

Rental housing provision for lower income older Australians

authored by

**Andrew Jones, Martin Bell, Cheryl Tilse
and George Earl**

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	I
1 THE POLICY CONTEXT AND PROJECT OVERVIEW	1
1.1 The policy context and challenge	1
1.2 The research goal, questions and methods.....	3
1.3 Clarification of terms	7
2 UNDERSTANDING THE DEMOGRAPHIC CONTEXT	11
2.1 The demographic context: trends and uncertainties	11
2.2 The scoping methodology.....	15
3 UNDERSTANDING THE CONSUMER CONTEXT	17
3.1 The consumer context: values, diversity and choice	17
3.2 The scoping methodology.....	24
4 UNDERSTANDING THE INVESTMENT CONTEXT	26
4.1 The investment context: challenges, opportunities and options	26
4.2 The scoping methodology.....	29
5 LINKING RESEARCH AND POLICY	32
REFERENCES	34

LIST OF TABLES

Table 1.1: Research Methods For The Four, Linked Sub-Studies.....	7
Table 1.2 Rental Housing For Older People In Australia: Types And Dimensions	10
Table 3.1: Key Attributes Of Housing Valued By Older People	18
Table 3.2: Housing Options For Non-Home Owning Older Australians.....	23
Table 3.3 Sampling Frame For Purposive Sample	25
Table 5.1: Linking Research And Policy – The Proposed Structure Of The Final Report	32

EXECUTIVE SUMMARY

During the next two decades, Australian housing authorities and the Australian housing policy community face a major challenge to ensure the provision of good quality, affordable rental housing for lower income, older Australians. This research project aims to scope the issues of housing policy and research associated with this challenge, as a foundation for the development of effective policy responses to this population group. Older renters comprise between 10 and 15 per cent of the population aged 65 or over living in private housing. There has been a tendency for this group to be neglected in policy debate and policy formulation, relative to other groups of older people. It can be argued that current public policy settings relating to rental housing provision for older Australians provide an inadequate platform for achieving satisfactory policy outcomes. There is a pressing need to develop a comprehensive approach to the housing needs of non-home owning older people, encompassing the public, private and community sectors and the three levels of government, and drawing on a diversity of policy instruments.

Three key drivers of public policy relating to rental housing provision for older Australians during the next two decades can be identified:

- the anticipated increase in the number of older people in Australian society and related demographic changes (the demographic factors);
- the less than satisfactory housing circumstances of many lower-income, older Australians who rent (the consumer factors);
- the significant level of interest by the private sector in investment in housing for older people (the investment factors).

This research project scopes each of these sets of issues and considers the implications for the public policy objective of ensuring an adequate and appropriate supply of affordable rental housing for older people.

This Positioning paper is divided into five sections. Section one, 'The policy context and project overview', introduces the overall research project, including the rationale for the project, the research goal, questions and method, and the meanings of key terms. It also outlines the scoping methodology for answering the first research question:

'What are the current range of Commonwealth and State and Territory policies with respect to the provision of affordable rental housing for older people, and how might a more comprehensive and integrated policy framework be conceptualised?'

Section two, 'Understanding the demographic context', reviews the demographic trends and uncertainties pertaining to rental housing provision for older Australians during forthcoming decades. It draws attention to the range of demographic factors to be considered which include the rate and extent of growth of the aged population, household composition, household resources, cohort effects, the heterogeneity of the population and changing tenure patterns. It proposes a scoping methodology to examine the impact of these factors that includes a statistical analysis of the housing circumstances of older, lower income Australians who are renters, the development of a conceptual model of factors likely to impinge on future demand for rental housing for this group, and a systematic assessment of likely future trends. This section of the study is broadly concerned with the second research question:

What are the demographic factors underlying current and emerging demand for rental housing for lower income, older Australians?

Section three, 'Understanding the consumer context', reviews current knowledge relating to what older people think about and want from their housing, with particular reference to older people who are renters. It reviews the evidence relating to the importance of housing to older people, identifies key attributes of housing valued by older people, and links this to the circumstances of older renters. It examines the diverse housing needs and preferences of different groups of older people who rent, and summarises what is currently known concerning older people's views about a range of rental housing options. It proposes a scoping methodology comprising a series of approximately twelve focus groups of older renters, drawn from emerging or distinctive housing types, particular population groups and specific tenures. This section of the study focuses on the third research question:

What are the expressed housing needs, preferences and choices of low income, older people living in rental housing?

Section four, 'Understanding the investment context', is concerned with the engagement by the private sector in investment in affordable rental housing for older people. Housing authorities appear to have limited financial capacity to expand the provision of public rental housing for older people during the coming decades. Hence, attention has shifted to exploration of ways of channelling the significant level of interest by the private sector in investment in housing for older people into the provision of appropriate, affordable, rental housing. Housing types such as rental retirement villages (including mixed tenure and rental only villages), assisted-living rental villages and various types of community housing for older people currently appear to provide significant opportunities for direct expansion of the supply of affordable housing for older people, and the financing and investment issues associated with these housing types are a main focus of this study. This section reviews the current literature on the private rental sector, and particularly on the factors that impinge on levels and types of investment in rental housing for older people. It proposes a scoping methodology including semi-structured interviews with selected private sector investors and developers, and desk-top modelling of asset management factors impinging on investment decisions. This section of the study is broadly concerned with the fourth set of research questions:

What factors underpin private sector investment in provision of affordable, rental housing, what is the potential and likelihood of future investment, and what public policies are required to facilitate supply of appropriate quality, affordable housing for older people by the private sector?

The concluding section indicates how the research project will draw together the findings from the four sub-studies to provide a framework for ongoing policy development and research relating to rental housing provision for older Australians. It shows how the final report of the project will provide a detailed overview of current policy settings at State and Territory and Commonwealth levels, and put these in the context of the main drivers of change; public policy settings, demographic changes, consumer preferences and investment patterns. By integrating the findings of the various sub-studies, the final report will highlight the challenges faced by housing authorities and propose policy directions to ensure a supply of quality, affordable, rental housing for Australia's older population. The final report will also suggest a research agenda to underpin ongoing policy development, and suggest ways that the research and policy communities can effectively work together in this policy area.

1 THE POLICY CONTEXT AND PROJECT OVERVIEW

1.1 The policy context and challenge

During the next two decades, Australian housing authorities and the entire Australian housing policy community face a major challenge to ensure the provision of good quality, affordable rental housing for lower income, older Australians. This challenge nests within the broader policy task of developing a comprehensive approach to housing provision for all older Australians. In 1997 it was asserted that, 'Government policy has major impacts on the housing provision of older people, but there is no comprehensive housing policy expressly designed for them' (Kendig and Gardner 1997). Notwithstanding the recent focus on developing national strategies for an ageing Australia (Andrews 2001), a comprehensive and coordinated approach to housing and older people is still lacking. The research project introduced in this Positioning Paper seeks to contribute to the development of such a national strategy by scoping the issues of housing policy and research associated with one group of older Australians: lower income renters. By providing an overview of the policy issues associated with this population group, the project also seeks to contribute to the development of a national strategy for housing all older Australians.

The core rationale for focusing on housing provision for lower income, older renters is there has been a tendency for this segment of the population to be somewhat neglected in policy debate and policy formulation, relative to other groups of older people. In terms of housing tenure, the older population can be broadly divided into three groups: home owners and purchasers, renters and those living in residential aged care facilities (nursing homes and hostels). Considerable policy attention has been focused on two of these groups: home owners and purchasers and residents of aged care facilities. A large majority of older Australians are home owners or purchasers, with approximately 70 per cent of Australians aged 65 years and older and living in private housing owning their homes outright, and a further 10 per cent paying off a mortgage (Kendig and Gardner 1997). It has been suggested that current patterns of home ownership may not hold for future generations (Yates 1998). Nevertheless, much Australian social policy concerning older people is predicated on and supportive of this high rate of home ownership, which underpins income security provision for the older population (AHURI 2000; Kendig 1990; Kendig and Neutze 1999) and core policy settings such as 'ageing in place' (Bochel, Bochel and Page 1999; Roberts 1997).

Those older people living in residential aged care facilities have also been a focus of policy attention in recent years. At any one time this is a relatively small section of the older population, estimated at 7.3 per cent in 2002 (Myer Foundation 2002). However, from the age of 65, 28% of men and 46% of women will enter residential care facilities during the later years of their lives (Myer Foundation 2002). During the past two decades the policy issues associated with residential aged care facilities have received extensive attention, most notably in the context of the Aged Care Reform Strategy (Howe 1997) and the passage and implementation of the *Commonwealth Aged Care Act, 1997*.

No such comprehensive approach has been taken to housing provision for the relatively small minority of older Australians who are neither home owners nor residents of aged care services. Older renters comprise between 10 and 15 per cent of the population aged 65 or over living in private housing (ABS 2000b; AHURI 1996). Slightly more than half of this group rent from private landlords, and slightly less than half from State and Territory housing authorities. It can be argued that current public policy settings relating to rental housing provision for older Australians provide an inadequate platform for achieving satisfactory policy outcomes. The main contours of the current policy approach have been in place for some time. They involve a heterogeneous mix of direct public provision of rental housing for older people by State and Territory housing authorities supported by matching funds provided under the Commonwealth-State Housing Agreement (CSHA); Commonwealth rent assistance for

low income, older private renters; state regulation of some (but not all) forms of congregate rental housing for older people; various forms of support and oversight of community, private sector and local government programs and initiatives; and local government and state planning regulations and processes that impinge on local housing provision.

There is a pressing need to develop a comprehensive approach to the housing needs of non-home owning older people, encompassing the public, private and community sectors and the three levels of government, and drawing on a diversity of policy instruments. Ideally, the provision of affordable rental housing for lower income older Australians would take place within a policy framework that articulated broad policy goals, anticipated levels of demand and supply, considered alternative forms of housing provision based on considerations of cost and consumer preference, enunciated the roles of key sectors and levels of government, and outlined the range of policy interventions (direct provision, subsidy and funding, support, regulation, etc) to achieve desired outcomes. Much of this policy infrastructure is lacking in current policy positions and settings.

The case for adopting a comprehensive policy approach to this issue is driven by a number of specific factors and considerations. Three key drivers of public policy relating to rental housing provision for older Australians are:

- the anticipated increase in the number of older people in Australian society and other demographic changes in Australia's older population impacting on demand for housing, and rental housing in particular;
- the less than satisfactory housing circumstances of many lower-income, older Australians who rent and the need to respond more appropriately to the housing needs of this population group;
- the significant level of interest by the private sector in investment in housing for older people, and the need to channel and stimulate this interest and involvement to ensure an adequate and appropriate supply of affordable rental housing for older people.

Understanding the scope, impact and consequences of each of these sets of factors is integral to the development of an integrated and effective policy approach, and each is briefly introduced below.

The demographic changes occurring in Australia's older population in the first half of the twentieth century have been extensively documented, and the anticipated increase in the number and proportion of older people in the population is of itself sufficient reason to closely consider policy issues relating to rental housing provision for older people. However, the impact of these demographic changes on housing demand and circumstances is complex. In addition to the rate and extent of growth of the aged population (itself a matter of some uncertainty), a number of other demographic factors need to be considered. These include factors such as household composition, household resources, cohort effects, the heterogeneity of the population and changing tenure patterns. The importance of understanding the impact of these factors is elaborated in section two of the Positioning Paper.

