



EXECUTIVE SUMMARY

Effective downsizing options for older Australians

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Executive summary

Key points

This research shows that downsizing, or ‘rightsizing’ as it is often termed, is an integral part of the current and future housing preferences of older Australians. Findings are based on analysis of the Australian Housing Aspirations (AHA) survey and interviews with older Australians and key stakeholders.

- Of the 2,422 older (aged 55+) respondents to the AHA survey, 26 per cent had downsized, and a further 29 per cent had considered downsizing.
- Older Australians perceive downsizing as more than just a reduction in dwelling size. Rather, it refers to internal and external spaces becoming more manageable, and a reduction in belongings. It also includes a financial benefit to the household.
- Downsizers are mobile, with only 22 per cent staying in their original neighbourhood.
- One of the policy rationales for downsizing is to reduce the underutilisation of dwellings. However, this is at odds with the attitude of many older Australians who consider spare bedrooms necessary, using them as permanent guest rooms (58%), studies (50%), or dedicated rooms for children or grandchildren (31%). However, two-thirds of downsizers surveyed did move to a dwelling with fewer bedrooms, with three being the preferred size for older Australians (James, Rowley et al 2019).
- Older Australians who had downsized did so to achieve a particular lifestyle (27%); for financial outcomes (27%); because their garden or property required too much maintenance (18%); or because they were forced to do so (15%). Perceived benefits of downsizing for those who had not yet downsized included a reduction in property maintenance and household running costs.
- Among survey respondents who had considered downsizing, a change in health circumstances, either for themselves or their partner, was considered most likely to prompt a move—and the importance of this as a catalyst increased with age.
- Across the local government areas (LGAs) studied, there was a large variation in the availability of established dwellings that suit the size and tenure aspirations of older Australians.
- Forty percent of potential downsizers said they would be likely to move if there were suitable housing in their preferred locations. Thus, policy that seeks to enable effective downsizing for older Australians should focus on delivering diverse and affordable housing options, in both metropolitan and regional locations and across tenures.

- Policy settings should also ensure: new dwellings adopt design principles that will enable households to age in place for longer; and better availability of information around downsizing options.
 - As more and more households rent into retirement, there will be an increasing need for secure, stable, affordable and appropriate housing options in the social and private rental sectors.
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Key findings

Downsizing—commonly defined as the act of older people moving to a dwelling with fewer bedrooms, a smaller land area and a lower value (Judd, Liu et al. 2014), is viewed by Government as a way to address affordability and use the housing stock more efficiently (Australian Government 2017). Underpinning this view are two assumptions: that where the number of bedrooms exceeds the number of permanent residents, dwellings are not being fully utilised (ABS 2016a); and that there are appropriate and available dwellings into which older households can move (Hammond, White et al. 2018). This research examined the extent to which downsizing forms part of older Australians' housing preferences; the actual and perceived benefits of moving; as well as the availability of housing options into which this cohort can downsize. It proposes a number of policy strategies for delivering a range of housing alternatives for this cohort to meet their downsizing housing aspirations.

Downsizing aspirations

Older Australians viewed downsizing as more than just a move to a cheaper dwelling with fewer bedrooms and smaller land area. Rather, it was a way to achieve manageable internal and external spaces in dwellings; associated with a reduction in belongings; and, when undertaken by choice, usually accompanied by a financial benefit to the household.

Downsizing is clearly part of the current and future housing preferences of older Australians. Among the older (55+) respondents to the AHA survey, 55 per cent indicated that they had either downsized (26%) or were considering doing so (29%). Renters (public and private) were more likely to have already downsized than home owners. Households most likely to have thought about downsizing were aged 55–74, owned their home, were on a moderate to very high income, and were in a couple household.

Downsizing in practice

When households downsize, housing attributes do not substantially change. Home owners generally remained home owners, and renters remained in the rental sector. While tenure rarely changed with a downsizing move, half the survey respondents changed their dwelling type, and two-thirds moved to a dwelling with fewer bedrooms. Home owners and social housing tenants were more likely to move to neighbourhoods which were new to them, while private renters generally stayed in familiar locations.

Households downsized for a range of reasons, which differed by tenure. Renters in social housing and households with children were more likely to move for financial reasons, while home owners and purchasers were mainly motivated by lifestyle. A majority of downsizers were pleased with the outcomes of their decision. Benefits cited included: reducing belongings, a greater feeling of security, and financial stability. The stress of moving and finding the right time to move shaped the experience for some, while the lack of choice for those forced to downsize resulted in a less positive experience.

Older Australians who had considered downsizing identified the same advantages as those who had actually downsized. Home owners recognised the benefits of reduced time and cost of maintaining their property, and the ability to release equity or pay off the mortgage. Similarly, private renters identified the benefits of reduced housing costs and greater independence. Social housing tenants saw downsizing as an opportunity to increase their sense of safety and security, and improve their access to local support services. Among those respondents who had considered downsizing, very few (6%) considered there to be no benefit in downsizing, suggesting that there is value in assisting and enabling those who want to downsize to do so.

