Renting into retirement: a national policy factsheet

Produced by AHURI for National Shelter

The state of renting in retirement

Home ownership has long underpinned Australia's retirement system. Government policy, including how the Age Pension is set, assumes most retirees own their home (Tually et al. 2022).

Over the last 20 years, however, housing affordability has worsened and homeownership rates have been falling. Renting is increasingly becoming a destination tenure, rather than a stepping stone to homeownership, especially for those on lower incomes. While currently older people still make up the majority of homeowners, young to mid-age cohorts are delaying home purchase and many are unable to afford their own home. This will have flow on effects in the coming decades, meaning they will still be renting when they retire, or they will retire with significant mortgage debt.

The size of the challenge Australia faces is immense; by 2031 an estimated 440,000 older households will be unable to find or afford suitable housing (Faulkner et al. 2023). The increasing number of Australians retiring without outright home ownership places them at risk of housing insecurity and, potentially, homelessness (James et al. 2022).

'By 2031 an estimated 440,000 older households will be unable to find or afford suitable housing.'

Fiscal demand on governments to increase

As the Australian population ages and the proportion of working individuals shrinks, there are increasing demands on long-term care and on programs like the Age Pension (Whelan et al. 2019). These trends are likely to place increasing financial pressure on governments, bolster demand for social housing, and worsen existing economic inequalities as people grow older (Burke et al. 2020).

Due to tenure and demographic shifts, Commonwealth Rent Assistance (CRA) eligibility among people aged 55+ is forecast to rise from 414,000 in 2016 to 664,000 by 2031 – a 60 per cent increase. The cost to the Australian Government of providing CRA to this cohort is predicted to increase steeply, from $972 million in 2016 to $1.55 billion in 2031, at constant 2016 prices (Ong et al. 2019).

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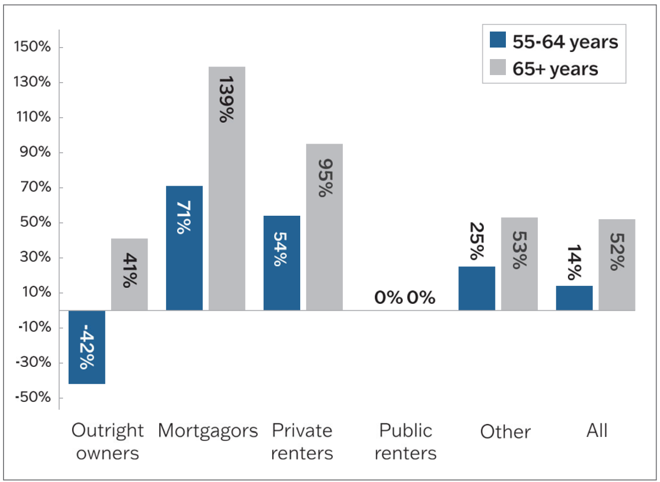
More older people are renting in an unsuitable market

AHURI's Inquiry into precariously housed older Australians shows this cohort increasingly relies on private rentals. There were 640,970 lower income older renters in Australia in 2016, over 60 per cent of whom were classed as retirement aged. By 2032, this number is expected to increase to 839,123 (Barrie et al. 2023).

Figure 1: Projected changes in housing tenures of older Australians between 2016 and 2031.



Source: calculations from HILDA Survey and ABS population projections in Ong et al. (2019)

Multiple factors are driving this pronounced increase.

Falling homeownership

Australia's homeownership rate has fallen from 73 per cent in 1966 to 66 per cent at the last census, and during this time house prices tripled. Ownership rates are projected to decline further to around 63 per cent by 2040 for all households, and just over 50 per cent for households in the 25–55 age bracket (Burke et al. 2020). Worsening affordability is associated with a reduction in homeownership and delayed entry into the housing market, especially among younger cohorts (Whelan et al. 2023). The effects of this are likely to be felt in coming decades, as these cohorts age with higher mortgage dept and greater reliance on the private rental market.

Social housing shortfalls

Although governments provide subsidised homes to 423,000 vulnerable and low-income households, demand is outstripping supply. In the six years to 2022, Australia's social housing waitlists grew by more than 26,000 households, while the number of households able to get into social housing fell by 6,400 (Martin et al. 2025).

The unmet demand for public housing from private renters aged 55+ is expected to climb from roughly 200,000 households in 2016 to 440,000 households in 2031 – a 120 per cent increase (Ong et al. 2019).

An increasingly tight rental market

Between 2016 and 2021, private rental sector growth was concentrated in the mid-to-high price ranges (rc. $300–$530 per week). Since mid-2021, rents have surged amid low vacancies and high post-COVID immigration (Reynolds et al. 2024).

Retirees in the private rental market are exposed to structural disadvantage and discrimination on account of their age and limited earning potential (Maalsen et al. 2026). The impact is compounding: those discriminated against are more likely to be forced to accept substandard properties and move frequently, increasing utility, health and mobility costs (Maalsen et al. 2021).