The second set of factors shaping and driving policy is the evidence that in many important respects the housing circumstances of some low-income older renters are of poor quality relative to other older Australians. The current literature is reviewed in section three, and key issues and concerns are summarised in Table 3.2. Rental housing for older people in Australia varies widely in form and quality, but includes considerable stock that is not appropriate to the needs of older people (Roberts 1997). The housing circumstances of low income renters vary considerably according to type of tenure (public, private or community sector), type of dwelling (detached, congregate, etc) and availability of support services. Most, if not all, current forms of rental housing for older people have some attributes that are valued by older people. However, there

are also significant issues and concerns associated with each of the identifiable housing types and tenures relating to independence, privacy and autonomy, affordability, security, safety, adaptability, location, suitability, sociability, size, amenity and space (see Table 3.1). Given the increasing public recognition of the importance of housing for the well-being of older people, the case for sustained policy attention to be given to this group of relatively poorly housed, older Australians is increasingly pressing.

The third set of factors concerns the engagement by the private sector in investment in affordable housing for older people. Current fiscal policies, reduced funding available from the Commonwealth under the CSHA, and rising costs severely limit the capacity of the State and Territory housing authorities to provide public rental housing for older people sufficient to meet current and anticipated demand. In this context, housing authorities are exploring new ways of supporting, subsidising and generally enabling the private sector to invest in and manage rental housing for older people (e.g. Jones, Tilse and Coleman 2001). At the same time, there has been extensive private sector investment in new forms of housing for lower income older people. Companies such as Village Life and Sunnycove have developed significant numbers of assisted-living rental villages offering independent living in a community environment, with a high level of services including meals, laundry, serviced units and on-site management. These emerging forms of private sector provision raise complex questions of public-private sector relations. What mix of enabling and regulatory policies are appropriate, and how can private sector investment in appropriate housing best be stimulated? These issues are introduced in section four of the positioning paper.

In summary, the policy challenge facing Australian housing authorities is to develop a comprehensive policy strategy that will ensure the provision of good quality, affordable and appropriate rental housing for lower-income, older Australians, taking into account current and anticipated policy, demographic, consumer and investment contexts.

1.2 The research goal, questions and methods

The relatively limited policy attention that has been paid to the provision of affordable, rental housing for older people is mirrored by the limited research focus on older renters. Research, as well as policy, has not as yet focused sufficiently clearly on the issues facing and impacting on older renters, including the growing demand for affordable rental housing for older people, changing patterns of need, newly developing forms of provision, and new policy challenges. This Positioning Paper briefly summarises the current literature focusing on what is currently known regarding the demography of older renters (section two), consumer values, preferences and choices (section three), and changes in private sector investment patterns in affordable housing for older people (section four). However, major gaps in knowledge and understanding remain. The main gaps in current knowledge relating to this policy issue in Australia include the following:

- There is no comprehensive or systematic knowledge of how State and Territory housing authorities are currently addressing the issues of provision of affordable rental housing for older people including direct provision through public housing, and provision via partnerships and other collaborative arrangements with the community and private sectors;
- Similarly, there is no comprehensive data concerning regulatory processes in place or envisaged in the States and Territories to ensure quality provision of rental accommodation for older people;
- There is a lack of contemporary demographic data on older renters in Australia, including factors such as their number, age distribution, gender, level of income, source of income, labour force status, type of household, household size, type of housing, geographic location, mobility, etc.

- There is limited analysis of the future demographic characteristics of older renters, and the implications for future demand for affordable, rental housing for older Australians;
- There is limited analysis of the factors impinging on future demand for affordable, rental housing in Australia including the growth of the aged population, changes in household composition, changes in household resources, cohort effects, the heterogeneity of the population, and trends in housing tenure.
- There is inadequate identification and classification of the many current and emerging forms of affordable, rental housing and accommodation for older people, including the public, private, community and household sectors;
- There is limited, critical appraisal and evaluation of the suitability and appropriateness of various types and forms of affordable rental housing for this population group, including appraisal and evaluation from a consumer perspective;
- There is limited knowledge of the needs, values and preferences of different groups of older renters including older Indigenous people, older people in various localities including rural areas, and older people in particular forms of rental accommodation (see Table 3.2);
- There is limited knowledge of the needs, values and preferences of older renters in different tenures including rental in the public, private and community housing sectors;
- There is limited knowledge of the current levels of private sector investment in affordable, rental housing for older people, and the factors impinging on private sector investment in this market;
- There is inadequate understanding of the significance and implications of the recent, rapid expansion of private sector investment in and development of 'assisted-living rental villages' and of the appropriate public policy response;
- There is inadequate understanding and evaluation of innovative approaches to rental housing provision in the community sector, e.g. Abbeyfield housing;
- There is limited analysis of the policy implications of the changing contexts impinging on the provision of affordable, rental housing for older Australians.

The goal of this research project is to provide an overview of these and related issues concerning provision of affordable, rental housing for older people, as a foundation for policy development and further research. The project is a 'scoping study' designed to assist the policy community to identify and address key policy issues and concerns, and to assist the research community to develop a program of research and research projects that will effectively inform policy development. In this context, a scoping study can be defined as a research project that aims to provide policy guidance relating to a specific policy issue or question by reviewing and consolidating relevant, existing knowledge and research; conducting wide-angle investigations designed to elucidate key dimensions of the policy issue; and presenting this knowledge and understanding in a manner that is pertinent to policy processes. The typical or defining characteristics of a scoping study in the context of policy analysis are:

- It is focused on a clearly defined policy issue or question: this issue may or may not currently be on the policy agenda, but a clear rationale must be developed to demonstrate that it is an issue of policy significance;
- It is wide-angle in focus and aims for comprehensiveness: it is concerned with identifying all major factors and processes impinging on the policy issue, and with linking current policy settings to contemporary and emerging contexts;
- It includes a review of existing research and knowledge and seeks to package this in a form that relates directly to the core policy issue or concern;

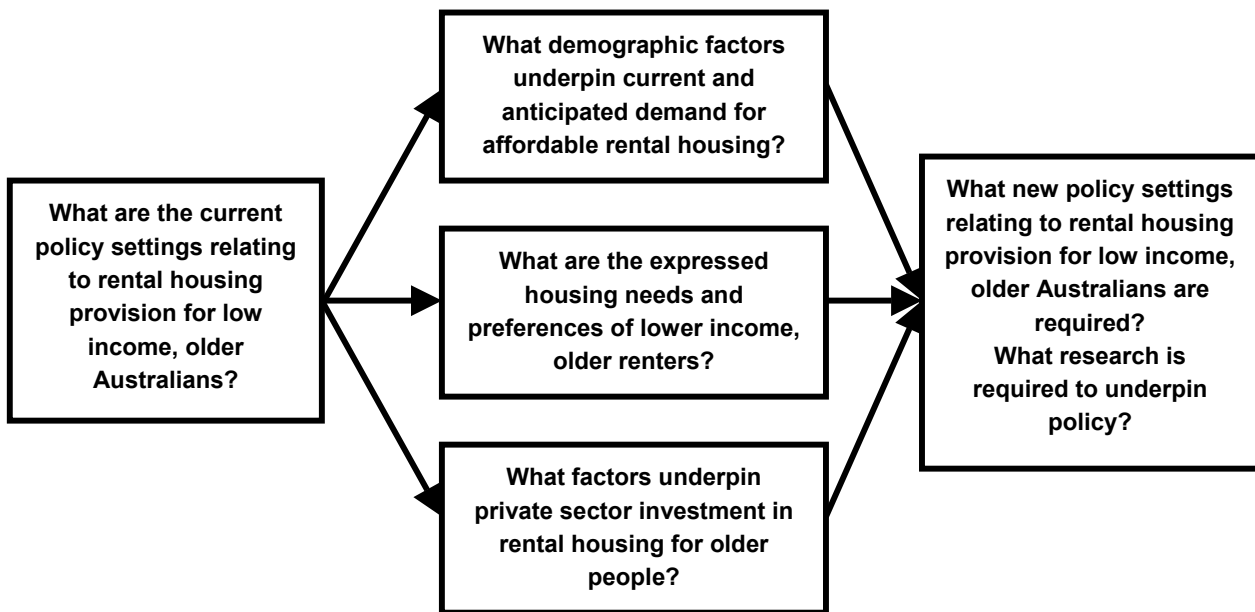
- It may include original research, but this is typically synoptic in character, seeking to overview or to investigate the broad dimensions of key aspects of the policy issue;
- It is often inter-disciplinary in approach, drawing on and seeking to integrate a diversity of academic perspectives relevant to the policy issue in question;
- It seeks to present the research findings in ways that are directly policy-relevant, and to make explicit the links between the research and policy;
- It typically proposes an ongoing program or research to underpin policy development through investigation of identified issues in greater depth.

Understood in these terms, the goal of this scoping study is to analyse the issues facing housing authorities in Australia concerning the provision of rental housing for lower-income older people through the public, private and community sectors. The project aims to provide a research foundation for a comprehensive, integrated approach to this policy issue over the next two decades. The project is multi-disciplinary in approach drawing on expertise in demography, social policy, analysis of consumer preferences, and property finance and asset management. The study identifies, and aims to address, four key research questions, corresponding to the policy, demographic, consumer and investment dimensions of the policy issue. The questions are:

- What are the current range of Commonwealth and State and Territory policies with respect to the provision of affordable rental housing for older people, and how might a more comprehensive and integrated policy framework be conceptualised?
- What are the demographic factors underlying current and emerging demand for rental housing for lower income, older Australians?
- What are the expressed housing needs, preferences and choices of low income, older people living in rental housing?
- What factors underpin private sector investment in provision of affordable, rental housing, and how might more effective public-private sector partnerships and relations be developed?

These four research questions are interlinked as shown in Figure 1.1. The starting point for analysis is a comprehensive description and analysis of current policies relating to rental housing provision for older Australians. This will focus on Commonwealth and State and Territory policies, and also cover the role of local government. The analysis will then turn to the three 'policy drivers': demographic change, consumer needs and preferences, and private sector investment, to be investigated through three sub-studies. The final stage of the research will draw together the findings from the policy, demography, consumer and investment sub-studies and consider implications for ongoing policy development. It will also suggest a research agenda to underpin ongoing policy development, and suggest ways that the research and policy communities can more effectively work together in this policy area.

Figure 1.1 The framework for policy research



The research methods for the four sub-studies are detailed in the respective sections of this Positioning Paper (sections 1.2, 2.2, 3.2 and 4.2) and are summarised in Table 1.1. Each scoping study involves an analysis of existing literature and research, combined with primary data collection and analysis. The final report will provide an integrated analysis of the policy issue, drawing on the findings from each sub-study. The broad contours envisaged for the integrated analysis are outlined in the concluding section of this Positioning Paper. Integration will be achieved by organising the findings of the sub-studies around the key policy questions that housing authorities will need to address in order to respond effectively to the issue of affordable, rental housing provision for older Australians.

The first of the sub-studies, an examination of the current policy context, is designed to provide a detailed, themed description of current policy settings. It aims to provide a comprehensive picture of current policies of Commonwealth and State and Territory Governments relating to the provision of affordable rental housing for older people. The main focus will be the policies of State and Territory Governments concerning rental housing for older people. These policies can be conceptualised as comprising a number of core elements:

- articulated policy goals, objectives and intentions;
- institutions and processes designed to enhance state capacity to address this issue;
- direct provision of rental housing for older people through the public housing system;
- policies and programs to encourage and support private and community sector provision;
- regulatory provisions to ensure appropriate standards in the construction and provision of various types of rental housing for older people.

A policy template will be developed that will provide a framework for collection of detailed, comparative policy data from each jurisdiction under these headings. This will be accompanied by a description of Commonwealth policies, including an overview of major Commonwealth policy documents pertaining to housing for older people, an account of policies towards rental housing for older people as expressed through the Commonwealth-State Housing Agreement and an account of the role of rent assistance with respect to older people in rental housing.