Facilitating downsizing

Barriers reported by those who had considered downsizing included being content in the current home (33%) and the timing not being right (23%). Financial aspects were a second-order barrier, as was a lack of suitable housing in preferred locations, probably because they hadn't yet started looking to move. Outright owners and those in the private rental sector were more likely to report that they were happy where they lived, while owners with a mortgage were more concerned by financial factors, and private rental tenants found that dwelling options were a greater barrier compared to those in other tenures.

Those respondents who had *not* considered downsizing were generally content with their current home (75%); many felt they needed their current space (28%); and some did not consider moving to be financially worthwhile (15%). Others reported barriers such as a lack of financial capacity (13%) or housing options in their preferred location (7%). Interviewees who had not considered moving expressed the importance of their emotional connection to their current home and belongings. There was a view among some of those who did not intend to downsize that their next move would be prompted by a crisis, rather than by choice.

Housing options for downsizers

Housing options and choices available and suitable for older Australians vary across jurisdictions at the state and local government level. Dwelling choice is dependent upon household resources, and those with limited resources had very few options in many of the nine case-study LGAs considered in this report, though more options were available in the regional, rather than metropolitan, areas. Older suburbs tend to have more three-bedroom dwellings, which meet the size preferences of many downsizers, but many such dwellings are older and have potential maintenance issues, and are on larger lots with gardens to maintain.

The assumption that spare bedrooms represent underutilised space is not a view shared by older Australians. Around two-thirds of respondents who had downsized still had spare bedrooms, and three-quarters of respondents were happy with the number of bedrooms they have. The utilisation of spare rooms—as guest rooms, offices, dedicated bedrooms for grandchildren, or for storage—reflect the broader housing needs of the cohort.

Survey and interview findings indicate a demand for a supply of smaller houses, detached or attached, in areas with high-quality amenities, for both purchase and rental. The absence of this supply presents a significant barrier to downsizing, and the lack of suitable and affordable housing for older Australians will be a major concern as the nation's population ages.

Policy development options

The current policy environment, at the state and local government level, broadly supports the direction of downsizing by recognising the need for appropriate, affordable housing that responds to the diverse needs of the ageing community. While downsizing is not always a stated objective, housing policies and strategies are often geared towards expanding dwelling diversity coupled with design principles that suit people of all ages, supporting the creation of places that enable ageing in place. From a policy perspective, mechanisms to encourage

downsizing could be congruent with those that encourage ageing in place. That is, by creating communities with a variety of dwelling options, households can move as housing needs change and yet stay within their own community—thus, ageing in place in the community.

Some barriers to downsizing can only be influenced by policy in secondary ways. These obstacles include such intangible factors as connection to place, community, housing or belongings. However, there is scope for support services to help clients overcome the practical obstacles associated with moving by providing assistance to reduce belongings, change utilities or cover moving costs. Such incentives would benefit home owners and renters equally.

Housing diversity and affordability

Given the cost of caring for older Australians in residential aged care and their preference to age in place, one of the key areas for reform is the provision of affordable and appropriate housing options. While policy settings in many jurisdictions support the development of a diverse range of housing products that would suit older Australians, reforms are needed to accelerate development of new supply or refurbishment of existing dwellings. These housing solutions need to offer a diverse range of dwelling options, as well as accessibility, to support ageing in place. Encouragingly, the Australian Building Codes Board is currently undertaking to set out minimum requirements for new buildings nationally, including for the amenity, accessibility, livability and sustainability of the design (Australian Building Codes Board 2018).

However, there need to be reasons for developers to deliver a medium-density housing product suitable for older Australians, rather than higher-density apartment developments, which, while suiting some older households, are not ideal for many. Medium-density development is problematic and not necessarily as profitable as higher-density development in many areas, so the planning system has an important role to play. Ensuring a supply of appropriate, affordable housing for lower-income older Australians is essential but, as with all affordable housing, requires a subsidy. Direct provision of affordable housing by state government is the best, if most expensive, solution. Alternatives include mandatory inclusionary planning requirements; incentives for developers through the planning system; and a scheme, similar to the National Rental Affordability Scheme (NRAS), that uses tax credits. The community housing sector has a key role to play in what will become an increasingly important space, with evermore households entering retirement with mortgage debt and rents to cover.

A central housing information service

Recent related research found that older Australians do not generally aspire to downsize (James, Rowley et al. 2019). Stakeholders interviewed for this study noted that this was partly due to a lack of education or understanding of how an appropriate dwelling can enable a household to age in place. To address this knowledge deficit, assistance could be provided in the form of a central housing information service, similar to the one proposed by James, Rowley et al. (2019). This service would provide information and education to assist households to make planned and informed decisions, explaining the various housing options and the role that housing plays in assisting people to age in place in their community.

