

The downsizing patterns and preferences of Australians over 55



Australian Housing
and Urban Research Institute

Based on AHURI Final Report No. 325:
Effective downsizing options for older Australians

What this research is about

This research examined the prevalence of downsizing amongst older Australians (aged 55+), their aspirations to and reasons for downsizing, as well as the availability of appropriate housing stock to enable more older Australians to consider such a move.

The context of this research

Previous research describes the desire of Australia's older population¹, defined in this research as people 55 years and over, to 'age in place', that is, to grow old in their own home or within a familiar neighbourhood. While the Australian Government is invested in assisting older Australians to age in place, funding has also been directed towards piloting and implementing incentives to reduce the barriers to downsizing, framed as a way to more efficiently utilise existing housing stock.

In this research, downsizing is not about moving to a dwelling with a reduced number of bedrooms, land

area or dwelling value; rather, it is about moving to a dwelling that is appropriate for a household at this later stage of life. While this may include a reduction in dwelling size, it points to a housing aspiration where internal and outdoor spaces are manageable, and represents a financially beneficial change in dwelling. While renters share many of the same aspirations as owners, they often have very little choice when making a move.

The key findings

How many older Australians downsize, and who are they?

Of the 2,422 older (aged 55+) respondents to the Australian Housing

Aspirations (AHA) survey, 26 per cent had downsized, and a further 29 per cent had considered downsizing. A little under a third of all single-person households (32%) and couple households (29%) had downsized, compared to only 11 per cent of couple households with children and 21 per cent of single-parent households. However, around a third of respondents living in a couple household (38%), or in a household with children—whether in a couple (33%) or as a single person (31%)—have thought about downsizing.

Households most likely to have thought about downsizing are: aged between 55 and 74 years; own their dwelling outright or with a mortgage; are on a moderate to very high income; and are either a couple household (with or without children) or a single-person household living with children.

Households on low or very low incomes were more likely to have downsized when compared to those on higher incomes. Survey respondents with very low incomes were the most likely to be unable to downsize despite wanting to do so.

Table 2 presents a comparison of the current dwellings of surveyed

Table 1: Characteristics of households, by downsizing status (AHA survey 2018)

Age	Have already downsized (no change)	Have thought about it	Want to downsize but cannot	Have not considered it
55–64	20%	30%	2%	48%
65–74	30%	30%	2%	37%
75+	39%	21%	1%	39%
Total 55+	26%	29%	2%	42%

Source: Authors' analysis of AHA survey (2018) data, unweighted.

¹ Judd, B., Liu, E., Easthope, H., Davy, L. and Bridge, C. (2014) *Downsizing amongst older Australians*, AHURI Final Report No. 214, Australian Housing and Urban Research Institute Limited, Melbourne, <https://www.ahuri.edu.au/research/final-reports/214>.

households that had downsized with households that had not. There are clear differences. Households that had downsized were less likely to be in ownership (60% versus 72%) and far more likely to be in age-specific housing (7% versus 1%). A reduction in the number of bedrooms was a clear outcome of downsizing, with only 10 per cent of downsizers living in a dwelling with four or more bedrooms, compared to 41 per cent of other households. Almost three times as many downsized households were living in two-bedroom dwellings compared to non-downsized households, and four times as many in one-bedroom dwellings. A third of downsizers were in an apartment, compared to one in ten non-downsizers.

Reasons for downsizing

The most prevalent primary reasons for downsizing reported by survey respondents were: lifestyle (27%) and financial (27%) reasons; followed by the garden or property requiring too much maintenance (18%); and being 'forced' to move (15%).

