

## Chapter 3

### Housing research and findings



## Overview

The Council recognises the need to consider particular aspects of social and economic change driving changes in demand and supply in more depth by examining certain submarkets such as different regions or population groups and specific issues in increasing supply. The Council has developed a modest but focused program of research to shed light on contemporary and emerging processes and trends that may impact on future housing needs.

In the 2011 State of Supply Report the Council noted the significance of an Australian population that is getting older but remaining active, engaged and healthy should be explored. It noted the importance of understanding the behaviour of current age groups facing retirement in developing an understanding of the impact of ageing. The first of the 'Baby Boom' generation reached the age of 65 in 2011.<sup>1</sup> The first section of this chapter looks at the impact on housing of the ageing of this particular cohort.

Results of an exploratory study of the housing experience of permanent migrants were reported in the 2011 State of Supply Report. In 2012 the Council commissioned a further scoping study on permanent and temporary migration: the dwelling and tenure types and the preferred housing locations of different groups of migrants. The results of this study are examined in the second section of this chapter.

In 2011 the Council also noted that, in the longer run, the impact of housing shortages on access to housing is most likely to affect households in the lower end of the distribution of income and wealth. The impact of housing costs may be felt more widely in households' capacity to save, consumption and locational choices, vulnerability to unemployment, and in a variety of other ways that affect quality of life. To further its knowledge in the area, the Council commissioned a study to examine ways of measuring household responses to changing housing affordability. An overview is presented in the third section of this chapter.

Finally, the Council commissioned a study that looked at how the type of homes being built has changed and the scope for innovation in the residential building industry. Relatively little comprehensive evidence has been collated on how the home-building industry is changing the type of product it produces, and the method for producing it, in response to the decline in housing affordability. The final section of this chapter reports on some of the findings of this scoping study and the Council's reflections on these findings.

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1 The term 'Baby Boomer' is used in various ways, often to denote the segment of the population born any time between 1945 and 1965. Here the focus is particularly on the cohort born between 1946 and 1961, with some analysis extending the term to denote an age group up to a 20-year span. Baby Boomers, in this definition, were aged between 50 and 65 in 2011 and in the process of transitioning out of the workforce and into retirement.

All four of these scoping studies are published in full on the Council’s website: [www.nhsc.org.au](http://www.nhsc.org.au).

## Understanding housing and location choices of retiring Australians in the ‘Baby Boom’ generation

Baby Boomers are typically healthier and wealthier than their predecessors and are approaching their latter years thinking, feeling, working and engaging with their families and communities in often quite distinct ways. In terms of their sheer numbers but also through their longevity post retirement — the majority will remain in mobile, active and independent health until their late 70s and early 80s — Baby Boomers will continue to shape and be the mainstream housing market rather than simply representing an interesting demographic cohort or ‘other’ to housing, planning and other policy considerations.<sup>2</sup>

The first of the ‘Baby Boom’ generation reached the age of 65 in 2011 and will be an important part of the housing market. They represented approximately 18 per cent<sup>3</sup> of the population, 25 per cent of the workforce<sup>4</sup> and 27 per cent of all household reference people<sup>5</sup> at that Census. Households in this age group are very likely to be assessing their housing needs and options in response to leaving the workforce or their children leaving home.

This section looks at the impacts on housing of the ageing of this particular cohort. It is drawn from a scoping study *Understanding Housing and Location Choices of Retiring Australians in the ‘Baby Boom’ Generation*<sup>6</sup> undertaken for the Council by the City Futures Research Centre at the University of New South Wales.

### Context

Australia’s population is forecast to age. Underlying the long-term ageing trend is the ongoing improvement to life expectancy. However, the proportional growth of the over-55-year-old age group was suppressed in the post-WWII period by a high mortality rate during the war, an increase in the intake of working-age immigrants

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- 2 Pinnegar, S, van den Nouwelant, R, Judd, B and Randolph, B 2012, ‘Understanding housing and location choices of retiring Australians in the “baby boom” generation, A scoping report prepared for the National Housing Supply Council’ City Futures Research Centre, Sydney, pp 4, 28.
  - 3 Census quickstats: person aged 50–64 as a proportion of all persons [http://www.censusdata.abs.gov.au/census\\_services/getproduct/census/2011/quickstat/0?opendocument&navpos=220](http://www.censusdata.abs.gov.au/census_services/getproduct/census/2011/quickstat/0?opendocument&navpos=220) (accessed 22/11/2012).
  - 4 Sourced from ABS *2011 Census of Population and Housing*, persons aged 50–64 years as a proportion of all persons employed or looking for work aged 15 and over, all persons by place of usual residence.
  - 5 Sourced from ABS *2011 Census of Population and Housing* counting persons by place of enumeration, five-year age groups (aged 50–64).
  - 6 Pinnegar et al 2012, op cit.

and a high fertility rate (the Baby Boom) between 1946 and 1961 (more than four million Australians were born between 1946 and 1961<sup>7</sup>). This cohort has had an ongoing impact on Australia's population structure, most recently reflected in the bulge in the current 50–65 year age group but also, for example, in the leap in Australia's adult population of almost three million between 1962 and 1972. As this cohort has aged, the proportional growth of the over-55-year-olds has accelerated, matching the fastest rate of population ageing ever seen in Australia.

The working age population is proportionally steady to date, as the proportional growth in over-55-year-olds is offset by a proportional decline in under-20s. As under-20s are much less likely than the over-55s to constitute separate households, this demographic shift places particular pressure on housing supply.

There will be particular challenges and opportunities presented by the population bulge of the Baby Boomers as it pulses through the population distribution curve. Most first world economies are faced with an ageing population and a growing number and proportion of older households and their associated lifecycle concerns – retirement, onset of illness, loss of mobility etc. On top of issues that are tied to this general trajectory, the presence of a bulge adds further policy considerations.<sup>8</sup>

There is also interest as to whether the Baby Boomer generation represents a step change in terms of behaviour and expectations: they are not of added interest simply because of their size as a group but also because they might tread quite different pathways — including housing pathways — from their predecessors.