The first stage of this sub-study is a literature review encompassing all secondary sources that pertain to the policies of the Commonwealth, States and Territories relating to affordable rental housing provision for older people. This will be followed by a process of compiling and analysing all relevant policy documents including published and unpublished reports, legislation, regulations, statistics, policy statements, and so forth. The primary data collection will comprise interviews with key informants. Up to five key informants from each jurisdiction will be identified and interviewed, using semi-structured interview techniques, to develop specific understanding of policy, provision and emerging issues. Key informants will be chosen from senior members of the policy community in each state, and are likely to be senior policy advisors in government, as well as leading community sector and industry figures. The data from all sources will be compiled using the policy template as an organising framework. In this way, a themed, comparative overview of current State and Territory policies and policy issues will be developed.

Table 1.1: Research methods for the four, linked sub-studies

<i>The policy sub-study</i>	<i>The demographic sub-study</i>	<i>The consumer sub-study</i>	<i>The investment sub-study</i>
<ul style="list-style-type: none"> - review of relevant literature - development of policy template - analysis of relevant policy documents - key informant interviews in each jurisdiction 	<ul style="list-style-type: none"> - Synthesis of prior findings on housing demography of older, low income Australians - statistical profiling based primarily on 2001 Census and other ABS sources - conceptual modelling of future demand - assessment of future demand based on existing projections 	<ul style="list-style-type: none"> - comprehensive literature analysis, including prior consumer studies - focus groups of older renters in distinctive housing types, specific tenures and population groups 	<ul style="list-style-type: none"> - comprehensive literature analysis - key informant interviews with investors, developers and asset managers - modelling of asset management strategies

1.3 Clarification of terms

As a scoping exercise, the research project is concerned with the broad territory of rental housing provision for lower-income older Australians. As such, it is concerned to explore the diversity of meanings given to key terms rather than to impose over-restrictive boundaries. Terms such as ‘older Australians’, ‘lower income’ and ‘rental housing’ are used and defined variously in different jurisdictions, policy contexts and studies. The discussion below provides a brief introduction to the ways that these terms will be used in this research and to the complex nature of the terms themselves.

1.3.1 Older Australians

Within the Australian policy and research communities, there is no universally accepted chronological age that delineates the ‘older’ population. There are compelling reasons for this lack of uniformity of definition. It is well established that chronological age is an imprecise marker for the changes in health status, economic and social participation

and independence that accompany ageing (World Health Organisation 2002). Furthermore, in the policy context, different definitions of 'older people' are appropriate to different circumstances and issues and change over time. Conventionally, the 'retirement age' of 65 has been widely used to delineate older Australians, but societal changes relating to retirement and workforce participation, and associated legislative change, have led some to question this and to propose that persons aged 55 and older should be classified as 'older' in line with the official age for access to superannuation (McCallum 2000). A recent United Nations report proposed an age standard of 60 years to delineate older people, 70 years and over as 'old old', and 80 years and over as the 'oldest old' (World Health Organisation 2002). However, in the Australian context, age 65 is still widely and conventionally used as the point for defining the aged population. For example, the Australian Bureau of Statistics (ABS) report on *Older People, Australia* (ABS 1999a) defines older people as those 65 and over, as does a recent Australian Institute of Health and Welfare (AIHW) report on Australia's ageing population (AIHW 2000). This project will follow the prevailing convention by focusing primarily on 'older' persons aged 65 and over. At the same time, it is increasingly recognised that older people are a highly heterogeneous group, and that there are marked variations in the needs, circumstances and experiences of older people at different stages of their lives. In recognition of this, attention will be paid to the differing housing needs and circumstances of those aged 65-74, 75-84 and 85 years and over, and to those entering these age groups during the next two decades. With respect to Indigenous older people, the Commonwealth government has recognised the differences in health status and life expectancy of Indigenous people and has used the age of 50 and over as a basis for planning services for older Indigenous people (*Aged Care Act 1997*). This convention in relation to older Indigenous people will be followed in this study.

1.3.2 Lower income

This project is focused on the provision of rental housing for 'lower income' Australian households. Most commonly, lower income households are defined as those falling within the lowest quartile (Harding, King and Kelly 2002) or lowest two quintiles (Australia National Housing Strategy 1991) of the population. There are definitional and measurement issues in specifying these groups for the older population including the issues of equivalence between different household types, the use of gross or net income, the treatment of rent assistance as income or as a deduction from housing costs, and the issue of whether the population for purposes of comparison of household income is the overall population or the population of older households. Many older households in Australia are solely or mainly dependent on government benefits, particularly the age pension, and this study is particularly interested in older households for whom this is their primary source of income. The demographic analysis undertaken as part of this study will endeavour to assemble available data on income of older households who are renters, and particularly lower income older households, taking into account these complexities.

The particular concern of the study is those older households who, in the absence of effective public intervention, experience housing affordability problems. The issues in defining and measuring housing affordability and the related concept of 'housing stress' have been extensively discussed in recent years (Australia National Housing Strategy 1991; Wulff and Yates 2001). Housing stress was defined by the National Housing Strategy as households paying more than 30 per cent of their income on housing who are in the lowest 40 per cent of the income distribution range (Australia National Housing Strategy 1991). During the mid-1990s, some 12 per cent of older households were in the lowest two income quintiles and spent more than 25% of their income on housing costs, and of these 67 per cent were private sector renters and some 15 per cent were renters in the public sector (ABS 1996). While often difficult to capture in existing statistical collections, it is this group of low income, non-home owning, older people that is the primary focus of this study.

1.3.3 Rental housing

This study is concerned with all older persons who are renters, whether in the public, private, community or household sectors. Rental housing can be broadly defined as a dwelling in which the occupier or tenant makes a monetary payment (or equivalent consideration) to the owner or landlord in exchange for occupation and use of the dwelling. In the context of older people's housing, this includes a broad and increasingly diverse range of housing types and tenures, including a variety of physical housing forms that encompass different forms of provision for assisted living and vary in their provision of communal amenities. Capturing these widely varying forms of rental tenure poses significant statistics problems, because established classifications are poorly related to emerging forms of housing. For example, the Census of Population and Housing only collects data on rental tenure for private dwellings, ignoring those who rent accommodation in non-private dwellings. These are not simply matters of statistical rectitude: important policy issues attach to the mix of rental housing types that should be developed and encouraged, and the appropriate funding, support and regulatory arrangements that should be put in place for these different housing arrangements.

Table 1.2 provides an initial classification of the main types of rental housing available for older people in Australia. This table should be considered as a 'work-in-progress' and a further version including explanatory details will be provided in the final research project report. The table lists nine types of rental housing and six dimensions of difference amongst them. The table excludes non-rental housing including owner/occupiers and purchaser/occupiers, and aged care facilities. Emergency and short-term housing such as that provided through the SAAP program are also not included. This classification provides a framework for specifying the current rental housing arrangements of older Australians, and of considering future policy options.

Table 1.2 Rental housing for older people in Australia: types and dimensions

<i>Rental housing type</i>	<i>Examples</i>	<i>Physical form(s)</i>	<i>Age specific</i>	<i>Assisted-living services</i>	<i>Communal amenities</i>	<i>Rent assistance</i>	<i>ABS classification</i>
Public rental housing	Houses, pensioner units, other public housing dwellings	Separate houses, bed-sits, flats, units, etc.	Both	No	Generally nil	No	Private dwelling
Private rental housing	Houses, units, flats, townhouses, other private dwellings	Separate houses, semi-detached, flats, units, etc	No	No	Generally nil	Yes	Private dwelling
Rental retirement villages	Mixed tenure villages and rental only villages	Detached or semi-detached houses in village complex	Yes	Limited	Recreational facilities and activities, on-site management, maintenance	Yes	Private dwelling
Assisted-living rental villages	Private sector villages, eg Village Life, Sunnycove	Self-contained rooms within village complex, with shared dining	Yes	Meals, laundry services, cleaning	Common lounge/dining, maintenance, laundry, on-site management, some recreational facilities	Yes	Private dwelling
Small-scale communal housing	Abbeyfield Housing,	Bed-sits with shared dining and living areas	Yes	Meals, laundry, cleaning, supervision	Common lounge, dining, kitchen, guest room, laundry, maintenance	Yes	Non-private dwelling
Other community-sector housing	Wintringham, independent living units, cooperatives	Varies	Yes	Varies	Varies	Yes	Varies
Residential parks	Caravan parks, mobile houses	Caravans, cabins, mobile homes in caravan parks, some shared facilities	No	No	On-site management, some recreational facilities, laundry	Yes	Private dwelling
Boarding and rooming houses	Boarding houses, hostels, guest houses	Individual or shared bedrooms with shared bathroom, kitchen and laundry facilities	No	Varies. Some provide meals, cleaning, laundry, supervision	Varies	Yes	Non-private dwelling
Family-provided housing	Granny flats, boarding with family	Fully or partially self-contained flat or room	No	Varies	Varies	Varies	Private dwelling

2 UNDERSTANDING THE DEMOGRAPHIC CONTEXT

2.1 The demographic context: trends and uncertainties

Any analysis of the demand for rental housing among older, low income people must afford a pivotal role to the facts of demography. Ageing of the population is among the pre-eminent social issues of the early 21st century and is set to gather increasing importance as growth in the older population, long anticipated in the statistics, comes to fruition. The scale of the anticipated increase is well documented in the literature, with ABS population projections anticipating that the numbers of people aged 65 and over will more than double over the interval 1999-2051, and increase from 12.4% to 24.2% as a share of national population (ABS 2000a). Growth among the old-old (those aged 85 and over) is projected to be even more pronounced, with numbers rising fourfold over the next 50 years.

While these summary indicators potently capture the scale of the forthcoming change, the impacts on housing are by no means as straightforward as the aggregate population figures suggest. Housing demand is influenced not only by population size, but also by an array of other demographic, social and economic variables, including patterns of family formation and dissolution, living arrangements, economic resources and personal characteristics. These last two sets of variables take on added significance in terms of tenure and tenure choice, since it is financial circumstances and personal independence that principally differentiate renters from owner-occupiers on the one hand, and residents of age care facilities on the other. Moreover, for the aged, housing outcomes are fundamentally mediated by cohort effects: the cumulative lifetime experience that moulds family structures, economic resources and personal characteristics. As these vary between birth cohorts, so is it likely that housing needs, capacities and preferences will also differ between groups.

It follows that a clear understanding of the current and future housing circumstances of Australia's older population depends fundamentally on a clear appreciation of the relative strength of these forces, and the way they interact. The future demand for rental housing for low income older Australians, in turn, needs to be assessed within this wider framework of evolving housing demand. In practice, however, such analysis confronts considerable uncertainty in regard to many of the key processes and interactions that will influence future trends. Moreover, as will be argued below, even the basic data on contemporary housing circumstances are seriously deficient in a number of respects. The following sections first examine the various sources of uncertainty with regard to the demographic determinants of housing demand, including demand for rental housing, then outline the approach proposed for analysis and projection.

2.1.1 Growth of the aged population

Discussions of Australia's ageing population commonly take the scale of the impending growth as a given. Statistical data are cited based on the most recent ABS projections. As all forecasters endeavour to make clear, such projections are fundamentally contingent upon the assumptions on which they are based. While this is readily appreciated in regard to fertility and migration, it is much less widely acknowledged in terms of mortality. Yet if there is one lesson to be learned from the projection history, it is that assumptions regarding mortality have proven at least as unreliable as those in respect of the other components of population change. In hindsight, the most distinctive feature of the projections prepared as part of the National Population Inquiry (1975) was their failure to anticipate the massive extension of life which ensued over the following three decades. While later projection series have corrected this anomaly, still little attention is given to the uncertainties that attend the future path of mortality. In practice, these assumptions are profoundly important in regard to the likely future numbers of older Australians.