Policy rationales for downsizing are often centred around the underutilisation of dwellings. This argument is at odds with the perceptions of many older Australians, who consider spare bedrooms as a necessary component of a dwelling. While 73 per cent of households who had not downsized stated they had

Table 2: Current housing outcomes of households that have and have not downsized

Tenure	Have downsized	Have not downsized	Difference
Ownership (outright or with a mortgage)	60%	72%	-12%
Private rental	25%	18%	7%
Social housing	7%	8%	-1%
Age-specific housing	7%	1%	6%
Other	1%	0%	1%
Number of bedrooms			
1	13%	3%	9%
2	35%	12%	23%
3	41%	44%	-3%
4	10%	34%	-24%
5+	0%	7%	-7%
Dwelling type			
House	61%	88%	-27%
Apartment	33%	10%	23%
Ancillary dwelling	1%	0%	1%
Other	6%	1%	5%

Source: Authors' analysis of AHA survey (2018) data, unweighted.

spare bedrooms, almost 80 per cent of that group stated that their current number of bedrooms was suitable for their needs in later life, with just 4 per cent wanting fewer bedrooms. The proportion of households with spare bedrooms was less among those who had already downsized, but was still almost two-thirds; thus, downsizing

does not seem to result in full dwelling utilisation, defined by the ABS as the ratio of usual residents relative to the number of available bedrooms.

Where do downsizing households choose to live?

Of households that downsized, 42 per cent moved to neighbourhoods that were new to them and 37 per cent moved to a location they already knew, either through friends or family or as a holiday destination. Only 22 per cent downsized their accommodation in the same neighbourhood as their original dwelling. More than other age cohorts, downsizers aged 55–64 moved within the same neighbourhood (26%), while those aged 75 years and over were most likely to move to a location with which they were familiar (43%).

Tenants in the social housing sector (29%) were more likely to have remained within the same neighbourhood when they downsized compared to those in other tenures. Private rental sector tenants (42%) and

Table 3: Reasons for downsizing

Age	55–64	65–74	75+	All respondents
Lifestyle reasons	23%	30%	28%	27%
Financial reasons	35%	24%	19%	27%
The garden/property required too much maintenance	11%	18%	31%	18%
To move into a home that was already owned	4%	4%	2%	3%
To move to a familiar neighbourhood	4%	6%	5%	5%
To provide help to family	4%	5%	2%	4%
Forced (did not downsize by choice)	19%	13%	14%	15%

Source: Authors' analysis of AHA survey (2018) data, unweighted.

those in age-specific accommodation (38%) were much more likely to have moved to a location familiar to them, while those with a mortgage were the least likely to have done so (32%). Households who owned their home outright (43%) and social housing tenants (45%) were among those most likely to move to a neighbourhood which was new to them.

In terms of location, 39 per cent lived in the middle/outer suburbs, 19 per cent in the inner suburbs, 20 per cent in a large regional town and 15 per cent in a small regional town.

The analysis shows that there is no such thing as a 'typical' retirement location. While metropolitan local government areas (LGAs) have the highest number of older Australians due to their size, there are many regional LGAs that have high proportions of older Australians, and many of these are relatively disadvantaged. Some areas, typically tourist destinations, have quite high levels of socio-economic advantage. However, every LGA faces the same challenge: how to accommodate growing numbers of older Australians.

Where downsizing is possible

In terms of dwellings available to purchase, those LGAs with high proportions of older Australians generally had a good supply available, well above the state average. Regional areas with high proportions of older residents had much greater availability of dwellings to purchase, well above the state average, including a good supply of established three-bedroom houses below \$400,000.

LGAs with the most expensive housing markets had the fewest affordable dwellings for purchase, well below the state average, and had very few affordable options for older Australians looking to downsize, limiting the capacity of such households to age in their local community. There were also very few available retirement options in these locations, with less than 0.5 dwellings per 1,000 residents.

Overall, the analysis shows greater opportunities for downsizing within regional areas, with a supply of

established smaller, cheaper stock. However, these dwellings may not be suitable for older Australians as they age and require more support. Established supply of appropriate and affordable housing is very limited in metropolitan areas, particularly in the most expensive areas.

Barriers and benefits of downsizing

Barriers to downsizing included satisfaction with current dwelling/location (33%) and timing issues (23%). Economic factors were much less important considerations for households who had thought about downsizing.

Households who had considered downsizing considered the main benefits to be the reduction in time needed to maintain the property (71%); and financial aspects, such as reduced maintenance (66%) and housing (43%) costs.

For households who had considered downsizing their home and those who did not intend to downsize, the event most likely to prompt a move was a change in health circumstances, either for themselves or their partner. The importance of this catalyst increased with age.