Financial and wealth considerations

For many older households, the family home is their primary store of wealth. Releasing this equity can have implications for some home owners, including the loss of the Age Pension and associated benefits. The financial barriers to downsizing associated with the treatment of the family home in the asset means test, along with upfront costs such as stamp duty, agent fees, etc., need to be assessed so that downsizing is a financially worthwhile undertaking.

Older households are unlikely to be eligible for a traditional mortgage, and this creates another blockage to moving from one owner-occupied dwelling to another in later life. Smaller, shorter mortgage products may help those older Australians who need to fund a small financial gap

when downsizing and have the income to support repayment. However, many households are equity rich and may wish to build a new dwelling in which to downsize—they are often unable to borrow to construct a dwelling unless they have considerable capital available. To enable private sector development of housing appropriate for downsizing, there needs to be a way to forward finance a development without purchasers having to sell the primary home first and incur additional costs while building. Such a shift would require banks to restructure their loan assessment processes to allow lending based on a store of capital rather than a regular income.

Secure occupancy and matching dwellings

The proportion of older people who own their home outright is falling and the range of tenures among this cohort is becoming more diverse. We need to consider how later-life Australians in the private rental sector and the social housing sector can downsize and grow older in a community of their choice. Older people renting in the private and social housing sectors are among the most vulnerable members of society. Tenants in social housing are faced by insecurity of tenure, and downsizing is often forced upon them, rather than a choice. Previous research has proposed incentives for landlords who offer longer leases for quality dwellings to older tenants (Hodgson, James et al. 2018) and this concept could be extended to include specific locations that deliver the amenities required by older Australians. Investors could receive a stamp-duty concession for property purchases in these locations, and dwellings could then be rented out at a subsidised rent to ensure that they are affordable to lower-income older households. Additionally, incentives could be offered to landlords prepared to modify dwellings to allow downsizing older rental households to age in place. Similarly, grants could be made available to assist landlords with the cost of retrofitting dwellings to make them suitable for ageing tenants.

The study

This research project explored the importance and benefits of, and options for, downsizing as part of older Australians' housing careers, with a view to developing policies that could be used to deliver the range of outcomes necessary to meet this cohort's housing aspirations. Moreover, it considered how housing attributes change as home owners and renters move during retirement; factors that motivate different cohorts to move; and experiences of residential mobility in later life. The project also examined the barriers to residential mobility among older Australians in different tenures, and the factors that drive a move. It reviewed how existing policy and planning mechanisms encourage downsizing. Guided by the following research questions, this project contributes to the development of policy options that could facilitate effective downsizing among older Australians.

Research questions

- 1** To what extent does downsizing form part of the future housing preferences and aspirations of older Australians, and what catalysts are required to motivate those people interested in downsizing to undertake the move?
- 2** What have been the experiences of older home owners and renters who have downsized?
- 3** What housing options are currently available for older Australians looking to downsize, and what housing innovations could meet the aspirations 'gap'?
- 4** What policy development options exist and could be developed to deliver positive downsizing outcomes?

The research project used a mixed methods approach. First, downsizing aspirations and experiences were explored through a national survey and interviews with later-life Australians. An analysis of existing housing options for older Australians was then undertaken, through a

local area analysis, to understand what options were available and whether these met downsizing expectations. Finally, an analysis of contemporary policy development options, accompanied by interviews with a range of stakeholders, was used to understand the current policy context in three states.

Australian Housing Aspirations survey

The AHA survey, conducted in 2018 as part of related research (James, Rowley et al. 2019), collected responses from 7,343 Australians, including 2,422 later-life Australians (i.e. those aged 55 years and over). The survey captured details on current housing and household circumstances as well as housing aspirations, and included a module, specifically for this report, to investigate downsizing preferences and experiences.

Interviews with later-life Australians

To further understand the future housing preferences of older Australians, 30 telephone interviews were conducted with later-life Australians in regional and metropolitan Victoria, New South Wales (NSW) and Western Australia (WA). The interviews covered the catalysts required to motivate those people interested in downsizing to undertake the move, and the experiences of older home owners and renters who had downsized.

Local area analysis

Local area analysis was used to examine the options available to older Australians looking to meet their housing aspirations by downsizing. Using the housing aspirations identified by James, Rowley and colleagues (2019), we assessed the housing options, including retirement living options, available to meet typical dwelling requirements in nine case-study locations. This aspect of the research examined the extent to which the current housing market can meet the needs of older Australians looking to downsize.

Existing policy and planning mechanisms delivering positive downsizing outcomes

Policy and planning mechanisms delivering positive downsizing outcomes were explored through 21 telephone interviews with stakeholders in metropolitan and non-metropolitan WA, NSW and South Australia (SA). Participants in the semi-structured interviews included representatives from federal and state government agencies involved in housing and ageing, local government, and aged housing providers such as retirement villages, housing cooperatives and community housing providers (CHPs).

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