A number of features might differentiate this age cohort from previous generations of retirees. Compared to previous generations, Baby Boomers are more likely to:

- have culturally and ethnically diverse family heritage, be more educated and be more well-travelled;
- be divorced or separated, have living parents and have fewer children that are more geographically separated from them;
- live longer, be aware of their health and fitness and have access to better surgical and medical expertise but also (by virtue of having survived where previous generations would have died) be more likely to have chronic illness or disability;
- have some private source of retirement funding like superannuation but also be more likely to have left the workforce at a younger age (whether or not they are financially ready to do so); and

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7 ABS 2004, *Year Book Australia*, cat no. 1301.0  
<http://australia.gov.au/about-australia/australian-story/baby-boomers> (accessed 17/12/2012).

8 Pinnegar et al 2012, op cit, p 8.

- live in a lower-density suburb and be living by themselves.<sup>9</sup>

Baby Boomers could spend one-third of their life in retirement with good health — between, say, 55 and 85 years of age. The spending and lifestyle patterns of this life stage are largely unknown, as are the demands on infrastructure and services. With longer life expectancies and a greater proportion of life to be spent in retirement until a more frail old age is reached, and good health compared to previous generations, the effect could be multiple relocations across the retirement period, with potentially different impacts on housing supply and demand at different periods of the coming decades.

As an analytical tool the scoping study report *Understanding Housing and Location Choices of Retiring Australians in the 'Baby Boom' Generation* develops a typology of housing paths as a starting point for exploring particular factors shaping possible housing directions. It is useful to identify 'types' based on existing tenure, their aspirations for future housing and location and the constraints on their housing and location choices. Further study will be needed to confirm the value of this approach. A limitation of the typology approach is the risk of assuming that households get assigned and locked into one pathway. However, Baby Boomer households' constraints and aspirations are likely to change — in different ways and at different times — throughout retirement and into a more frail old age; thus, many households may well move from one group to another.

The six groups are:

- **Age in place** — This is the group that wants to, and is able to, keep living in the family home.
- **Local adapters** — This is the group that has recently or wants to, and is able to, move out of their current home but keep living in the same area.
- **Scene changers** — This is the group that has recently or wants to, and is able to, move out of their current home and area to somewhere with greater amenity.
- **Constrained retreat** — This is the group that wants to keep living in their current home, or even the same area, but is forced to make compromises due to financial constraints.
- **Increased dependency** — This is the group that wants to stay in their current home but has to make housing or location compromises due to deteriorating health.

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9 Hugo, G 2003, 'Australia's ageing population', *Australian Planner* 40: 109–118, p 111.

- **Older renters** — This is the group that has reached retirement without purchasing their own home and will need to retain or find ongoing rental accommodation.

Across the six types, a number will reflect the benefits of choice over constraint (age in place, local adjusters and scene changers) and others inevitably capture the impacts of constraint on less fortunate households (increased dependency, constrained retreat and older renters).<sup>10</sup> The extent to which aspirations or constraints drive housing choice will dictate the locations, typologies, sizes and tenures of housing that are most affected by the retirement of Baby Boomers. The forced movements driven by financial or health constraints are declining, but discretionary movements driven by lifestyle choices are increasing.<sup>11</sup> The next section outlines some of the factors that may support or constrain Baby Boomers' housing choices.

## Tenure

Although many Baby Boomers are entering retirement in more favourable and comfortable positions than previous generations — assisted by asset wealth tied to the family home — this is not universal. Those owning property in high-demand housing markets in accessible inner-city locations are likely to have seen greater levels of growth over time than those in poorly located and less resilient communities on the urban fringe or in rural areas. There is also a significant group of those approaching retirement that have not purchased their homes and remain in the private rental sector.

## Home ownership

Home ownership, a key foundation enabling ageing in place, is very high among the retiring Baby Boomers. As can be seen from Table 3.1, in 2011 over 40 per cent of households with a 50–64-year-old reference person owned outright and another 36 per cent were paying off a mortgage.<sup>12</sup> Ownership increases in later years;<sup>13</sup> in 2011 the rate of home ownership is high in the Baby Boomer age group and even

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10 Pinnegar et al 2012, op cit. See Figure 4, p 11.

11 Hugo, G 2007, 'Some Spatial Dimensions of Australia's Future Aged Population: A Demographic Perspective', *Ageing 2030 — Creating the Future*, paper commissioned by the New South Wales Department of Ageing, Disability and Home Care as background material for Ageing 2030 — Creating the Future, Parliament House, Sydney, 30–31 October 2007.

12 Analysis of the 2006 Census by Flood and Baker (2010) showed that around 40 per cent of 45–64-year-olds owned outright. See Pinnegar et al 2012, op cit, p 12.

13 Beer, A and Faulkner, D 2009, *21st Century Housing Careers and Australia's Housing Future*, AHURI Final Report No. 128, Australian Housing and Urban Research Institute, Melbourne. Beer and Faulkner (p 111) found 'At ages 55 nearly two thirds of respondents owned their home outright (in comparison to only just over one-third of people aged 45–54 years) with another 22 per cent paying a mortgage'.

higher in the age group preceding them. Just fewer than 80 per cent of households where the reference person is 65–79 owned outright or were paying off a home.

**Table 3.1 Household reference person, by age (selected age cohorts), by tenure, 2011**

Age of household reference person	Owned outright		Owned with a mortgage		Rented		Total '000
	'000	Per cent	'000	Per cent	'000	Per cent	
35–49 years	323.3	13.8	1,236.2	52.5	720.5	30.6	2,355.6
50–64 years	857.3	40.7	763.2	36.2	413.8	19.7	2,105.6
65–79 years	872.6	70.7	103.4	8.4	178.4	14.5	1,233.5
<b>All ages</b>	<b>2,488.1</b>	<b>32.1</b>	<b>2,692.4</b>	<b>34.7</b>	<b>2,215.3</b>	<b>28.5</b>	<b>7,760.3</b>

Source: NHSC analysis of 2011 Census of Population and Housing.

Note: Counting: persons, location on Census night, 5-year age groups. Numbers rounded to nearest hundred.

Total includes other tenure types such as: 'Being purchased under a rent/buy scheme', 'Occupied rent free', 'Being occupied under a life tenure scheme', 'Other tenure' and 'tenure type not stated'.

As can be seen from Table 3.2, in 2001 almost 60 per cent of households with a 50–64 year-old reference person owned outright and 21 per cent were paying off a mortgage.<sup>14</sup> Ownership in the 50–64 year age group was slightly higher in 2001 than in 2011, suggesting that, while home ownership increases with age, this was more the case for the oldest Baby Boomers and the generation preceding them.