The most recent ABS projections assume that male life expectancy will increase from 75.9 years in 1997 to 83.3 years in 2051, a rise of 7.4 years, and for females from 81.5 years to 86.6, a rise of 5.1 years (ABS 2000a). A second set of more optimistic assumptions was also prepared under which life expectancy climbed to 92.1 and 93.4 years for men and women respectively (ABS 2000a, 51). ABS did not publish the results of this second set but comparative projections prepared at the University of Queensland show that the lower mortality assumption lifts the numbers aged 65 and over by 24% in 2051, and the numbers aged 85 and over by a massive 64%.

There is considerable debate as to which of these scenarios reflects the most probable trajectory. Oeppen and Vaupel (2002) show how the limits to life expectancy assumed by projection agencies worldwide have been repeatedly broken and demonstrate a remarkably steady, linear rise in maximum female life expectancy of 3 months per annum over the last 160 years. This is consistent with the more optimistic ABS assumption. Kannisto (2001), on the other hand, reports a decline in life expectancy remaining at the modal age at death in several countries, which points to a slowing of gains and suggests there may be an ultimate limit to the length of life. Australian data show some support for Kannisto (Bell 2002). Nevertheless, the slowdown modelled by the ABS represents a very conservative position with respect to future gains in the length of life.

These uncertainties with respect to future trends in mortality have several implications for housing older people, including rental housing for older people. First, and most obvious, is the effect on aggregate numbers of older people, and hence the overall level of demand for housing. The second effect is that the most pronounced effect of future gains in life expectancy will occur in the middle (75-84) and oldest (85+) age groups, where levels of dependency increase. The third point hinges on sex differentials in life expectancy. Women outnumber men at older ages due to differential longevity but the two ABS scenarios foreshadow somewhat different future trends. One assumption reduces the sex differential from 5.6 years to 3.3 years, whereas the other sees a fall to just 1.3 years. A smaller differential implies larger households and fewer lone males.

2.1.2 Household composition

People are linked to dwellings by way of household living arrangements. These in turn are primarily a function of family relationships, though financial resources and dependency also play important roles. Most older Australians live in private dwellings. ABS (1999a, 28) report that at the 1996 Census, just 7.2% of people aged 65 and over lived in non-private dwellings, predominantly in age care accommodation. No household or family circumstances are reported for this group. Most of the remainder of the older population live with other family members. Overall, 53% of those 65 and over lived with a partner, and another 10% with other relatives, while 28% lived alone. However, these proportions vary sharply with age and sex. The old-old are less likely to live with a partner (17%) and more likely to live alone (33%) or in age care accommodation (32%), and these figures are even more pronounced for women than for men.

ABS projections foreshadow a substantial rise in the proportions of older people in age care accommodation and living alone by the year 2021 (ABS 1999b, 9; ABS 1999c). These increases are partly a product of shifts in age composition, but are compounded by an increase in the propensity to live alone or in an institution anticipated by the ABS assumptions which simply extrapolate the trends that occurred over the 1986-96 interval. While the structural effects of ageing are well entrenched, in practice future trends in living arrangements will be crucially affected by shifts in marital composition (as a result of cohort effects) and sex differentials in survival (affecting the chances of widowhood), the balance of which will influence the number of older couples in partnerships. Projections reported by AHURI (1996) based on cohort analysis anticipated a fall in proportions married among older men and (to a lesser extent) women. In a similar vein, Rowland (1994) concluded that 'further improvements in

survival will decrease the incidence of widowhood but a continuation of the current marriage bust and divorce boom will weaken and complicate family networks for future generations of the aged'.

The issue of family networks raises the related question of future trends in older people living with other family members. ABS (1999a) report that in 1996 fully 20% of people aged 65 and over in private dwellings lived in family households with their children, their children's family or other family members, though it is not clear in what proportion of these the older members were the principal householders. Weakening family networks and declining numbers of offspring suggest that such arrangements may be less common in the future, although as Ruggles (2001) reminds us, extended family households were never as common as folklore would maintain. If opportunities to live with children or other family members decline, pressure on alternative housing must rise. To the extent that individual household types differ in their housing circumstances, changes in household composition also presage shifts in housing demand.

2.1.3 Household resources

Rowland (1991) argues that access to housing can be assessed within a resources framework. Housing wealth accrued over a lifetime clearly provides sustained access to owner-occupied housing (Badcock and Beer 2000) and represents the capital needed to effect other housing choices, such as movement to a retirement village (Stimson 2002). Conversely, lack of housing or other financial capital reduces housing choice and places increased pressure on alternative sources of income. It follows that any demographic circumstances which alter access to financial resources will impact on access to housing. Most obvious in this context are likely to be cohort changes in housing wealth, considered below, but marginal shifts in living arrangements may also interact with policy settings to alter eligibility for income support or other benefits in ways that impact on housing access.

While financial resources are a crucial dimension, Rowland (1991) also stresses the role of family and health as resources that affect housing choice. The role of family networks was considered above. The significance of health lies in its impact on the capacity to live independently. Rowland (1991) demonstrates that among the aged moving from the family home to an institutional setting or a family member's home is principally associated with a loss of autonomy. Policies aimed at maintaining older people in their own homes have reduced the growth in numbers of people in nursing homes, hostels and other traditional settings over the past decade (ABS 2002,157; 2003,17 and 172). However, ageing within the older population will progressively raise numbers in the oldest age groups, where the incidence of disabilities is highest, reasserting the pressure for aged care. From a demographic perspective, the crucial question that arises is whether the current increase in longevity is being achieved at the cost of rising morbidity. If extensions in the length of life are associated with a rise in dependency, current projections of the proportions in aged care institutions may prove optimistic. The evidence to date seems equivocal (AIHW 2000; 2002, 12).

2.1.4 Cohort effects

Cohort effects refer to the way in which the cumulative experience of individual birth cohorts, built up over their lifetimes, varies. The cohorts entering retirement in the early decades of the 21st century differ from their predecessors in a number of respects: they are healthier, wealthier, more highly educated, and more widely travelled. On the other hand they are less likely to have children and more likely to be divorced. While all of these attributes are significant, from a housing perspective perhaps the most critical variation concerns cohort differences in housing ownership. Home ownership among older Australians is high, exceeding 80% at ages 65 and over. Over the past thirty years, however, owner-occupancy has fallen and, if sustained, these lower rates of ownership would eventually be translated to reduced lifetime achievement of home ownership at older ages. In practice, there, is considerable debate as to whether the

reductions observed represent ownership foregone (e.g. Yates 1999) due to factors such as rising housing costs and student debt (Pearse 2003), or whether the move to ownership has simply been deferred. Work in progress by McDonald (2003) aims to resolve the question but in the interim the potential effects on older Australians remain to be identified.

2.1.5 Heterogeneity

Older Australians are a heterogeneous group. They vary not only in personal characteristics, but also in preferences, attitudes and values. These variations underpin differences in housing circumstances and aspirations, and therefore also in housing market behaviour. An example is ethnic composition. The overseas-born make up less than a quarter of all Australians but comprise fully one third of the population aged 65 and over. They also display marked variations in living arrangements compared with the Australia-born, with high proportions married and a greater propensity to live with other family members (ABS 2002, 20). This large cohort of overseas-born, many of whom arrived in Australia in the immediate post-war period, is currently concentrated at the younger end of the aged population but over the next two decades will progressively swell the older age groups. As they do so, these unique characteristics will exert a significant effect on the nature of housing demand.

Spatial variations are equally important. Older people move relatively infrequently, most moves are short distance and movement at older age is generally less by choice than necessity (Bell and Hugo 2000, Rowland 1991). The spatial mosaic of ageing therefore principally reflects the timing of settlement and subsequent ageing of local population concentrations, rather than the impacts of migration in later life (ABS 2002, 7). Age-selective migration does, however, act to reinforce concentrations of older residents in coastal areas and accounts, at least in part, for the deficit in inland Australia. ABS (2002, 182) also demonstrates that home ownership among the aged varies widely across space, with levels being especially low in remote areas. These variations reflect the nature of economic activity and composition of the population in inland regions, but the spatial distribution of housing tenures is influenced by available supply as well as by the nature of demand.

2.1.6 Housing tenure

Rental tenure is relatively uncommon among older people. In 1996, just 11.7% of people aged 65 and over, around 220,000 in all, lived in a rental dwelling. Of these, slightly more than half rented from a private landlord. At younger ages, rental may be a tenure of choice, providing considerable flexibility in housing options (Baum and Wulff 2003). Data on housing aspirations at older ages are more difficult to come by, but for many it seems likely that private rental is a tenure of last resort rather than of choice. Faulkner (2001, 15) notes that aged people living in private rental have long been recognised as those in greatest housing need, and cites ABS data showing that in 1997-98 aged couples renting privately were spending 30% of their income on rent, while for aged lone persons the figure was 50% (see also ABS 2002, 195). Evidence is also accruing that for many, including those at older ages, renting has become a long-term prospect, rather than a short-term convenience (Wulff and Maher 1998).

Notwithstanding the available evidence, the role of rental tenure and its interaction with the other two principal forms of housing tenure, owner-occupation and non-private dwellings, remains unclear. The onset of disability is now the predominant trigger for the transition to aged care but whether this is equally seamless for renters and owner-occupiers remains to be verified. At the same time, the notion of reverse mortgages suggests that the boundary between renting and owner-occupation may become more, rather than less, porous. More significant, perhaps is the growing diversity of housing options, combining various forms of structure, tenure and assisted-living, as outlined in this paper, which blur the boundaries of traditional statistical classifications. To be useful, evolving demographic trends need to be situated against contemporary developments in housing options.

2.1.7 Measurement issues

Despite their social and economic significance, data describing the links between demography and housing are deficient in several respects. Analysis of housing circumstances among the aged therefore confronts a number of obstacles. Four of these, not widely recognised or acknowledged in the literature, are worthy of mention. Firstly, Census data on housing attributes such as tenure and structure are only collected for people at home on the night of the Census. This effectively means that data on these housing characteristics are missing for some 200,000 older Australians, or about 10% of the total population aged 65 and over (1996 data). Secondly, since the 1996 Census, the Census question on housing tenure has been asked in relation to the dwelling, rather than in relation to the residents. Older people living in the homes of children who own the dwelling would be classified as owners, though they may be staying rent free. McDonald (2003, 4) sets out ways this might be addressed, but ultimately there is no satisfactory solution. A third problem is that while the range of housing statistics collections provide a wealth of information, comparisons are severely hindered by differences in definitions. Fourthly, current classifications palpably fail to capture the diversity of housing types currently emerging in Australian settings, including those delineated in Table 1.2. Ultimately, these limitations can only be recognised and treated with caution in the statistical analysis, but they are of a magnitude which calls for careful attention in a project of this type.

2.2 The scoping methodology

Within the framework of this scoping study, the aim of this component of the project is to identify the demographic factors underlying current and emerging demand for rental housing for lower income, older Australians. Building on the discussion presented above, and an initial synthesis of prior findings on the housing demography of older, low income Australians, the approach to this task will involve three main parts: a statistical analysis, development of a conceptual model, and projections.

