

Examining the housing choices of older Australians

Based on AHURI Final Report No. 321:
Moving, downsizing and housing equity consumption choices of older Australians



What this research is about

This research analyses current geographic mobility and downsizing behaviours among Australians aged over 55 to describe the nature of downsizing decisions, together with the barriers and consequences of those decisions.

The context of this research

Australia faces economic and fiscal challenges associated with an ageing population such as increasing demand for the age pension and services such as long-term care. In addition, there is a need to ensure that housing markets function efficiently and facilitate housing choices that meet the needs of older Australians. Such an outcome is critical for the welfare of older Australians and to ensure the efficient functioning of the economy.

The key findings

Patterns of home ownership over time

Over time, as older Australians age they tend to maintain a high rate of home ownership, with around 85 per cent of all but the youngest group in the study data (who are yet to reach age 65) owning their own home either outright or with a mortgage by the age of 65.

Housing wealth

Australians tend to retain high levels of housing wealth throughout their retirement (with the proportion of assets

as housing equity increasing as they age). This is consistent with a pattern whereby individuals choose not to downsize, either by moving to a smaller dwelling (physical downsizing, characterised as a reduction in the number of bedrooms or rooms) or by transitioning to a dwelling of lower value (financially downsizing, associated with a decrease in the value of owner-occupied housing via a move to a less-expensive home or to a rental tenure).

Tenure of older Australians

In 2016, the majority of older Australians were home owners, depending on whether people were single (lowest rate: 63.4% for singles

aged 55–59) or in a couple (highest rate: 89.2% for couples aged 65–70).

The proportion of singles and couples renting in the private rental sector (PRS) decreased when looking at older age groups. For singles, 15 per cent of people aged 55–59 were PRS renters, while only 2.4 per cent of people aged over 80 were in the PRS; for couples, 6 per cent of people aged 55–59 were PRS renters, and only 1.7 per cent of people aged over 80 were in the PRS.

The proportion of singles aged over 80 living in a nursing home or accommodation for aged and retired (17.9%) was nearly three times greater than the proportion for couples aged over 80 (6.2%).

Table 1: Wealth portfolios of Australian households (2014)

Value of assets (\$)			
	55–64	64–74	75+
Net financial assets	\$142,016 (12.1%)	\$230,874 (17.9%)	\$215,087 (25.6%)
Pension assets	\$352,405 (30.0%)	\$329,489 (25.5%)	\$100,419 (11.9%)
Home equity	\$442,287 (37.7%)	\$502,337 (38.8%)	\$415,464 (49.4%)
Lifestyle assets	\$198,559 (16.9%)	\$183,315 (14.2%)	\$95,480 (11.3%)
Business equity	\$37,855 (3.2%)	\$47,280 (3.7%)	\$15,400 (1.8%)
Total assets	\$1,173,123 (100%)	\$1,293,295 (100%)	\$841,850 (100%)

Note: The unit of analysis is the household.

Source: Authors' own calculations, using HILDA Wave 14.

Table 2: Tenure of older Australians, by age (2016)