**Table 3.2 Household reference person, by age (selected age cohorts), by tenure, 2001**

Age of household reference person	Owned outright		Owned with a mortgage		Rented		Total '000
	'000	Per cent	'000	Per cent	'000	Per cent	
35–49 years	586.3	26.8	926.2	42.4	566.7	25.9	2,185.2
50–64 years	961.4	58.4	349.7	21.3	268.9	16.3	1,644.9
65–79 years	804.0	76.8	36.2	3.5	147.9	14.1	1,046.3
<b>All ages</b>	<b>2,754.6</b>	<b>40.9</b>	<b>1,816.7</b>	<b>27.0</b>	<b>1,795.1</b>	<b>26.6</b>	<b>6,736.9</b>

Source: NHSC analysis of ABS 2001 Census one per cent sample file.

Note: Total includes other tenure types such as: 'Being purchased under a rent/buy scheme', 'Occupied rent free', 'Being occupied under a life tenure scheme', 'Other tenure' and 'tenure type not stated'..

14 Analysis of the 2006 Census by Flood and Baker (2010) showed that around 40 per cent of 45–64 year-olds owned outright. See Pinnegar et al 2012, op cit, p 12.



## Renters

Previous modelling on housing and ageing undertaken for the Council<sup>15</sup> predicts an increase in relative demand for rental tenure (including in social housing) across Australia. This is based on assumptions that future aged cohorts will undertake similar housing pathways or transitions to their predecessors.

Whilst Baby Boomers are likely to reach retirement as home owners, there will be a significant minority that continues to rely on the rental sector, in both private and social rental properties. Although some older Australians rent by choice, most are in this position due to personal circumstances and financial constraints.<sup>16</sup>

Table 3.3, reproduced from the Australian Bureau of Statistics (ABS) 2009–10 Survey of Income and Housing (SIH), indicates the breakdown of housing assistance by age group and compares these figures with those living unassisted in the private rented sector. Although the proportion of Commonwealth Rent Assistance (CRA) recipient households reduces amongst older age groups (and the role of social housing for these age groups increases), the 8 per cent of retirees receiving CRA equates to 188,000 pensioner households. Older CRA recipients are likely to be more represented in certain parts of the major cities than others and thus they represent an important element of local housing market dynamics in those areas.

**Table 3.3 Housing assistance type by selected personal characteristics, 2009–2010 (per cent of persons)**

Age group	Social housing households	CRA recipient households	Unassisted private renter households
Under 18 years	32	39	20
18–30 years	8	18	35
31–40 years	10	17	23
41–50 years	15	9	13
51–64 years	17	9	8
65+ years	18	8	1

Source: Pinnegar et al 2012, ABS 2009–10 Survey of Income and Housing.

Note: CRA is Commonwealth Rent Assistance.

Renters, including older renters, are significantly more mobile than home owners. One reason for the higher mobility rate is greater difficulty in adapting a rented home to meet changing health circumstances and ability. Home modifications are more

15 See also McDonald, P and Temple, J 2011, *Projections of Housing Demand in Australia, 2009–2039, narrative report prepared for the National Housing Supply Council*. Canberra, available at [www.nhsc.org.au](http://www.nhsc.org.au).

16 Beer and Faulkner in Pinnegar et al 2012, op cit.

difficult to get approved and to finance (unless government services provide support).<sup>17</sup> Affordability is also likely to contribute to the higher incidence of mobility amongst private renters. One response to decreasing affordability is to move to evermore marginal housing. Mobile and manufactured home communities, boarding houses and hostels remain home to small numbers of older Australians: less than 6 per cent of the survey sample.<sup>18</sup> Commonwealth Rent Assistance can help retirees with no income other than the pension to remain competitive in the rental market; however, the decreasing affordability of market rental in many major cities is affecting older Australians.

## Social housing tenants

The second response to chronic insecurity in the rental market among the current generation of older Australians is a greater shift to social housing. In 2004, of renters over 64 years of age, 48.3 per cent were in the social housing sector. The proportion of renters in social housing increases with age to 57.8 per cent of those over 84 years.

The social housing system is unlikely to be able to adequately respond alone to these demands from older renters due to the lack of growth in the sector and the competing claims of other population groups. Older people will continue to be a high proportion of tenants in the social housing system, but it is likely that a steadily increasing proportion of low-income older households will be renting in the market sector.<sup>19</sup>

The social housing sector is likely to face three major challenges with retirement of the baby boomers:

- **Overall volume** — The larger population coupled with prevailing proportions of households outside homeownership means that, even as a residual housing option, social housing demand will climb.
- **Suitability of the social housing stock** — Even though more of the existing social housing stock is tenanted by older Australians, it is potentially not well suited to complex needs and limited independence of older Australians. More of the growth in specialised housing will need to come from the not-for-profit sector, including non-profit retirement homes or ‘independent living units’.<sup>20</sup> It is also

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17 Judd, B, Kavanagh, K, Morris, A et al 2004, *Housing Options and Independent Living: Sustainable Outcomes for Older People who are Homeless*, AHURI Final Report No. 62, Australian Housing and Urban Research Institute, Melbourne.

18 Bridge, C, Davy, L, Judd, B et al 2011, *Age-specific Housing and Care for Low to Moderate Income Older People*, AHURI Final Report No. 174, Australian Housing and Urban Research Institute, Melbourne, pp 10, 41.

19 Jones, A, Bell M, Tilse C et al 2007, *Rental Housing Provision for Older Australians*, AHURI Final Report No. 98, Australian Housing and Urban Research Institute, Melbourne, p viii.

20 McNelis, S 2004, *Independent Living Units: The Forgotten Social Housing Sector*, AHURI Final Report No. 53, Australian Housing and Urban Research Institute, Melbourne.

worth noting that renters, and social housing renters, are more likely to end up in nursing homes.

- **Cost of providing such housing** — Even as the onus shifts away from government housing provision, the need for high levels of subsidy will strain government finances and policy. The low incomes of older social housing tenants, along with their complex needs, will mean that specialised, and therefore expensive, housing will be needed.

