively). Tasmania are least optimistic (just 44.8%), followed by Victorians (47.8%) and New South Wales residents (47.8%).

Those in the suburbs of our cities being more optimistic about our kids' skills than those in the CBD. Over half in Melbourne's South-East (52.1%) are optimistic, compared with just 38.0% of those in Melbourne CBD. Similarly, 50.5% in Sydney's West are positive about our kids' skill base for the future, compared with just 39.3% in Sydney's CBD.

Women leading the way

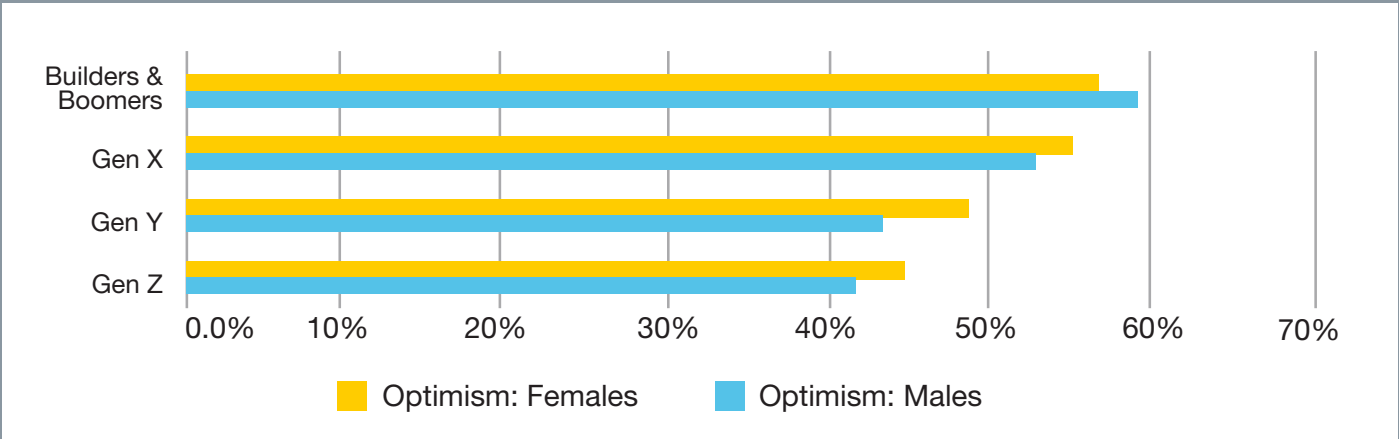
Women are most optimistic about our kids being skilled up for the future with 51.7% believing they are future ready, compared to 48.4% of men. This is particularly evident amongst younger age groups, with the greatest gender gap amongst Gen Ys (25 – 39 age group) with a 5.2% differential between males and females.

This trend was more prominent in certain states. Gen Y women in NSW were notably more positive about children's skills for the future than the men (47.9% of women compared with 42.5% of men). The difference was even greater amongst Gen Y in WA and QLD, with a differential of 6.07% and 6.96% respectively.

Optimism for our children's future by state:

| | TAS | VIC | NSW | ACT | QLD | SA | NT | WA | Australia |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-----------|
| Optimism | 44.8% | 47.8% | 47.8% | 48.8% | 49.0% | 49.9% | 53.7% | 54.1% | 49.88% |
| Gross State Product Per Capita; Ratio (2016) | 73.1 | 90.3 | 101.5 | 134.2 | 95.1 | 85.2 | 136.6 | 133.2 | 100 |
| Gross State Product: Annual Growth (2016) | 1.3 | 3.3 | 3.5 | 3.4 | 2 | 1.9 | 2.7 | 1.9 | 2.8 |
| GSP Per Capita (2016) | 0.9 | 1.4 | 2 | 2 | 0.7 | 1.2 | 2.3 | 0.7 | 1.4 |
| Unemployment rate | 5.8% | 6.1% | 5.0% | 3.6% | 6.4% | 7.0% | 3.5% | 6.1% | 5.8% |

Yes our kids have the skills they need for tomorrow: by gender and generation



Source: Commbank ATM Survey 2017, results as at 17/05/2017. Details at can.com.au.