2.2.1 Statistical analysis

The statistical analysis aims to establish the housing circumstances of older, low income Australians. While a number of previous studies have assembled statistical observations on rental among the older population, these have generally taken the form of isolated measures with little or no comparative context. If a clear understanding of the nature of older rental tenants is to be established, it is imperative that the characteristics of this group be set against those of older persons in other housing situations. Attention is needed, in particular, to establishing how older Australians in rental housing differ from those living in (a) owner occupied dwellings and (b) in aged care establishments (non-private dwellings). It is proposed to develop a clear statistical profile of the three groups drawing on the range of data sources listed below. The study will give particular attention to reconciling differences in definition and classification between the various data sources, endeavour to resolve the issues surrounding data on tenure and living arrangements, and establish, as far as possible, the relative significance of the newly emerging forms of housing identified in Table 1.2.

The key sources of statistical data to be used in the study, subject to availability, will be:

- 2001 Census of Population and Housing;
- 1999 Australian Housing Survey;
- FaCS LDS Housing Data Set;
- 1998-99 Household Expenditure Survey.

One important resource will be the ABS 2001 Census monograph on ageing (ABS forthcoming), originally scheduled for release in June but now deferred until September 2003.

2.2.2 Conceptual model

Based on the results of this analysis and the framework of demographic forces identified earlier, a conceptual model of the factors likely to influence future levels of demand for rental housing among the aged will be constructed, taking particular account of low income groups.

2.2.3 Projections

At the national level in Australia, there are just two principal sets of projections of future households. The first of these are the ABS projections by family and household type, and living arrangements published in 1999 for Australia as a whole and for the States and Territories (ABS 1999c). These were prepared by applying 1986-1996 based age and sex-specific propensities to the ABS 1997-based projections of population. The second set of projections were prepared by McDonald and Kippen for AHURI based on a new model 'ozhouse' that combines propensity and transition methods (McDonald 2001, Kippen and McDonald nd). Like the ABS model, the principal output from *ozhouse* is framed in terms of family and household type, and living arrangements, but the ANU work provides considerably greater spatial detail, and has also been extended to project aggregate housing demand by dwelling type and tenure. Although the latter attributes refer to households reference persons, they are disaggregated by age (distinguishing those 60 and over), and therefore provide at least a starting point in the analysis of future levels of rental housing demand among this group.

The current project does not provide the scope to develop a new set of household projections attuned specifically to assessing the older, low income rental market. Indeed, it is doubtful that reliable projections at that level of detail are a serious proposition, given the current state of the art in household forecasting (Bell, Cooper and Les 1995). What can be achieved, however, is a systematic assessment of likely future trends based on analysis of existing projections, and their extension using a range of techniques. The aim will be to assess the relative impact on aged rental housing of the various forces identified in the conceptual model described above.

Techniques to be used in this part of the project will include:

- Derivation of family, household and living arrangement projections from the ABS and ANU work. The groups of interest are not directly available in the standard outputs from either source;
- Sensitivity testing applying the propensities developed in the ABS and ANU work to alternative projections of population;
- Application of age-specific propensities for low income groups and rental tenure categories to the ABS and ANU projections;
- Use of cohort progression techniques to assess the way in which cohort effects may influence likely future trends in key patterns of demographic behaviour, such as marriage among the aged.

The focus will therefore effectively be on testing the sensitivity of likely future demand to the various demographic influences that may come to bear. The results will establish the key facets of housing demography among older Australians in a form that will contribute the demographic dimension of an agenda for future housing-related work among this rapidly growing population group.

3 UNDERSTANDING THE CONSUMER CONTEXT

3.1 The consumer context: values, diversity and choice

“What older people themselves think about and want from their housing can be strikingly different from what is defined as ‘rational’ by government and other powerful interests” (Kendig and Gardner 1997, 75).

Consumer views and interests play a core role in developing a comprehensive understanding of the policy issues in rental housing provision for low income older people. This part of the scoping study explores consumer perspectives on rental housing through a review of British, North American and Australian consumer studies of older people in a variety of rental situations. It seeks to identify the key attributes of housing valued by older people, the options available to older people who rent, and the issues and concerns related to housing types and tenures. Gaps in the literature and issues identified will provide the conceptual context for a proposed series of focus groups. The focus groups with older people will extend the understanding of the expressed housing needs, preferences and choices of low income older Australians living in a range of rental housing types and tenures.

3.1.1 *The importance of housing to older people, including older people who rent*

The National Strategy for an Ageing Australia (Andrews 2001) recognises that access to affordable, accessible and suitable housing is a key priority as the population ages. For most older people, housing provides security and independence, a valuable asset in later life, proximity to friends and familiar places, access to services and a site for the delivery of services. Community care policies designed to support people as they age assume older people have a stable home in which such care can be delivered (Faulkner 2001). Housing is important as a resource, a symbol of independence (Day 1985; O’Byrant 1987;) and a link with personal history and identity (Davison, Kendig, Stephens and Merrill 1993; Rubenstein 1989). It can also be a liability for some older people as a result of high maintenance costs, locations that are isolated from services and social support networks, barriers to independent living for an older person with a disability or changes in the neighbourhood that leave older people feeling less safe or unable to access services (Noad 1999).

A major economic divide among older Australians is between those who have attained home ownership and those in private rental housing (Kendig and Gardner 1997, 176). The majority of older people in Australia are homeowners. Commonwealth government policy support of self-funded retirement and user pay arrangements for residential and community services have meant that home ownership is increasingly seen as an asset to fund lifestyle, accommodation and care choices in later life. There are competing pressures for older people to use such assets to provide for intergenerational transfers, long-term health and accommodation costs, and adequate financing of retirement (Tilse, Wilson, Setterlund, Rosenman and Robinson 2002). Levitt (1999) has argued that the financial clout of the baby boomers is sparking an unprecedented need for initiatives to respond to the desire for seniors to live independently and to age in place. This focus on home ownership as a key asset to facilitate choices in later life can obscure the choices, preferences and experiences of older people with limited income who are not homeowners. Access to affordable rental housing is an important resource in keeping older people on fixed incomes from financial housing stress (Faulkner 2001, 22).

The wellbeing of older people has been explained in terms of the balance between autonomy and security (Parmelee & Lawton 1990) and a combination of power over the environment and connection with others (Gattuso 1996). Older people in rental housing are often vulnerable in all of these fundamental areas. A lack of security of tenure in rental accommodation can prevent environments being adapted to the changing needs of older people, disrupt links within established networks and threaten autonomy and security.

The Australian Council on Ageing (COTA 1990, 2) has argued that the housing needs of older people are similar to those of other Australians – access to affordable and well designed housing which is part of a safe and secure environment, well located in relation to services and suitable to their life stage. Low income older people who rent are less likely than home owners to have choice in relation to some or all of these attributes.

3.1.2 What attributes of housing do older people value?

Consumer studies have identified that despite diversity in the needs, resources and aspirations of older people, some attributes are consistently valued across housing types and tenures. Studies of residential park residents (eg Beckwith 1998; Connor and Ferns 2002), retirement villages (eg Gardner 1994; Jones, Tilse and Coleman 2001; Stimson and Starr 2001), home owners (eg Askham, Nelson, Tinker and Hancock 1999), public housing tenants (eg Dennis 2002) and inner city rooming house residents (eg Davidson, Phibbs and Cox 1998; Queensland Shelter 1997; Russell 2002) identify affordability, security of tenure, quality of amenities, independence, location and suitability to needs and interests as key attributes associated with satisfaction with housing. Table 3.1 summarises the key attributes from a review of consumer studies across a range of housing types and tenures.

Table 3.1: Key attributes of housing valued by older people

<i>Key attribute</i>	<i>Dimensions</i>
Independence	Living separate from family, having control over daily routines
Privacy and autonomy	Access to and control over private space, freedom from restrictions on lifestyle
Affordability	Concerns about current costs and controlling future costs (e.g. maintenance)
Security of tenure	Staying in a familiar environment. Lack of mobility and low income can make it difficult to retain old ties if relocated
Safety	Includes personal safety within the housing unit (eg on call emergency buttons, lockable doors, a village configuration) and feeling safe within the neighbourhood
Adaptability for future care	Includes appropriate physical environments that can compensate for sensory and mobility changes, limited housework, maintenance and gardening
Location	Familiarity and convenience, access to services (health, medical, post offices, recreation and retail), access to transport, proximity to families or other social and cultural ties, integration with locality
Suitability	Includes life course stage, social and cultural factors, abilities and disabilities, preferred lifestyle
Companionship and avoiding isolation	Sociability and companionship – linked with gender and bereavement, social and recreational opportunities, a sense of community and social participation
Size	Small scale, home like environments are consistently valued
Amenity and space	Good design that meets physical, emotional and social needs and provides for both privacy and social contact. Space for possessions, hobbies and visitors. Personalised spaces - territory

Older people are one of the least mobile population groups. However, North American, British and Australian studies of older people (eg Hallman and Joseph 1997; Tinker 1997a; Kupke 2002; Stimson and Starr 2001) suggest older people who choose to move seek small scale, purpose built accommodation with support services available, located in familiar environments, close to facilities and transport. Older people seek to preserve independence while avoiding isolation and risk, to feel safe from crime and to have continuing tenure (Macaffer 2002; Noad 1999). They seek low maintenance housing, that will continue to be affordable and allows some control over costs and outgoings, and has space for possessions, hobbies and visitors (Askham et. al. 1999; Noad 1999). Participation in the management of housing has not been generally been identified as a key attribute in consumer studies although this may reflect current research that has limited coverage of groups who have experience or knowledge of cooperative housing types and management. A recent Canadian study (Althus and Matthews 2002) comparing satisfaction of rural seniors in housing cooperatives and congregate apartments concluded that “ownership and managerial control are not necessary for seniors to be satisfied and reap benefits from their housing”.

3.1.3 Diversity and housing for older people

Older people are a heterogeneous group with diverse housing needs and preferences arising from life experiences and opportunities, cultural and social factors, life stage and lifestyle (Kendig 2000). Older people also vary in income and assets as resources reflect the opportunities and constraints of earlier life stages. In addition, the housing needs of older people can change with changes in family structure, health, abilities or changes in the environment. Gender can also be a key factor. Women are more likely to live to advanced old age and this brings with it an increased likelihood of disability and widowhood. The diversity of older people and varying needs across the life course suggest what is required is a range of housing types that respond to lifestyle and social and cultural factors, varying income levels and varying abilities (Gnaedinger 1999).

The theoretical literature suggests it is the person–environment fit that determines the appropriateness of housing for an older person, and that the characteristics of that fit will change over time (Parmelee and Lawton 1990). Changes in life circumstances resulting from widowhood, disability, declining health and isolation have been associated with moving to environments that address social, safety and support needs by providing companionship, supportive services and assistance with tasks of daily living. High levels of disability in late older age combined with policies that focus on support within the community highlight the need for housing options appropriate to people with a range of disabilities. This includes the need to adapt current housing, to provide appropriate support to facilitate ageing in place, and to increase the range of housing options available that combine housing and some level of supportive service.

Life course changes associated with older age such as widowhood, disability and frailty also suggest a need for a range of housing options. These include self-contained living, supportive environments providing some level of companionship, practical support and assistance with daily living, and health care facilities that combine health care, personal care and accommodation. The limitations of advanced old age can also be addressed through environmental changes resulting from good planning and supportive environments that enhance access to shops, transport and services (Kendig 2000).