## Diversity of life experience and family relationships

Households approaching retirement are assessing their housing needs and options at that time — in response to leaving the workforce or their children leaving home — rather than waiting until 65. Of respondents aged 55–64 (in 2006) 41.5 per cent had moved to their current home in the previous 10 years.<sup>21</sup> Analysis of 2006 Census data found that, while the number is increasing, households in the 45–64-year age bracket were less likely to move house in the intercensal period than those in the population as a whole.<sup>22</sup>

This suggests a number of moves precede retirement age and are triggered by changing household structure, such as children leaving home, and partnership changes like separation, divorce or remarriage.

One of the most significant differences between Baby Boomers and previous generations is their family status: the marriages of Baby Boomers are less certain, with separation, divorce and remarriage more common. People who experience separation or widowhood can have financial hardship and disruptions to home ownership aspirations.<sup>23</sup> However, often these household adjustments are not permanent; remarriage can be a path out of the financial constraint that has affected housing choice, particularly for women.

In one study, 82 per cent of renters aged 55 years and over indicated they had previously been in the home ownership market. The reasons for moving represent both voluntary and involuntary factors, with relationship breakdown accounting for over one-quarter of the responses.<sup>24</sup>

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21 Beer and Faulkner 2009, op cit, p 133.

22 Wulff, M, Champion, A and Lobo, M 2010, 'Household diversity and migration in mid-life: understanding residential mobility among 45–64 year olds in Melbourne, Australia', *Population, Space and Place* 16: 307–321, p 313. Mobility indicators in the 2011 Census were not available at the time of writing.

23 Wood, G, Chamberlain, C, Babacan, A et al 2008, *The Implications of Loss of a Partner for Older Private Renters*, AHURI Final Report No. 116, Australian Housing and Urban Research Institute, Melbourne.

24 Beer and Faulkner 2009, op cit, p 112.

Three-quarters of the married, never-divorced men owned a home outright, compared to just 41 per cent of the divorced single men and 58 per cent of the divorced and remarried men.<sup>25</sup> Those who were divorced and single were substantially more likely to be renting than the married — 49 per cent of divorced single men were renting compared to just 21 per cent of the divorced and remarried men and 15 per cent of the married, never-divorced men. Those affected by divorce are more likely to reach retirement age still paying off their homes. Although re-partnering may occur, increasing numbers now enter retirement single.

The proportion of older Australians living in retirement homes remains small; however, there is a higher incidence of lone persons than couples in retirement homes: 3 per cent and 1 per cent respectively.<sup>26</sup> Whilst historically this is likely due to the death of a partner, the higher incidence of divorces among Baby Boomers could translate into higher proportions living in such complexes. Indeed, retirement villages have been identified as the fastest-growing form of housing for older Australians, albeit from a low base.<sup>27</sup>

Home and community care packages can delay the need for older Australians, particularly very old Australians, to move into residential care arrangements. The most recent changes to aged care policy, the *Living Longer Living Better* aged care reform package, nearly doubled the number of home care packages.<sup>28</sup> As delaying the move into residential care has benefits for the recipient of care and also lowers government aged care costs, it is likely to continue to expand.

However, the number of people with a disability is likely to significantly increase over the next two to three decades. Many of these people will expect to remain living in the community (not in residential care) and will require a range of housing options and housing with care options,<sup>29</sup> further increasing demand for such services. The distribution of services is also a key factor, the potential for people to age in their existing community, is limited in poorly serviced remote areas.

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25 de Vaus, D, Gray, M, Qu, L et al 2007, *The Consequences of Divorce for Financial Living Standards in Later Life*. AIFS Research Paper No. 38, Australian Institute of Family Studies, Melbourne (analysis of HILDA data pp ix-x).

26 Hugo 2007, op cit.

27 Davy, Bridge, Judd et al 2010, op cit.

28 Australian Government 2012, 'The *Living Longer Living Better* aged care reform package provides \$3.7 billion over five years. It represents the commencement of a 10-year reform program. The reforms give priority to providing more support and care in the home, better access to residential care, more support for those with dementia and strengthening the aged care workforce. They will be progressively implemented from 1 July 2012'.  
<http://www.health.gov.au/internet/main/publishing.nsf/Content/ageing-aged-care-review-measures-living.htm> (accessed 19/12/2012).

29 Faulkner, D 2007, 'The older population and changing housing careers: Implications for housing provision', *Australasian Journal on Ageing* 26: 152–6, p 153.

The other avenue of support for older Australians continuing to live in the community is informal care provided by a partner or other family member. The options for such support for older Australians will depend on family circumstances, including the relative health of a partner and — particularly in light of higher lone-person households — the geographical proximity of children<sup>30</sup> and the capacity of adult children to take on care.

## Suitability of housing stock

The spatial plans of Australia's major cities expect the decrease in household size driven by increasing numbers of over-55-year-olds to translate into an increase in demand for smaller housing options. And while this may be true in some circumstances where financial or health constraints dictate a need for such a move, Baby Boomers reaching retirement with financial and health security are less likely to downsize.

Demand for smaller housing in Australia, has not, to date, followed a decrease in household size.<sup>31</sup> This has mostly been because shrinking household size is not related to a shrinking in household wealth, and wealth is a much more likely trigger for reassessing housing choice. Overcrowding nearly always leads to a residential move, but a surplus of space tends not to be considered a problem because it is easier to adjust to surplus space than to a shortage of space. This general tendency to upward adjustment has generated the perception that older households 'over-consume' housing.<sup>32</sup>

One reason that family homes remain suitable for retiring Baby Boomers is the ongoing use of the space. This use of space is partly a reflection of the greater amount of leisure time to spend in the home and garden. There were various cases of 'spare' bedrooms being used as offices, exercise rooms or sewing rooms or for other hobbies and leisure activities.<sup>33</sup>

Spare bedrooms are often occupied by guests and temporary residents; having a space for people to stay comfortably was an important means of retaining social connections and realising desired lifestyles. Nearly one-quarter of households housed temporary residents (defined as those staying at least 20 nights per year) — mostly children, grandchildren and other family members but also friends, students and overseas visitors.<sup>34</sup>

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30 Percival, R and Kelly, S 2004, *Who's Going to Care? Informal Care and an Ageing Population*, National Centre for Social and Economic Modelling, University of Canberra.

31 Wulff, M, Healy, E and Reynolds, M 2004, 'Why Don't Small Households Live in Small Dwellings? — Disentangling a Planning Dilemma', *People and Place* 12: 2004, p 68.