Further challenges for older renters include the scarcity of affordable rentals, short leases and barriers to modifying homes for changing needs (James et al. 2022).

Increasing mortgage debt among retirees

The proportion of the 55–64 cohort still paying off mortgages climbed from under 20 per cent in 1996 to 45 per cent in 2013 (Ong et al. 2019). Persisting housing affordability pressures mean that this trend is continuing.

Profile of older renters

Older low-income renters are more likely to be women, aged 50-65, living alone and out of the workforce (Barrie et al. 2023) and are over-represented in unaffordable and poor-condition private rental housing (women 35% compared to men 27%) (Veeroja et al. (2025). Many cannot afford to retire because of cost of living.

Critically, in all six Australian states, this cohort is more likely to live in private rental than social housing, exposing them to high rents and competitive market conditions (Reynolds et al. 2024).

The largest projected increase in the population of low-income renters aged 50+ is expected in peri-urban and outer-suburban regions. For example, in New South Wales, the inner-western suburbs are expecting this cohort to increase 40–50 per cent by 2032. Significant population increases between 40 per cent and 100 per cent are also expected in many regional centres by 2032 (Barrie et al. 2023).

What are the policy solutions?

Declining home ownership in retirement means Australia must support a dual tenure society of ownership and rental (Burke et al. 2020). Currently, however, Australia's housing system is ill-equipped to respond.

Lack of policy reform and action has left increasing numbers of older Australians facing precarious housing in later life (Faulkner et al. 2023). Such developments mean Australian governments can no longer base tax, welfare and housing policies on the assumptions older people will own their homes or be paying capped social rents (Tually et al. 2022). Policy must instead support security of tenure and welfare, especially into old age, outside of home ownership (Whelan et al. 2023).

Policy alignment for older renters and homeowners

The Age Pension system could be adjusted to treat homeowners and non-homeowners more fairly by changing the asset limits depending on whether someone owns a home or not (Whelan et al. 2018).

The way the pension is reduced based on a person's savings or assets (taper rates) should be set carefully. If reductions are too steep, they can discourage people from saving because they effectively lose more of their pension, but if reductions are too gentle it can cost the government more money. This is particularly relevant, as the exclusion of owner-occupied housing from the Age Pension assets test creates an incentive to hold a larger share of household assets in this form.

It is critical that changes provide sufficient time and guidance for individuals to make appropriate decisions in the life-cycle context.

Increase social housing supply

Broad analysis of the rental sector suggests that at least 200,000 additional new social housing units are needed (Hulse et al. 2019).

Older people's limited lifespan and lack of avenues to accumulate wealth means their need for appropriate housing is immediate, with little time to wait for the potential development of large-scale private alternative housing options. Good quality, well-connected, government-funded social housing is confirmed to remain the most efficient means of providing affordable, secure housing, but governments also need to facilitate greater involvement and support of nongovernment sector provision (Faulkner et al. 2023).

Encourage alternatives to government-funded care facilities

Retirement villages can postpone residents' entry into government-funded aged care facilities, saving the health care system around $2 billion (Travers et al. 2022). However, the sector does not currently receive direct funding from Commonwealth or state and territory governments. Retirement villages could be made more affordable through a financial partnership with government with funds directed at low-income groups through care packages and public housing.

Enable access to housing information

Support systems helping older Australians make housing decisions are often hard to navigate, incomplete, and poorly suited to people renting in retirement. Without the resources and assistance necessary to navigate housing options, older Australians are at risk of housing stress and homelessness. To counter the current heavy reliance on online information there is a need for a central, accessible hub with tailored support and up-to-date local housing information (James et al. 2022).

Provide alternative home purchase options

Alternative financing schemes such as shared equity, build-to-rent and rent-to-buy could expand the affordable housing options available to older Australians (Tually et al. 2022). Shared-equity schemes represent a particular opportunity, however any expansion of such schemes nationally must consider bridging the deposit gap, the extent of co-equity required to deliver affordability, and how finance can be assured for loan applicants who are older at the time they take on a loan (James et al. 2022). The inflationary impact on house prices of past demand-side policies should be taken into account when targeting such policies.

Collaborative housing models, such as cohousing and cooperatives, can broaden housing options for older people and support ageing in place. Key features include resident participation in design and governance, mutual support between residents, and alternative financing arrangements, typically combining private and shared communal spaces. However, current Australian policies and regulations across all levels of government are not well suited to accommodating these models (Tually et al. 2022).

Enable retirement in regional areas

Roughly one in two Australians view mid-sized cities as excellent places to retire and many would move there if they could get support for post-retirement healthcare and home ownership (Beer et al. 2022, Vij et al. 2022). The opportunity to support smaller centres as preferred retirement destinations would be enhanced through more targeted policies to attract and retain aged care workers and ensure health services are available (Faulkner et al 2023).

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