The literature identifies a developing range of age specific housing that addresses needs in relation to safety, companionship and assistance with daily living by combining housing with the provision of non health care services. Retirement villages have addressed issues of safety and companionship through the provision of village type housing. An emerging housing type is age specific housing that includes the provision of meals, laundry and personal support services. This form of housing is variously described as enriched housing, sheltered housing, congregate or shared housing, supportive housing, assisted living and intermediate housing (Frank 2001; Monk and Kaye 1991; Young 1998). The initiatives includes cluster housing, village

type communities with some services included, housing with on site managers/warden/housekeepers, housing that includes the provision of meals, laundry and personal support services, co-housing arrangements, housing co-ordinators to link services and support in multi-unit apartments, buildings refitted to include senior centres and recreation programs, or tying clusters of buildings to support staff rather than individuals (COTA 1990; Pastalan 1997; Social Options Australia 1996). A Canadian study has suggested that small family style housing cooperatives, congregate apartments and Abbeyfield housing are promising alternatives for rural older people where there are few options for the limited number of older people requiring supportive housing (Altus and Mathews 2002). A Queensland consumer study (Noad 199) has also suggested that Abbeyfield housing provides a useful alternative in rural areas where older people wish to stay within local communities but do not have access to a range of supportive housing.

Despite evidence (Focus 2000) that older Indigenous people are much more likely to be renters than non-Indigenous older people, their housing needs and experiences have received limited attention in the research literature. Recent case studies across several states (Focus 2000) identified rental market failure in relation to Indigenous households, concerns about affordability, access and discrimination, poor quality and overcrowding and little choice in location. The case studies suggest that assumptions of a conventional life cycle of housing do not apply to Indigenous households. Feedback from Indigenous public housing tenants has also reported cultural inappropriateness in rules regarding visitors (Dennis 2002).

3.1.4 Rental housing options for lower income older people

Income and home ownership are key factors in accessing a range of housing options. Homeowners generally have resources to choose housing types suited to their needs and preferences or to plan for future life stage transitions (Gardner 1994). Recent research (Kupke 2000; Stimson and Starr 2001) suggests lower income people move into retirement villages because of life stage transitions but their primary concern was to obtain housing appropriate to their circumstances. Those on low incomes with limited assets, particularly non-home owners, are likely to have a reduced capacity to seek out housing that addresses the attributes listed in Table 1. Some compromises generally have to be made in terms of location, security of tenure, amenity or safety. Russell, Hill and Basser (1996) have observed that those most disadvantaged such as inner city rooming and boarding house residents are also limited by their perceptions of what choices are available.

Options available to low income older people in Australia include: public housing, private sector rental, rental retirement villages, emerging forms of supportive rental housing aimed specifically at the older population such as assisted-living rental villages, small-scale communal housing such as Abbeyfield housing, other community sector housing including housing co-operatives, residential parks, boarding/rooming houses and living with families (Australian Department of Family and Community Services 2002; COTA 1990).

Although the research literature on housing and older people has generally focused on homeowners and those in residential care facilities, in the last decade there has been an increased interest in the experiences of older people across a range of housing types and tenures. There is a developing understanding of housing issues for older people as residential park residents (Beckwith 1998; Wensing and Wood 2002), retirement village residents (Kupke 2000; Stimson and Starr 2001) and public housing tenants (Dennis 2002; Leveratt 1999). Some attention has also been given to more marginalised groups of older people living in boarding houses or insecure accommodation in the inner city (Davidson, Phibbs and Cox 1998; Kavanagh 1997).

Consumer studies (eg Dennis 2002; Earle 1980; Leveratt 1999) suggest that public housing tenants generally view their housing positively in terms of affordability, security of tenure and independence from family. Lack of choice in location, size of units,

pressure to move as family constellation changes, transience of neighbours, and culturally appropriateness have been raised as concerns. The consumer literature on private sector rental has only paid limited attention to older people. Some of the advantages for private renters in general have been identified as flexibility, choice, non-bureaucratic management and fewer entry hurdles (eg Burke 2002; Queensland Department of Housing 2001). Disadvantages are related to limited control over quality of housing, insecure tenure, affordability, and little freedom to alter home to suit their needs (Leveratt 1999; Noad 1999; Queensland Department of Housing 2001). In relation to low-income private tenants, studies in both Australia and the United Kingdom have raised concerns about the lack of regulation in the private sector, limited choice and harassment and abuse (Yates and Burke 2001; Carlton, Heywood, Izuhara, Pannell, Fear and Means 2003; Izuhara and Heywood 2003).

Residential park living can meet the needs of older people in relation to affordability, companionship, safety, support, flexibility and access to desirable locations, minimal housework and maintenance (Beckwith 1998; Connor 2001; Faulkner 2001; Purdon 1994). Limitations identified relate to the suitability to the changing needs of older people, insecure tenure and locational disadvantage. Boarding and rooming houses provide housing for low-income older people who have attachment to and networks within inner city locations (Kavanagh 1997; Queensland Shelter 1997; Russell 2002). Familiar and convenient location, autonomy and freedom from restrictions on lifestyle, flexibility, companionship, access to services within walking distance and affordability are attributes valued by residents. Cleanliness, suitability, legal protection in relation to security of tenure, personal safety particularly for women, lack of privacy and noise have been raised as concerns (Davison, Phibbs and Cox 1998; Leveratt 1999; Queensland Shelter 1997).

Older people in the private rental market are particularly vulnerable with both affordability and accessibility declining in recent years as a result of inner city redevelopment, high land values and tourism which have reduced the supply of low cost rental housing, inner city boarding houses and coastal residential parks (Leveratt 1999; Wulff and Yates 2001). Low-income older people in the private rental market are also identified as a vulnerable group in relation to housing stress (Edwards 1992)

Rental retirement villages provide safety, amenities and companionship and are viewed as a flexible and affordable form of housing because of no buy in costs (Jones, Tilse and Coleman 2001; Stimson and Starr 2001) Disadvantages of rental retirement villages are generally linked to the amenity of the units, the scale of the village, the accessibility of the location and concerns about pets and communal living (Jones, Tilse and Coleman 2001; Manicaros and Stimson 1999).

An emerging housing type is the assisted living village or communal house that provides assistance with daily living in addition to housing. Askham and colleagues (Askham et al 1999; Tinker 1997b) report that sheltered housing arrangements in the UK have been valued for companionship, living with own age group and support. Problems arise in relation to poor locations, high levels of dependency of tenants and conflict over the use of communal activities. Communal housing or cluster housing varies in sponsor and structure. In Australia, two emerging forms are private sector assisted living villages and community based communal housing arrangements such as Abbeyfield housing. There is currently little Australian research in relation to consumers in these housing types. The advantages are generally viewed as offering safety, companionship and some level of support with daily living such as the provision of meals, laundry and on site managers. For private sector villages there are concerns around regulation and tenant protection, scale and institutional environments, quality of support offered, and high levels of rent which might preclude having sufficient money for social participation and housing mobility (Queensland Shelter 2002). Abbeyfield housing is small-scale communal housing based on an international model that combines communal support and independence (Dunster 1986). A Canadian study (Hallman and Joseph 1997) suggests that Abbeyfield housing is valued for the support

offered, companionship and small-scale home like environments. Disadvantages reported are little or no provision for couples and that some older people prefer not to live in mixed sex or age specific accommodation.

Although family provided housing such as granny flats provide low cost housing for low income older people and has the potential to combine care, support and housing, there are limitations in that it does not fit with the independence from families preferred by most older people, it can lack flexibility, and can provide limited protections to older people in terms of tenancy arrangements (Brookes 1991; Setterlund, Tilse and Wilson 1999).

Community and cooperative housing provides greater opportunity for tenants to be involved in housing management. Although Swinburne (1990) has suggested that this a promising alternative for older people and is valued by some groups, participatory management does not currently emerge as a strong theme in the consumer research literature.

Table 3.2 provides an overview derived from the literature reviews of the issues and concerns across housing options for non-home owning older Australians. Key issues that arise for older people in this range of housing are: security of tenure that ensures access to familiar environments and networks, safety, companionship, independence, appropriate locations, autonomy, quality, suitability, cost and availability.

Table 3.2: Housing options for non-home owning older Australians

<i>Housing type/ tenure</i>	<i>Attributes valued by consumers</i>	<i>Key issues and concerns</i>
Public rental housing	Affordability, security of tenure, stability, independence from family, faith in government as a landlord	Transience of neighbours, may have to move when living alone, lack of choice in location and amenities, intrusions on privacy or cultural inappropriateness in rules about notifying of visitors, size, maintenance issues for some.
Private sector rental housing	Flexibility, independence from family, choice	Lack security of tenure, cost, limited availability due to reduced supply, poor quality or unsuitable for older person, lack of choice in location and amenities, harassment and discrimination
Rental retirement villages	Affordability, independence, flexibility, companionship, security and safety, sense of community, same age range, ease of leaving (no buying in costs), comfort	Undesirable locations which lack access to facilities, not adaptable to disability, poor design can limit privacy, scale of village, size of units, ability to keep pets, village living not suitable for all people
Assisted-living rental villages	Combines housing and support, safety, companionship, limited knowledge of some emerging types	Concerns about tenant protections, quality of environments and support offered, undesirable locations, cost
Small-scale communal housing eg Abbeyfield	Small, homelike, participation in management, safety, companion-ship, security	Communal living not suitable for all, mixed gender living not suitable for all
Residential park living	Affordability, sense of community, limited housework and gardening, companionship, security and mutual support, desirable locations, varied age range	Closure of parks or replacement by tourism, loss of networks and community, insecure tenure, undesirable locations, not adaptable for high levels of disability, transience of neighbours
Boarding houses/rooming houses	Attachment to inner city locations and networks, familiar environments, freedom	Scarcity, can be unsafe, noise, restrictions on lifestyle preferences
Family-provided housing	Safety, companionship and support, cost	Majority of older people seek to live independent from family, not all older people have families, limited protection

The literature review identifies some gaps in understanding consumer perspectives in relation to private rental housing and on emerging housing types for low income older people such as assisted living rental villages, rental retirement villages, small-scale communal housing and other community sector housing types. Although there is some understanding of the experiences of older people who are public housing tenants, recent changes in policy and provision such as prioritising those with particular needs suggest further exploration is warranted. There are also gaps in understanding the needs, choices and experiences of particular population groups. These include older Indigenous people, older people in rural areas and those who live in inner-city boarding and rooming houses.

The policy imperatives for low-income older people are firstly, the provision of a range of housing options that are flexible, safe, affordable, suitable and innovative and that allow for autonomy and privacy and for people to remain in familiar places and close to established networks. Secondly, to ensure sufficient security of tenure so that ageing in place and community care can be a reality for those who have not attained home ownership.

Key policy issues include:

- Developing an understanding of diversity within the older population and not assuming the majority experience of home ownership as representative of all older people;
- Ensuring equitable access to a range of housing types for non-home owning older people with low incomes;
- Understanding the experiences of older people in relation to emerging housing types that specifically target older people;
- Ensuring tenant protections are in place across a range of housing types and tenures;
- Deepening the understanding of the housing experiences, needs and preferences of particular groups within the older population.

3.2 The scoping methodology

The importance of understanding consumer perspectives in developing housing policy is now well established. This section has summarised the existing literature including reference to the major consumer studies. In Australia, qualitative studies have provided in depth understandings and national surveys have provided broadly based overviews of the perspectives of diverse groups of older people and of a range of issues relating to housing. Studies have generally focused either on a particular housing type (residential parks, retirement villages), housing tenure (public housing), or population groups (inner city residents).

However, the review of consumer issues identified some gaps in knowledge relating to the housing needs, experiences and preferences of older people who rent. In particular these gaps relate to:

- Older people in emerging housing types that include some level of assisted-living as part of housing;
- Older people in the private rental market;
- Older people as public housing tenants;
- Indigenous older people;
- Older people in rural areas;
- Older people in boarding houses and rooming houses.