32 Judd, B, Olsberg, D, Quinn, J et al 2010, *Dwelling, Land and Neighbourhood Use by Older Home Owners*, AHURI Final Report No. 144, Australian Housing and Urban Research Institute, Melbourne.

33 Judd et al, *ibid*.

34 Judd et al, *ibid*, p 111.

A number of policies prolong the potential for people to age in place. Home modification, to delay the need to relocate, is quite common.<sup>35</sup> The potential to modify homes in response to deteriorating mobility and health will depend on two factors: the suitability of the housing and the financial circumstances of the individual. Around one-third of participants in a 2010 study had already modified the home and around 40 per cent considered future modifications likely. Grab rails, bathroom modifications and modifications to stairs were the most common modifications. The same study also found that around half of participants thought they had funding to make the necessary modifications.

Where finances are not a factor, modifications will be a viable option, but support for home modifications, although highly valued, is not well organised.<sup>36</sup> The adaptation of the built environment to meet the needs of an ageing population is not limited to the building; it applies equally to the surrounding neighbourhood. Some local authorities are doing better than others in implementing age-friendly neighbourhood design. However, as the number of older people increases this will become increasingly important, particularly in those areas where older people are likely to be more highly concentrated.<sup>37</sup>

## Location

In a 2005 study, two-thirds (64.6 per cent) of respondents indicated that they wanted to stay in their present home and wanted to 'age in place'. Asked about the reasons for remaining in their present home, only one-fifth spoke of emotional attachment to the home itself. Most respondents simply wanted to remain in the same location — pleasure in and familiarity with the area and its facilities were regarded as important factors contributing to people's day-to-day lifestyle.<sup>38</sup>

Significant numbers of respondents in a 2010 study<sup>39</sup> regularly participated in, and more than half felt it was important to be close to: shopping/banking/retail; medical/health; family and friends; sport and recreation activities; community and social clubs; volunteering; and theatre and cultural activities. Other studies also found older households desired a safe neighbourhood and access to facilities, services, major centres and transport.<sup>40</sup>

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35 Judd et al, *ibid*.

36 Jones, A, Jonge, D and Phillips, R 2008, *The Role of Home Maintenance and Modification Services in Achieving Health, Community Care and Housing Outcomes in Later Life*, AHURI Final Report No. 123, Australian Housing and Urban Research Institute, Melbourne.

37 Judd et al 2010, *op cit*, p 279.

38 Olsberg, D and Winters, M 2005, *Ageing in Place: Intergenerational and Intrafamilial Housing Transfers and Shifts in Later Life*, AHURI Final Report No. 88, Australian Housing and Urban Research Institute, Melbourne, p 34.

39 Judd et al 2010, pp 213, 217.

40 Kelly, JF, Weidmann, B and Walsh, M 2011, *The Housing We'd Choose*, Grattan Institute, Melbourne.

Access to family and friends remained an important priority in housing choice. Some participants did have distant friends and family, partly explaining the need for a guest room. However, many also identified the ability to socialise with family and friends locally, particularly where technology or travel became less viable options for communicating over longer distances.

Mobility is relatively high among Australians, including older Australians, compared to other parts of the world.<sup>41</sup> And the degree of mobility is growing.<sup>42</sup>

Retirees in big cities may move to other parts of the same metropolitan area — for example, quasi-rural estates in one direction and well-serviced inner city complexes in the other. This group is likely to want to retain some connection to the community of their working life (including family and friends).

However, retiring Baby Boomers may be more likely to move to a new location than previous generations of retirees. Greater mobility might be partially attributed to fewer family links to a particular location; these are replaced with broader links to formal social services that tend to be less place-specific.<sup>43</sup> Baby Boomers are also likely to have been more mobile during their working life, reducing the local anchors that accrue over time. The higher degree of travel also increases the potential connection to more geographically distant communities. ‘Independence, flexibility, consumer and lifestyle choices increasingly take precedence’ in housing choice of retiring Baby Boomers — drivers that were not as dominant in previous generations.<sup>44</sup>

Rural retirees, like farmers, often move to nearby regional centres for the higher amenity and higher levels of servicing as well as lifestyle aspirations — 26 per cent of over-65-year-olds that move to high-growth coastal areas are from country areas and 39 per cent are from capital cities.<sup>45</sup>

There is a perception that holiday home ownership remains a factor in determining the extent or destination of retired movers.<sup>46</sup> A ‘particular feature ... has been widespread patterns of people taking up more or less full-time residence in their former holiday homes upon retirement’.<sup>47</sup> Even if Baby Boomers are over-represented amongst those owning holiday homes, it can be estimated that they would represent no more than 1–2 per cent of all households. Assuming that only a

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41 Hugo 2007, op cit.

42 Wulff, Champion and Lobo 2010, op cit, pp 307–21.

43 Hugo 2003, op cit.

44 Olsberg and Winters 2005, op cit, p vii.

45 Davis, S and Bartlett, H 2008, ‘Healthy ageing in rural Australia: issues and challenges’, *Australasian Journal on Ageing* 27: 56–60.

46 Burnley, I and Murphy, P 2004, *Sea Change: Movement from Metropolitan to Arcadian Australia*, UNSW Press, Sydney.

47 Hugo 2007, op cit, p 5.

proportion of that 1–2 per cent have primary residence in a major city<sup>48</sup> and that only a proportion of that intend to permanently relocate to their holiday home upon retirement<sup>49</sup> then less than 1 per cent may be ‘freed up’ by retiring scene changers. Ownership of an additional property by Baby Boomers appears to be primarily for investment purposes, with only a minority identifying as holiday home owners.<sup>50</sup>

## Financial influences

The Baby Boomer cohort also comprises considerable financial diversity. Not all conform to the stereotype of privileged owner occupier enjoying a portfolio of financial assets to help fund a comfortable, leisure-oriented retirement. Many will continue to work long past 65, through choice but also out of necessity – not least given the shocks and uncertainty that can derail well-made financial plans.

There will also be those Baby Boomers who continue to work because they have not had access to the asset-wealth through home ownership, that has long been the assumed welfare policy for Australians to provide support, stability and security in their later years. With many private renters remaining in this tenure at retirement, the role of housing both as asset and shelter as a key determinant in the future trajectories of different ‘types’ of Baby Boomer is crucial.