What this research means for policy makers

Given the cost of caring for older Australians in residential aged care and their preference to age in place, one of the key areas for reform is in the provision of affordable and appropriate housing options in which older Australians can age. The policy environment associated with downsizing is complex as a result of variable prioritisation of housing for older people by governments and housing departments at the federal, state and local government levels.

If policy settings can support the development of a diverse range of affordable and adaptable housing, ensuring it is also affordable to households who have not built up significant equity in the family home and/or do not have very large superannuation balances, then greater options will exist to facilitate effective downsizing. One of the challenges is that housing suitable for downsizing is similar to the housing often preferred by first home buyers. This increases demand for these products, making it difficult to deliver affordability without some form of policy intervention.

Given locational variations, a one-size-fits-all approach to policy is inappropriate. Local housing market characteristics and conditions are

Table 4: Barriers to downsizing, for those who had considered moving

Barrier to downsizing	Proportion of respondents (%)
Happy where they are at the moment	33%
The timing is not right	23%
Financially, it is not worth moving	9%
Spouse/partner does not want to move	8%
Lack of suitable housing in preferred location	7%
The cost of downsizing is too great	7%
The current space is still needed	4%
Moving would cause too much disruption	3%
Family does not support moving	1%
Other	6%

Source: Authors' analysis of AHA survey (2018) data, unweighted.

important and need to be taken into account when formulating policy to deliver downsizing opportunities.

Housing supply

New dwelling supply needs to deliver a diverse range of housing options able to support ageing in place. There need to be incentives for developers to deliver medium-density housing products suitable for older Australians, rather than higher-density apartment developments, which, while suiting some older households, are not preferred by most.

Older households are unlikely to be eligible for a traditional mortgage, which is one of the blockages to being able to move from one owner-occupied dwelling to another in later life. Smaller, shorter mortgage products could help households who need to fund a small financial gap when downsizing and have the income to support repayment.

Rental housing

One avenue for achieving a supply of rental housing affordable to lower-income older Australians would be to offer a financial incentive to developers, potentially delivered through the planning scheme. Another approach would be to provide Commonwealth funding combined with a state

government incentive, in a similar way to the NRAS.

Local governments could identify viable locations, in both metropolitan and regional areas, that offer access to services and a diverse range of housing options. Investors could receive a stamp-duty concession for purchases in these locations, and dwellings could then be rented out at a subsidised rent to lower-income older households. Additionally, incentives could be offered to landlords prepared to modify dwellings to allow downsizing older households to age in place. Similarly, grants could be made available to assist landlords with the cost of retrofitting dwellings to make them suitable for ageing tenants—in this case, the tenant would apply to the scheme, which then funds the adaptations.

The use of private rental dwellings by community housing providers or public housing officers raises issues of housing security. Regulatory reforms (such as removing the ‘no grounds eviction’ option from tenancy legislations) in eastern states (notably Victoria and NSW) to increase the security of tenure available to tenants are a step towards greater surety and control of housing occupancy for older people and other tenants.

There is also scope for social housing providers to undertake larger-scale head-leasing arrangements of private rental housing that offer long-term leasing options as well as the ability to modify dwellings along principals of universal design and aged living. Financial models that de-risk housing options for tenants as well as investors, such as the model used by Defence Housing Australia, could be considered.

Information

A lack of coordinated and trusted information on seniors housing options is a barrier to older Australians identifying housing solutions to meet their needs. The findings of this research suggest the importance of a dedicated cross-tier focus on the development of diverse housing options for older Australians and the provision of information about these options.

Methodology

This research is based on analysis of the Australian Housing Aspirations (AHA) survey, conducted in 2018, and interviews with older Australians and key stakeholders in metropolitan and non-metropolitan Western Australia, NSW and South Australia.

Further information

TO CITE THE AHURI RESEARCH, PLEASE REFER TO:

James, A., Rowley, S. and Stone, W. (2020) *Effective downsizing options for older Australians*, AHURI Final Report No. 325, Australian Housing and Urban Research Institute Limited, Melbourne.

↓ Available from the AHURI website at

ahuri.edu.au/research/final-reports/325

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