	Age (years)					
	55–59	60–64	65–69	70–74	75–79	80+
Singles						
Owner occupiers						
Outright owners (%)	34.14	43.47	54.72	60.28	63.74	58.16
With mortgage (%)	29.27	22.86	14.88	10.40	8.52	5.98
Total (%)	63.41	66.33	69.6	70.68	72.26	64.14
Renters						
Private renters (%)	15.06	12.14	9.28	6.97	5.08	2.43
Social housing renters (%)	7.88	8.34	8.08	7.47	6.71	4.03
Other (%)	9.63	9.20	8.38	8.12	7.27	5.34
Total (%)	32.57	29.68	25.74	22.56	19.06	11.80
Other						
Nursing home (%)	0.22	0.55	0.82	1.61	2.92	12.26
Accom. For aged & retired (%)	0.16	0.20	0.41	0.75	1.48	5.68
Other tenure (%)	3.64	3.23	3.43	4.4	4.29	6.11
Total (%)	4.02	3.98	4.66	6.76	8.69	24.05
No. of observations	17,972	16,302	15,509	12,755	11,309	24,042
Couples						
Owners-occupiers						
Outright owners (%)	42.40	58.51	72.52	78.10	79.47	75.00
With mortgage (%)	44.35	29.90	16.71	10.17	7.08	4.98
Total (%)	86.75	88.41	89.23	88.27	86.55	79.98
Renters						
Private renters (%)	6.05	4.52	3.42	2.69	2.26	1.73
Social housing renters (%)	1.46	1.50	1.45	1.74	1.79	2.08
Other (%)	3.75	3.56	3.30	3.60	4.15	3.91
Total (%)	11.26	9.58	8.17	8.03	8.20	7.72
Other						
Nursing home (%)	—	—	0.14	0.28	0.94	4.57
Accom. For aged & retired (%)	—	—	0.04	0.13	0.28	1.59
Other tenure (%)	1.95	1.96	2.44	3.29	4.02	6.13
Total (%)	1.96	1.96	2.62	3.7	5.24	12.29
No. of observations	48,082	43,207	39,991	28,930	19,718	18,327

Note: The unit of analysis is the individual.

Source: Authors' own calculations, using the ACLD 2011–16.

Downsizing

When older Australians move, financial downsizing is somewhat more common than physical downsizing, nevertheless, it is still not a usual housing path. Among all older age groups, fewer than 20 per cent of individuals who sold their existing home to buy another reduced their net level of housing equity in the process. In addition, among those who were in rental tenure in 2011, between 13 per cent (single individuals aged 75 years and over) and 31 per cent (partnered individuals aged 55–59 years) had moved into owner-occupied dwellings in 2016. This most likely reflects a pattern whereby individuals are only in rental accommodation for a temporary period, before moving into their own owner-occupied dwelling or moving in with relatives who own a dwelling.

Physical downsizing

Older individuals' mobility and downsizing behaviours are generally associated with key life events ('push factors'), such as a deterioration in health, a transition to retirement, widowhood or children leaving home. Pull factors may include a desire to be closer to family, or a better lifestyle. Individuals who downsize, as measured by a decrease in the number of bedrooms, are more likely to have transitioned from being partnered to being single, or to have left the labour force.

Age pension and downsizing

In general, there is no evidence that older Australians do not sell their homes because they are concerned around eligibility for the age pension. However, the research does find that the age pension thresholds create some disincentives for downsizing behaviour, with individuals who are below the asset threshold more likely to downsize relative to individuals who are above the threshold. This is consistent with the expectation that these individuals are not constrained by assets-test rules, and hence the additional liquidity that flows from financial downsizing is less likely to make them ineligible for the age pension. The research also observes that there is a strong income test effect:

people with income below or within 10 per cent of the threshold are less likely to downsize. This might simply reflect a direct income effect, as it indicates that individuals with less income are less likely to move compared to individuals with high income.

Geographical mobility

Overall, rates of geographic mobility among older Australians were significantly lower than those exhibited by the general population. Among older Australians, higher rates of mobility were exhibited by those in the 55–64 years age bracket and those aged 85 years and over. This pattern most likely reflects moves coinciding with transitions to retirement and into care facilities later in life, respectively.

HILDA data indicates that among owner-occupiers aged 55 years and over in 2001, more than 75 per cent lived in the same dwelling 15 years later. Mobility rates were between 3 and 5 per cent on an annual basis.

HILDA data reveals renters show substantially higher rates of geographic mobility, ranging from around 5 per cent per annum to 25 per cent. Similar to owner-occupiers, substantially higher rates of geographic mobility are exhibited by renters aged 55–64 years (18% on average over the period of analysis) and there is some evidence of an increasing rate of geographic mobility over time amongst this group.