A key difference between retiring Baby Boomers and previous generations is the shift away from employee pensions to superannuation. The transition, particularly from 1992, when superannuation contributions became compulsory, has significantly affected ongoing income of retirees. Many Baby Boomers, particularly women, only began accruing superannuation later in their careers. Also ‘more 50- to 69-year olds are facing retirement with higher levels of debt than the previous generation; and a large group is leaving the labour force with very little if any superannuation’.<sup>51</sup> Housing wealth may need to be released to enable a comfortable retirement lifestyle.<sup>52</sup>

Retirees are often prepared to make fairly drastic compromises to lifestyle before drawing down on housing equity, but this might not always be an option. Changing circumstances, like a medical issue or loss of employment, that have reduced income before retirement could precipitate the need to liquidate the equity in the family home. Such a reliance on housing equity could result in people slipping in and out of

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48 McKenzie, F, Martin, J and Paris, C 2008, ‘Fiscal Policy and Mobility: The Impact of Multiple Residences on the Provision of Place-Based Service Funding’, *Australasian Journal of Regional Studies* 14: 53-71 (McKenzie et al cite one study where nearly 15 per cent were owned by residents of regional areas).

49 McKenzie et al cite studies where around half intend to do so.

50 Beer and Faulkner 2009, op cit, p 122.

51 Faulkner 2007, op cit.

52 Yates, J and Bradbury, B 2010, ‘Home ownership as a (crumbling) fourth pillar of social insurance in Australia’, *Journal of Housing and the Built Environment* 25: 193–211.



home ownership.<sup>53</sup> In older people, at the most extreme, home ownership can then become untenable because workforce participation to support a return to home ownership is limited.

‘Reverse mortgages’ enable retirees to gradually draw down the value of their home through equity in a bank loan. These are not usually taken on as a planned financial strategy but rather as an unexpected change in circumstances; a shortfall between income and living expenses, such as reduced income due to the global financial crisis or late-life divorce; or realising that their income — for example, the Age Pension — is not sufficient to support a modest lifestyle.<sup>54</sup> There are very low levels of understanding of the workings of such products, or the risks and ongoing costs involved, even among study respondents who had taken out such products.

Downsizing and moving to a cheaper location are other possible strategies for releasing housing wealth. There are a number of financial reasons — including policy-driven financial reasons — that make relocation to cheaper housing less desirable. First, there are the transaction barriers of relocation, including the costs of selling and buying — agent fees, removalist costs and stamp duty. These financial barriers to the relocation itself are often coupled with other barriers like the hassle of moving and stress associated with selling a house.

Second, there are disincentives to having additional wealth outside housing, particularly where relocation results in the release of significant money from a housing asset (that is, where the new house is less valuable than the original house). Means testing of pension entitlements excludes home ownership (for occupation) from the tests (this is offset by pension rates excluding housing costs). Thus, drawing down on that asset could both reduce the incoming pension and, in the case of rental, increase the outgoing living expenses. The ‘current assets test has a significant deterrent effect on people’s willingness to sell their home and move to more appropriate housing, particularly if that would involve renting or other forms of periodic payment for accommodation’.<sup>55</sup>

## Conclusions

The decisions of older households should be seen as integral to, and operating within, the broader housing market. Older households already are, and will increasingly become, a key player in mainstream market dynamics and thus understanding residential decisions and behaviours of this cohort infuses much broader

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53 Wood, G, Colic-Peisker, V, Berry, M et al 2010, *Asset Poverty and Older Australians’ Transitions onto Housing Assistance Programs*, AHURI Final Report No. 156, Australian Housing and Urban Research Institute, Melbourne.

54 Davy, Bridge, Judd et al 2010, op cit, p 7.

55 Productivity Commission 2011, *Caring for Older Australians*, Inquiry Report 53, Volume 2, p 293 [http://www.pc.gov.au/\\_data/assets/pdf\\_file/0014/110930/aged-care-volume2.pdf](http://www.pc.gov.au/_data/assets/pdf_file/0014/110930/aged-care-volume2.pdf) (retrieved on 22 May 2012).

supply/demand considerations. The Baby Boomers, in terms of their sheer numbers but also in longevity post-retirement, will continue to shape the mainstream housing market.

Metropolitan planning frameworks hold out much hope that Baby Boomers — as their children leave the nest and as they retire — will represent an obvious market for smaller properties in well serviced, highly accessible locations and at the same time, they will release family housing in desirable locations in our metropolitan cities. Countering this, the desire to age in place is pervasive.

While it is important to understand how a more ‘efficient’ use of existing housing stock can be encouraged (such as policies that seek to promote and facilitate downsizing), the harder, but perhaps more realistic, issue here is how we might approach the challenges of housing an ageing population without assuming they are going to comply with the efficiency thesis any more than other age cohorts.

Baby Boomer households in retirement, as long as their choices are directed more by choice rather than by constraint, are likely to engage and operate in the housing system and markets much as the rest of the population: in ways that are often inefficient in terms of utilisation and that reflect ‘housing as investment’ alongside ‘housing as shelter’ considerations. They are equally likely to contribute to the messy and ‘sticky’ nature of the market. An understandable desire of many to age in place exemplifies this.

## Council perspectives on the study

The scoping study *Understanding Housing and Location Choices of Retiring Australians in the ‘Baby Boom’ Generation* outlines the broad scope of research that has been done and could be done to better plan to meet the housing needs and wants of this cohort. Future studies might consider the implications of Baby Boomers living longer<sup>56</sup> than the previous generation of older Australians and the pressures this may place on private and social housing. Financial pressures and life events in this cohort may increase the demand for social housing more or less than current trends suggest. There may be more pressures on non-private dwellings because of a higher incidence of disability and dementia.

In future work the Council may consider the extent to which Baby Boomers are seeking to ‘age in place’ as opposed to ‘age in the family home’. There are strong indications that it is the location (place) that is important. Does a preference for ageing in place offer the opportunity for facilitating infill types of development with Baby Boomers as the main occupants, thus freeing up existing family homes for

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56 A male currently aged 65 could expect to live a further 19 years and female a further 22 years. (ABS, *Deaths, Australia, 2011*, media release, 8 November 2012, cat no. 3302.0) In 2011, the median age at death was 78.4 years for males and 84.5 years for females (ABS, *Deaths, Australia, 2011*, cat no. 3302.0).

families with children? The greater number of singles in this age cohort and the growth in 'retirement' housing may also suggest the need for new forms of infill housing.

