

## Australia's Housing Crisis Sparks Shift to Smaller Homes and Apartments

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— Categories: Real Estate



Australia's housing market is undergoing a significant change as more people turn to smaller homes and apartments to cope with rising costs and limited housing supply. With affordability becoming one of the country's most pressing issues, industry data shows the average size of new homes is shrinking, while interest in well-designed apartments is on the rise.

According to recent figures, the average size of a free-standing home has dropped to its smallest footprint in nearly two decades. At the same time, apartment sizes, which had been trending smaller in recent years, are now starting to increase, particularly in urban areas where multi-bedroom units are in demand. Analysts say this reflects a growing desire for practical, affordable and sustainable housing that suits modern lifestyles.

The shift is being driven by several factors. Demographics play a key role, with an ageing population seeking low-maintenance homes that allow them to free up equity and downsize comfortably. Property experts say this trend, sometimes referred to as “rightsizing,” highlights a market adjustment driven by consumer choice rather than government intervention.

Reports indicate that more than 33,000 homes could be unlocked over the next five years as older Australians move into smaller dwellings. This could ease some pressure on the market, but experts warn that without the right policy measures, the supply will still fall short of demand. Others argue that excessive planning restrictions and regulatory hurdles are a major barrier, suggesting that freeing up private development could provide faster relief than relying on expanded government programs.

Affordability remains the strongest driver of change. As property prices and interest rates continue to climb, buyers and renters are re-evaluating what they need in a home. Smaller floor plans offer a more realistic entry point for younger buyers and investors, while compact apartments provide flexibility in high-density areas.

Industry professionals and planners also highlight sustainability as a growing influence. Compact housing can reduce environmental impacts

by making better use of land, lowering energy consumption and limiting urban sprawl. However, this shift raises questions about design quality, liveability and the ability of smaller homes to meet family needs.

For many, the appeal of downsizing is not just financial but lifestyle-driven. Lower maintenance, easier accessibility and the ability to live closer to services and amenities are strong motivators. Experts stress, however, that the market must keep pace with demand for diverse housing types, including townhouses, dual-occupancy homes and adaptable apartments.

The trend towards smaller homes suggests a cultural shift in how Australians view the “Great Australian Dream.” Once synonymous with large detached homes on spacious blocks, the dream is evolving to embrace more flexible, sustainable and affordable options.