‘In general, there is no evidence that older Australians do not sell their homes because they are concerned around eligibility for the age pension’

Reasons for moving

There are clear age-related differences for moving, reflecting both current and anticipated future needs. For those aged 55–64 years, the main reason for moving relates to housing needs. While

Table 3: Reasons for moving, by age (%)

Main reason for moving (%)			
	55–64	65–74	75+
Housing reasons	37	39	32
To get a place of my own/our own	10	7	5
To get a larger/better place	13	9	7
To get a smaller/less-expensive place	15	23	21
Neighbourhood reasons	23	28	18
To live in a better neighbourhood	6	7	4
To be closer to amenities/services/ transport	3	5	5
Seeking change of lifestyle	16	17	9
Involuntary reasons	12	9	7
Evicted	1	—	1
Property no longer available	11	8	6
Family reasons	26	26	26
To be closer to friends and/or family	13	19	20
To follow a spouse or parent/family	2	2	2
Personal/family reasons	2	1	2
Marital/relationship breakdown	5	2	1
To get married/move in with partner	5	2	1
Health reasons	5	10	35
Work reasons	9	3	1
To be nearer place of work	4	1	—
To start a new job with a new employer	3	1	—
To look for work	1	—	—
Work transfer	2	1	—
To relocate own business	1	—	—
Other reasons	11	10	8
Temporary relocation	4	3	2
Travelling/returned from overseas	2	1	—
Other	5	6	5

Note: The respondents could choose more than one reason; hence total percentages add to more than 100%.

Source: Authors' own calculations, using HILDA Waves 1–17.

10 per cent of individuals state that they moved to get a place of their own, approximately equal numbers report moving to downsize (15%) or to upgrade to a larger or better place (13%).

There are two further age-related patterns apparent: while health reasons become more important for older individuals, work- or employment-

related reasons are less frequently mentioned.

Barriers to and consequences of moving and downsizing

The cost of moving is the most frequently cited main barrier to mobility for those individuals who would like to move but are unlikely to do so (for both owners and renters). Respondents also

Table 4: Barriers to geographic mobility, by age and tenure (%)

Age (years)	Renters			Owners		
	Cost	Effort	Health	Cost	Effort	Health
2007/08						
55–64	82	—	18	55	14	31
65+	63	4	33	48	16	36
2013/14						
55–64	49	8	43	46	11	43
65+	50	12	38	51	18	31

Note: Figures show the percentage of renters or owners citing each of cost, effort or health as the main barrier to geographic mobility.

Source: Authors' own calculations, using the SIH 2007 and 2013.

report being unable to afford the costs associated with moving, such as stamp duty or removalists.

The second-most significant barrier is health (poor health, disability or frailty). Around 15 per cent of owners and fewer than 10 per cent of renters cite the effort associated with moving as the main barrier to mobility.

Outcomes of downsizing/moving

There is little evidence that the financial wellbeing and overall satisfaction of individuals who do downsize improves as a direct result. Reported satisfaction with housing circumstances immediately following the move actually decreases. However, this appears to

represent a temporary shock, perhaps associated with the substantial disruption to social and community ties that occurs when an older individual moves.

What this research means for policy makers

Policy settings should support and facilitate individuals making choices that best meet their needs as those needs evolve over time. Efficiency is also promoted by creating a policy regime that treats activities and choices neutrally. In this context, three areas of government policy should be discussed:

- the replacement of stamp duty with a broad-based land tax would be a useful step towards a more efficient and neutral policy regime
- the implicit and explicit benefits to owner-occupiers embedded in the tax system
- the concessional treatment of owner-occupied housing in the age pension eligibility rules.

While there is a broad consensus about the types of change to policy that are required, making changes is challenging. Nonetheless, recent changes to the age pension assets test suggest that reforms can be made to limit the generous treatment of owner-occupied housing and reduce the incentive to accumulate and retain high levels of housing wealth. Such changes must acknowledge that existing wealth portfolios of older Australians have been shaped by a set of rules and policy settings that they have experienced over their working lives.

Methodology

This research analysed the Household, Income and Labour Dynamics in Australia (HILDA) Survey dataset, the Australian Census Longitudinal Dataset (ACL) and the Survey of Income and Housing (SIH) data.

Further information

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