The study notes that the impact of the Baby Boomer cohort retiring to holiday locations may be overstated. However, it also notes the size of the age group and some evidence of a greater willingness to move to a new location, and the likelihood of seeking better amenity and/or more cost-effective housing. In the future the Council may further consider the effect of Baby Boomers' sea change and tree change moves and whether they will in fact free up metropolitan homes.

The Council will continue to explore the implications for housing of an ageing population, in particular recognising the influence of the Baby Boomer cohort on housing markets and future housing needs.

## Migration and housing needs

In the 2011 State of Supply Report the Council reported the results of an exploratory study of the housing experience of permanent migrants.<sup>57</sup>

In 2012 the Council commissioned a further study from the Australian Demographic and Social Research Institute at the Australian National University on permanent and temporary migration, the dwelling and tenure types and the preferred housing locations of different groups of migrants. Some of the findings of this study are outlined in this section.

The *Scoping Study of Migration and Housing Needs*<sup>58</sup> examines the housing characteristics of recently arrived permanent and temporary migrants by their visa category, using data from a number of sources including the 2006 population Census and the 2006 and 2010 General Social Surveys (GSS). Migrant groups examined include overseas students, skilled temporary migrants on the 457 sub-class visa, New Zealand citizens (who migrate without a visa under the Trans-Tasman Agreement), and permanent migrants in the *skilled, family and humanitarian* migration visa categories.

Migrants' household and housing characteristics, including household type, household size, location, housing tenure and housing costs, are examined. Comparisons are made with the Australian-born population where relevant. The study also examines changes in some of these household and housing characteristics with longer residence in Australia.

### Housing characteristics of permanent and temporary migrants

Both permanent and temporary migration to Australia increased during the first decade of the 21<sup>st</sup> century. The number of total permanent migrants nearly doubled during the decade after 2000. Most of the increase came from the large increase in skilled migration, but there were also increases in family and humanitarian migration and in New Zealand citizens coming as permanent migrants.

There are differences in the household and housing characteristics of different groups of permanent and temporary migrants. There are differences in household size, type of household, type of housing and housing tenure among the different visa groups of permanent migrants. Recently arrived humanitarian migrants have larger household sizes and a much higher percentage are renting compared to skilled migrants. Among temporary migrants, overseas student housing characteristics are different from

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57 Deloitte Access Economics 2011, *The Housing Aspirations of New Settlers to Australia*, NHSC, Canberra, [www.nhsc.org.au](http://www.nhsc.org.au).

58 Khoo, SE, McDonald, P, Temple, J and Edgar, B 2012, *Scoping Study of Migration and Housing Needs*, report to the National Housing Supply Council, Department of the Treasury, Australian Government.

those of skilled temporary migrants, although both groups are concentrated in the capital cities and in Sydney and Melbourne in particular.

There were also differences within types of migrants' housing arrangements when analysed by characteristics such as country of origin. For example, overseas students from India have different housing characteristics from students from East and Southeast Asian countries such as China and Malaysia. Skilled temporary migrants' housing arrangements also differed by their demographic and employment characteristics.

## Housing characteristics of recently arrived migrants (in 2010)

Less than half of all permanent migrants who arrived during 2006–2010, compared with 75 per cent of temporary migrants, were renting in 2010. Permanent migrants are also more likely to live in houses while temporary migrants are more likely to be in flats. Six per cent of permanent migrants who rent are renting from public housing authorities. They are likely to be humanitarian migrants. A higher proportion of temporary migrants have weekly rent payments of \$500 or more.<sup>59</sup>

A higher proportion of temporary migrants are male, never married, and are in younger age groups than permanent migrants. Therefore, a higher percentage of temporary migrants have no dependent children in their households. A greater proportion of temporary migrants live in group households compared with permanent migrants. These housing characteristics of temporary migrants are likely to be due to the fact that a significant proportion of temporary migrants are overseas students.

Temporary migrants, who are likely to be overseas students, are mostly renters. The 2010 GSS does not include overseas students in residence halls. However, the 2006 Census data show that the percentage of overseas students<sup>60</sup> living in university residence halls is highest for the students who are recently arrived (14 per cent) and the percentage decreases the longer students reside in Australia. Among students living in private dwellings, over 80 per cent are renting and more than 50 per cent are living in flats. The share that lives in flats decreases with length of time in Australia while the share that lives in separate houses increases. The data also suggests that the longer students live in Australia the less likely they are to be living in group households.

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59 2010 General Social Surveys (GSS) data collected by the ABS; dollars are 2010 values.

60 Persons born overseas who are aged at least 18 years, who arrived in the five-year period before the 2006 Census, who are enrolled in full-time study and are not living with a parent are assumed to be temporary migrants on overseas student visas.

**Table 3.4 Housing characteristics of permanent and temporary migrants who arrived in 2006–2010**

	Permanent residents	Temporary residents		
		All	Full-time students	In skilled occupation
		Per cent		
<b>Tenure type</b>				
Owner occupied — fully owned	9.8	2.5	2.1	0.9
Owner occupied — with a mortgage	40.8	20.7	10.9	21.1
Renter	48.1	74.8	82.1	77.6
Other	1.4	2.0	4.9	0.4
<b>Dwelling structure</b>				
Separate house	61.6	36.3	41.2	27.0
Semi-detached/row	16.3	16.3	15.7	18.3
Flat/apartment	22.1	47.3	42.7	54.7
<b>Number of bedrooms</b>				
1	3.3	8.4	12.0	2.2
2	25.4	33.1	26.8	42.2
3	44.3	44.7	49.3	37.9
4+	27.1	13.9	11.9	17.7
<b>Landlord type (renters only)</b>				
Real estate agent	75.1	60.9	59.2	51.8
Relatives	0.7	1.7	0.4	0.1
Other person	16.1	33.9	35.4	44.4
State/Territory housing	5.7	0.6	0.6	0.1
Other	2.4	2.9	4.4	3.5

Source: Khoo et al 2012, analysis of 2010 General Social Survey (GSS) data.

Note: The GSS population excludes people in non-private dwellings such as university residence halls. Therefore, its sample of temporary migrants would exclude many overseas students. Skilled occupations include the first four major occupational groups.