This research project aims to deepen the understanding of housing issues from a consumer perspective in relation to these specific areas. The purposive sampling strategy seeks to include consumers in these particular housing types, tenures or population groups. As the focus is on older people who are renting, the sampling frame excludes older people who are owner/occupiers and older people who reside in aged care facilities. Older people residing in crisis accommodation have also been excluded. Although 'granny flat' and similar arrangements raise some important issues in relation to legal protections and financial abuse (Setterlund, Tilse and Wilson 1999) this type of housing arrangement has also been excluded, on the grounds that these arrangements raise distinctive issues that warrant a separate study. The importance of public housing in offering affordable housing and security of tenure and the changing characteristics of public housing tenants suggest further exploration of consumer

issues and preferences in relation to this rental housing type is warranted. It is planned to conduct a total of fifteen focus groups from the groups shown in Table 3.3. Recruitment will be through advertising through providers (e.g. Abbeyfield housing), public and private housing tenants groups, and organisations for older people (e.g. Australian Pensioner and Superannuants League, Older People Speak Out, Older Women’s Network).

The primary data collection method is focus groups with the option of an individual interview for older people who do not wish to be part of a group discussion. Focus groups provide opportunity to elaborate on issues or perceptions and to explore the intersection of dimensions such as affordability, location, quality and suitability with individual choices and experiences. The focus group questions will be based on the attributes of housing valued by older people summarised in Table 3.1 and the key issues and concerns identified in Table 3.2. Focus groups have some appeal to older people in providing opportunity to express their own views in their own ways and remove concerns about correct answers and dependency on literacy in a population likely to have more limited access to education than younger people or higher income populations. Focus groups will comprise approximately ten older people with a group facilitator and a note-taker/observer. Sessions will be audio-taped and fully transcribed. The qualitative analysis will extend current understanding of the needs, preferences and experiences of lower income renters who are older people.

Table 3.3 Sampling frame for purposive sample

<i>Residents in emerging or distinctive housing types</i>	<i>Rental retirement villages Assisted living rental villages Abbeyfield housing</i>
Population groups	Older Indigenous people Older people in rural localities Older people in boarding houses and rooming houses
Specific tenures	Public housing tenants Private sector housing tenants Community housing tenants

4 UNDERSTANDING THE INVESTMENT CONTEXT

4.1 The investment context: challenges, opportunities and options

A comprehensive scoping of the issues associated with the provision of rental housing for lower income, older Australians requires attention to be paid not only to housing demand but also to issues of housing supply. The demand-side issues of demographic trends and consumer needs and preferences have been considered in the previous sections. In this section the focus shifts to the challenges, opportunities and options to be considered with respect to the supply of affordable and appropriate rental housing for older people during the next two decades. Public policy relating to the supply of affordable rental accommodation for older people has focused during the past two decades on provision through the public housing system and, to a lesser extent, through community organisations (Stimson et. al. 1997). Older people are one of the key target groups for the public rental sector and although only a small minority of older people live in public housing, older people make up a significant proportion of the public tenant population. However, the overall level of Commonwealth and State expenditure on direct provision of public housing has been in decline for most of the last decade. There has been a clear shift in Commonwealth housing assistance expenditure away from direct public housing provision through the Commonwealth-State Housing Agreement and towards rental assistance for private tenants (Seelig 2001b; Wulff and Yates, 2000). While the overall supply of affordable rental housing for older people will continue to be significantly reliant on direct provision through the public housing system and through community housing, the capacity of the public rental sector to meet increasing demand is limited due to rising management and asset costs and reduced funding.

In this context, there has been increasing interest within housing authorities and the housing policy community in exploring ways of stimulating private sector investment in affordable, appropriate rental housing, both generally and specifically for older Australians (Morris 1996; Allen Consulting Group & AHURI 2001; 2001a). Interest has focused on the establishment of public-private sector partnerships and other mechanisms for attracting private sector investment into the affordable housing. Some States have undertaken pilot projects in public-private partnerships in provision of 'rental villages' and other housing types designed specifically for older people (e.g. Jones, Tilse and Coleman 2001). At the same time, housing authorities in some States face the challenge of responding appropriately to a growing interest by private sector investors and developers in provision of affordable rental housing for older people (e.g. Queensland Department of Housing 2000a). The emergence of new forms of private sector housing provision such as assisted-living rental villages raises important and complex policy issues. What mix of enabling and regulatory provisions is required to ensure both adequate and appropriate supply of housing for lower income, older people (Jones, Tilse and Coleman 2001, pp. 122-127)?

Current policies and initiatives relating to public-private sector relations will be included in the policy scoping sub-study described in section one of the positioning paper. The focus of the investment sub-study introduced in this section is on the factors shaping private sector investment in affordable rental housing for older people, the potential and likelihood of future investment, and the public policies that may be required to facilitate supply of appropriate quality, affordable housing for older people by the private sector. The section first provides a brief overview of private sector investment in affordable rental housing generally, and then focuses specifically on private sector investment in affordable rental housing for older people in Australia. The section then outlines the proposed scoping study which is in two main parts: a series of approximately twenty semi-structured interviews with senior financial market executives involved in or interested in investment in this housing sector; and, hypothetical modelling of private sector asset management strategies based on 'real world' benchmarks derived from

the semi-structured interviews. The scoping study is designed to further understanding of the public policy settings, financial arrangements and other conditions under which sufficient and appropriate private sector investment in affordable rental housing for older Australians might be achieved during the next two decades.

4.1.1 Private sector investment in affordable housing

Until the last decade, little systematic research had been undertaken on the private rental market in Australia, and particularly on its role in the provision of affordable housing. However, during the past decade, research studies have traced the broad contours of the operation of the private rental market, and increasing consideration is being paid to the ways that the public sector can shape the operation of the private rental market to achieve socially beneficial outcomes. The private rental sector has always played an important role in housing lower income households (Berry 2000), and it has been argued that the role of the private sector took on greater salience during the 1990s in terms both of supply of low-cost housing and of perceived importance for public policy (Yates 1996; Dalton & Maher 1996). The Commonwealth and States are heavily and increasingly reliant on the private sector to provide housing for low-income consumers (Yates 1997; Wulff and Yates 2000; Queensland Department of Housing 2000), although this is rarely acknowledged or expressed as formal 'housing policy'.

The dominant characteristic of the private rental market in Australia is the small-scale nature of most investment (Beer 1999, Burke 1999). Berry has described investment in the Australian private rental market as 'petty landlordism', and estimates that individual rental investors hold around 60 per cent of total private rental stock, with much of the balance held by small, often family-based, partnerships and small companies (Berry 2000, 664; AHURI & Allen Consulting Group 2002a, 5). In its 1997 survey of rental investors, the ABS found that some 76 per cent of investors owned just one rental dwelling, and 92.5 per cent owned no more than two dwellings (ABS 1998). Several writers have commented on the predominantly amateur and somewhat unsophisticated nature of much of this investment (Burke 1997; Brian Elton & Associates 1991; Seelig 2001c). More than half of all investors surveyed in 1997 reported a financial loss or 'break even' on their investment (ABS 1998), and the prospect of capital gains and the ability to receive tax relief via negative gearing on other income from rental losses appear to be key considerations for many small-scale investors. Poor returns may lead to pressures on small-scale investors resulting in reduced rental affordability, lack of spending on repairs and maintenance, and new approaches to risk management such as the use of tenancy databases (Adkins et al 2003; Seelig forthcoming).

The corollary of this small-scale investment pattern is the somewhat limited direct role of large, institutional investors (Berry 2000; 2002). Yates asserted that the private rental sector in Australia 'has not been supported by the actions of corporate or institutional investors' (1996, 48). It has been suggested that hidden behind the dominance of the small investor are larger corporate holdings, particularly in city areas (Brian Elton & Associates 1991; Seelig 2001c). However, larger corporate landlords are not predominant overall in the Australian private rental sector. The absence of large-scale institutional or commercial investment in private rental housing means that most rental investment finance instruments are those designed for individuals (Seelig 2001c). The mechanisms used to provide finance to rental investors are very similar to those used for owner-occupation, and rental investors can use the equity accumulated in their own homes to facilitate investment borrowing. Banks and other retail financial institutions are thus primarily indirect debt stakeholders in the rental market, rather than direct, equity-based investors.

Despite sustained growth of the private rental housing sector during the past two decades, rental housing stock growth has not been distributed uniformly across the rent spectrum. Recent research indicates that much of the additional stock is going to the higher end of the market, and the supply of low cost private rental housing has declined significantly across Australia, despite sustained need and demand (Wulff & Yates, 2000; Wulff and Yates 2001; Seelig 2001b; Seelig 2001c). A key tension within

the rental market concerns the ability on the one hand to maintain adequate levels of investment and returns to investors, while on the other hand delivering housing which is affordable and of adequate standard, and which offers choice to consumers.

One factor that has been suggested to explain the lack or loss of affordable private rental housing is the low level of institutional investment in the rental sector in Australia. For example, Berry (2002) links the absence of large, professional investors with the significant decline over the past 15 years in the total stock of low cost private rental housing. A number of barriers to institutional equity investment in affordable rental housing in Australia have been noted: low returns, high risks, high management costs, illiquidity, lack of track record, thinness of the market, image problems and poor market information (AHURI & Allen Consulting Group 2002a, 15-17; Berry 2000, 672-4). Other structural impediments that have been identified include taxation arrangements, landlord-tenancy legislation, the 'cottage industry' make-up of the existing sector, the complexity of housing as a commodity, and the tensions between investment and social objectives (Berry 2002). Seelig (2001c) has examined the limits to the banks' support for rental investment in lower cost private rental housing. Berry concludes that despite a number of attempts to initiate institutional investment in affordable rental housing (Yates 1997; Berry 2000; Berry 2001), little progress has been achieved. Berry and others have suggested a range of public interventions that might raise investment returns and lower exposure to risk for financial institutions (Berry, 2002; AHURI & Allen Consulting Group 2002a, 42-62). Earl (1995) has considered how taxation and financial instruments could be used to attract greater private investment in the rental housing sector, and has emphasised the importance of giving greater attention to issues of strategic asset management of property. Others have considered ways of attracting household or other smaller investors into affordable housing by way of low income housing tax credit instruments (Wood & Forbes 2001).

4.1.2 Private sector investment in affordable housing for older people

The private rental market is often referred to and discussed in aggregate terms as if it were a single, homogenous entity. In actuality, it is better understood as a collection of often overlapping and complex sub-markets distinguished by such factors as geography (Burke 1999), type of investor, type of tenant, type of dwelling and level of cost (Seelig 2001c). From this perspective, affordable housing for older people could be viewed as one such sub-market, with its own structures, sets of relations, investment patterns and requirements, nested within the broader private rental market. However, the boundaries with other parts of the private rental market are blurred and a distinctive, organised market for affordable, rental housing for older people is only beginning to emerge.

An important distinction in understanding this market is that between affordable, rental housing specifically tailored for older people and affordable, rental housing provided for the general population that may happen to be occupied by older people at a particular point in time. The various current and emerging rental housing types for older people identified in Table 1.2 can be divided into these two categories. Of particular interest are the rental housing types that have been developed specifically for lower income, older people. These include rental retirement villages (including mixed tenure and rental only villages), assisted-living rental villages and various types of housing for older people provided by the community sector. These housing types provide the major opportunity for direct expansion of the supply of affordable housing for older people, and the financing and investment issues associated with these housing types are the main focus of this study.

The current level of understanding of these housing types, and specifically the financial and investment issues associated with them, is somewhat limited. There is now a considerable body of research on retirement villages (Earl 2001; Stimson et al 1997; Manicaros and Stimson 1999; Stimson 2002), including those that have been categorised as 'affordable' villages (McGovern & Baltins 2002). However, there are few instances of retirement villages that operate on a rental only basis, although some

'mixed-tenure' villages offer some units on a rental basis (McGovern and Baltins 2002, 38). An evaluation of a rental village for older people developed as a public-private sector partnership by the Queensland Department of Housing and a private developer provides some detail of the financial and investment structure underpinning this type of housing provision (Jones, Tilse and Coleman 2001). However, relatively little is known concerning new and rapidly growing forms of rental housing for older people such as the assisted-living rental villages provided by companies such as Village Life Ltd, which now provides some 2,000 units of rental housing for older people throughout Australia. There is anecdotal evidence of emerging interest by financial institutions in such investment opportunities in affordable, rental housing for older people. Gaining an understanding of the extent and nature of this emerging interest, and the investment parameters underpinning this interest is a central goal of this study.

From a public policy perspective, the central issue is to find means to facilitate appropriate levels of private sector investment in affordable rental housing for older people, while ensuring that investment is channelled into housing that is appropriate to the needs of older people. With respect to the investment issues, the market for affordable housing for older people may present opportunities for investors that to some degree mitigate the barriers to institutional investment referred to earlier in the section. Factors that may attract investors to this market include the established and growing demand linked to the demography of ageing, the perception of older people as stable and reliable tenants, public provision of rental assistance and income support resulting in stable tenant income, the congregate nature of housing provision that may lead to management cost advantages, and the perception of investment in this market as socially useful. These advantages may be offset to some degree by perceptions of older people as requiring high levels of care and specially designed facilities, by concerns that tenancy management of older people may present particular challenges especially related to rent arrears and eviction, and by the stigma that may still be associated with affordable housing provision by some investors.

4.2 The scoping methodology

The scoping study aims to further our understanding of current and potential private sector investment in affordable housing for older people in Australia, as a basis for public policies that will facilitate sufficient and appropriate private sector investment in this market during the next two decades. Key questions to be explored in a preliminary fashion through the research include:

- What are some of the main trends in current and potential pattern of investment in affordable rental housing for older people, both by large financial institutions and smaller investors? Who is investing (or considering investing), what levels of investment are being made or considered, in what kinds and locations of housing, and through what kinds of investment arrangements?
- What types of financial institutions and investors are currently and potentially interested in investing in this market?
- What investment and finance approaches are used presently within this market, including arrangements for asset management and risk management? What returns on investments have been achieved to date?
- What types of affordable, rental housing for older people might be attractive products for private sector investment?
- What investment benchmarks or parameters would financial institutions require to attract them into this market? How can asset management of affordable housing for older people best be structured and undertaken to meet these benchmarks?

- How can the balance between attracting and sustaining investment and achieving good outcomes for tenants best be achieved?
- What are the impacts of public sector policies and practices (regulation, taxation, income security and rental assistance policies, etc) on private sector investment in this market?
- What are the appropriate future roles for the public sector in this area in terms of governance, regulation, facilitation, direct investment, partnerships, etc? What models of public-private sector partnerships should be considered?

The current project does not provide the scope to arrive at definitive answers to each of these questions. What can be achieved is a broad-angle review of the current investment context, initial consideration of the public policy implications, and suggestions for a continuing program of research. In addition to the literature review, reported above, two research strategies will be undertaken: key informant interviews with investors, developers and asset managers, and desktop analysis of asset management strategies.

4.2.1 Semi-structured interviews with investors, developers and asset managers

The major element of the scoping study is a survey of leading financial market executives and developers who are currently involved in or actively considering investment in affordable rental housing designed for older people. These key informants will be identified on the basis of industry contacts and information currently available to members of the research team. It is envisaged that approximately 15-20 key informants will be interviewed from banks, large superannuation funds, other investment institutions and development companies. The focus will be on those directly involved in setting investment policy and/or setting up investment structures. A number of smaller investors who have participated in existing financing schemes in this sector may also be interviewed. A semi-structured questionnaire will be developed, focusing on the research questions listed above. Key informant interviews will be conducted face to face, and interviews will be tape-recorded. A detailed, written record of each interview, structured around the key questions, will be made. It is anticipated that this data, together with a systematic analysis of the secondary literature and relevant documentation (eg prospectus and information memorandum of investment opportunities) will address many of the listed research questions, as well as providing a foundation for the modelling of investment strategies that is the second stage of the study.

4.2.2 Modelling asset management strategies

The research will also involve hypothetical modelling of long term asset management of affordable rental housing options, based on real world investment benchmarks drawn from the semi-structured interviews with investors. Asset management is defined broadly to include all aspects and stages of management of an asset such as a rental village including planning, investment, construction, management, maintenance and disposal (Earl 2002). A Strategic Asset Management Model (SAMM) will be developed and applied to a range of affordable rental housing assets and contexts. Where possible the model will be applied to recently developed, affordable rental housing options for older people, as well as to hypothetical situations.

The TEIRM modelling approach developed by Earl (1995) will be used to model a range of affordable housing options for older people. When applied to retirement villages, this model indicated that significant savings can be achieved through an efficient asset management approach compared with traditional investment property management approaches (Earl 2002). The modelling will address key asset management issues including: how to attract sufficient funding to provide required levels of rental housing stock for older Australians; how to reduce the cost to tenants of occupying this housing; how to ensure provision across a diverse range of locations

within Australia; how to ensure that this housing has a total life similar to other housing types and tenures. In short, the potentiality of more efficient asset management approaches to stimulate private sector investment and involvement in affordable rental housing for older people that meets social as well as investment criteria and benchmarks will be examined.

5 LINKING RESEARCH AND POLICY

The final report of this project will integrate the findings from the policy, demographic, consumer and investment sub-studies with the aim of providing a document that will provide a foundation for effective policy development. Each sub-study is focused on one of the four research questions listed in section 1.2. However, the final report will be presented in such a way as to bring together the findings and demonstrate their relevance to the key policy issues confronting housing authorities and the housing policy community concerning the provision of affordable rental housing for older people. Table 5.1 provides a draft layout of the final report showing how the data from the sub-studies will contribute to a comprehensive analysis of this policy issue. By integrating the findings of the various sub-studies in this way, the final report will highlight the challenges faced by housing authorities and indicate possible policy directions to ensure a supply of quality, affordable, rental housing for Australia's older population. The final report will also suggest a research agenda to underpin ongoing policy development, and suggest ways that the research and policy communities can effectively work together in this policy area.

Table 5.1: Linking research and policy – the proposed structure of the final report

<i>Major sections of the final report</i>	<i>Relevant research data and findings</i>
<p>Introduction: the policy challenge:</p> <ul style="list-style-type: none"> ▪ The need for a comprehensive approach to provision of affordable rental housing for older, lower income Australians ▪ The structure of the report, conceptualised as a series of 'policy challenges' to be met over the next decades. <p>Current policy settings for rental housing for older people:</p> <ul style="list-style-type: none"> ▪ Commonwealth Government policies ▪ State and Territory policies <ul style="list-style-type: none"> ▪ Policy goals and intentions ▪ Direct provision of public housing ▪ Policies to support community and private sector provision ▪ Regulatory provisions ▪ Summary – the current state of play <p>The demographic challenge</p> <ul style="list-style-type: none"> ▪ Who are the older renters? The characteristics of this group compared with those living in owner-occupation and aged care facilities ▪ Factors impacting on this population that are likely to influence future levels of demand for affordable rental housing ▪ Systematic assessment of likely future trends ▪ Summary: what are the demographic challenges and their implications? 	<ul style="list-style-type: none"> ▪ Drawing on all sub-studies and the Positioning Paper, the rationale for focusing on this issue from both a policy and research perspective. ▪ Mainly based on sub-study 1 'the policy context'. The secondary literature on policies on ageing and specifically housing policies and ageing will provide the broad context. The review of policy documents and the key informant interviews will yield detailed comparative data on the policy settings in each jurisdiction and allow an overall picture to be constructed of the current state of play. ▪ Based on sub-study 2 'the demographic context' and the Positioning Paper. The study will synthesise prior research findings, and then undertake statistical profiling of this group based on 2001 Census and other (mainly) ABS sources. Systematic assessment of future demand for affordable rental housing for older people will be made based on modelling of the factors identified in the positioning paper and analysis of existing household projections.

<i>Major sections of the final report</i>	<i>Relevant research data and findings</i>
<p data-bbox="193 192 837 232"><i>(Table 5.1 continued)</i></p> <p data-bbox="193 232 837 273">The consumer challenge</p> <ul data-bbox="193 273 837 577" style="list-style-type: none"> <li data-bbox="193 273 837 336">▪ What do older people who rent want from their housing? <li data-bbox="193 336 837 398">▪ What are their views concerning different housing types and tenures? <li data-bbox="193 398 837 461">▪ What are the views of different population groups regarding rental housing? <li data-bbox="193 461 837 577">▪ Summary: What are the implications for policies concerning the provision of affordable rental housing for older people? <p data-bbox="193 640 837 680">The investment challenge</p> <ul data-bbox="193 680 837 1043" style="list-style-type: none"> <li data-bbox="193 680 837 797">▪ To what extent is it possible to significantly increase the supply of quality, affordable housing through encouraging investment by the private sector? <li data-bbox="193 797 837 860">▪ What are the factors underpinning the current investment in assisted-living rental villages? <li data-bbox="193 860 837 922">▪ What are the hurdles to increasing levels of investment and how can they be overcome? <li data-bbox="193 922 837 1043">▪ Summary: what should housing authorities do to promote private investment in affordable rental housing for older people? <p data-bbox="193 1169 837 1209">Policy and research implications</p> <ul data-bbox="193 1209 837 1489" style="list-style-type: none"> <li data-bbox="193 1209 837 1326">▪ What broad policy directions are required to address the provision of quality, affordable rental housing for lower income, older Australians? <li data-bbox="193 1326 837 1388">▪ What changes may be required in current policy settings? <li data-bbox="193 1388 837 1489">▪ What program of research is required to underpin effective policy development? 	<ul data-bbox="837 232 1433 1489" style="list-style-type: none"> <li data-bbox="837 232 1433 640">▪ Based primarily on sub-study 3 ‘The consumer context’ and the Positioning Paper. This study will review the existing literature on the views, preferences and values of older people for various forms of affordable rental housing, and consider implications for the types of housing that should be provided or supported. This will be supplemented by focus groups targeting populations groups whose views are under-represented in the current literature, and residents in emerging or distinctive housing types. <li data-bbox="837 640 1433 1169">▪ Based primarily on sub-study 4, ‘the investment context’ and the Positioning Paper. This study will examine the existing research and literature on private sector investment in affordable rental housing, with particular reference to housing for older people. This will be supplemented by key informant interviews with carefully selected investors, developers and managers to gain a contemporary picture of opportunities and constraints from an industry perspective. Some desktop modelling of asset management strategies will be undertaken to examine the potential for more effective ways of meeting affordability as well as investment criteria in emerging rental housing forms. <li data-bbox="837 1169 1433 1489">▪ This section will draw on the findings of all the sub-studies, to provide an integrated, policy-relevant, research-based analysis of the implications of the study. Reference will be made to current policy settings, analysed in sub-study 1, and the need for policy continuity or change. Reference will also be made to current gaps in research (see section 1.2) and possible responses by the research community.

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Australian Housing and Urban Research Institute
Level 1, 114 Flinders Street, Melbourne Victoria 3000
Phone +61 3 9660 2300 Fax +61 3 9663 5488
Email information@ahuri.edu.au Web www.ahuri.edu.au