Over 21 per cent of temporary migrants in skilled occupations are living in a dwelling that they have purchased and 55 per cent are living in flats. Temporary migrants in skilled occupations are more likely than those who are students to have weekly rent payments of \$500 or more.<sup>61</sup>

There are few studies focusing on the housing situation of temporary migrants. A survey of temporary migrants on the 457 sub-class visa that was conducted in 2003–04 as part of a larger study showed that most of them (75 per cent) were living in

61 2010 dollar values.

rented housing.<sup>62</sup> However, 10 per cent had bought a house or flat while 8 per cent were living in accommodation provided by their employers. The remaining 5 per cent were living with relatives or boarding with others. Female survey respondents were less likely than male respondents to be living in employer-provided housing.

The same survey showed that migrants living in owner occupation tended to be older, living with a partner, and had applied or intended to apply for permanent residence in Australia. They were also more likely to be in managerial occupations and to be located in capital cities other than Sydney and Melbourne.

There is an increase in one-person households and a decrease in households with six or more persons the longer migrants live in Australia, but not much change in terms of the number of dependent children in the migrants' household. As observed in other data and studies, the rate of home ownership increases and the percentage in rented housing decreases the longer a migrant has been living in Australia.

## Conclusions

Unsurprisingly migrants' household and housing characteristics changed the longer they are resident in Australia. While a high proportion of recent migrants are renters, the proportion that is renting decreases the longer migrants live in Australia, as more migrants become home owners. This is consistent with the findings of earlier studies of the housing characteristics of permanent migrants, including the results published by the Council in 2011. Overseas students also show this transition in housing tenure with duration of residence. Household size also decreases the longer a person has lived in Australia.

The changes in migrants' housing characteristics the longer they live in Australia indicates that the changes are part of the process of adjusting to life in Australia. Changes in migrants' housing characteristics need further analysis in relation to other aspects of migrants' adjustments to life in Australia (such as employment and residence outcomes) to more closely examine the role that housing plays in migrants' adjustment to life in Australia.<sup>63</sup>

## Household responses to changing housing affordability

In 2011 the Council noted that in the longer run, the impact of housing shortages on access to housing is likely to appear at the lower end of the income and wealth distribution. The impact on housing costs may be felt more widely in households' capacity to save, in consumption and locational choices, in vulnerability to

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62 Khoo, SE, McDonald, P and Hugo, G 2005, *Temporary Skilled Migrants in Australia: Employment Circumstances and Migration Outcomes*, Department of Immigration and Multicultural and Indigenous Affairs, Canberra.

63 Khoo, McDonald, Temple and Edgar 2012, op cit.

unemployment and in a variety of other ways that affect quality of life. To further its knowledge, the Council commissioned a scoping study on *Household Responses to Declining Affordability*<sup>64</sup> from the Centre for Housing Urban and Regional Planning at the University of Adelaide.

The study highlighted current knowledge, existing research gaps and research required to fill those gaps. It investigated individual and household responses to declining housing affordability in Australia, focusing on:

- affordability constraints and trade-offs;
- population changes<sup>65</sup> that might occur in response to poor housing affordability; and
- the extent to which the housing needs of the population unable or unwilling to access the private housing market are met in the non-private housing market.

In future work the Council will continue to consider how to best measure the availability of affordable housing and how the distribution of housing shortages impacts on Australian households.

## Measuring housing affordability

The study examined housing affordability in broad terms, considering housing-related living costs including those costs that are affected by choice of location and tenure type. Some of these choices may represent a trade-off, with the direct cost of acquiring a home and the direct cost of access to employment inversely related to the cost of housing.

The report includes a critique of some of the regularly used measures of affordability. It noted a conceptual flaw implicit within current major housing affordability measures — the inability to capture its temporal dimension. For example, the ratio or 30/40 approach (numbers in the bottom 40 per cent of the income distribution paying more than 30 per cent of their income in housing costs) used by the Council<sup>66</sup> among others, looks at only a point in time. It is likely to hide some of the most vulnerable groups as well as incorrectly classify some individuals who temporarily slip above and below the cut-off. Cross-sectional (or ‘point in time’) assessment is a useful tool for describing and comparing housing affordability at the average population level, but it is unable to provide information about how households react to declining housing affordability.

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64 Baker, E, Lester, L, Beer, A and Bunce, D 2012, *Households Responses to Declining Affordability*, NHSC commissioned report, available at [www.nhsc.org.au](http://www.nhsc.org.au).

65 This term covers the demographic and social changes that might occur, such as changes to household formation patterns.

66 NHSC 2012, *Housing Supply and Affordability – Key Indicators, 2012*, pp 37-49.



The report outlines two distinct pathways for responses to affordability constraints: housing and non-housing adjustment. In the housing response, households may act to reduce their housing expenses by relocating, renegotiating their finance costs or making some other change to the quality or quantity of the housing that they consume. In the non-housing response, households may address their housing affordability constraint by adjusting their non-housing consumption — for example, by reducing their private health insurance coverage or expenditure on food.

The study considers the availability of information that would allow an assessment of how individuals and families in varying circumstances respond to housing affordability pressures. It examines options for exploring whether and how these households trade off the achievement of other aspirations, such as consumption choices; types and styles of housing; employment participation; and locational choice, lifecycle stage and family formation (including the birth of children, propensity to live in group households and whether children leave home to live in a new household).<sup>67</sup>

## Affordability and household change

While not undertaking extensive analysis of changes in households that may be impacted by changes to affordability, the scoping study report notes that the relationship between housing affordability and household change is uneven and it does not occur in isolation. Non-housing factors (exogenous influences, such as a loss of employment) also influence both housing affordability and/or changes to household structures. Any analysis of the relationship between changes to household structures and housing affordability is confounded by these inter-relationships and exogenous factors, making it difficult to establish the degree to which housing affordability actually influences change to household types and sizes (and vice versa).<sup>68</sup>

While information can be obtained about associations and changes in proportions from cross-sectional data like the Census (for future reports the Council is currently assessing options for examining the impact of changing housing affordability on living arrangements using the results of the last three Censuses), sophisticated empirical methods are necessary to establish causality: current analysis allows only implied causality.

The study also outlines an econometric model to measure changes in the number of individuals in each household due to multiple influences – including housing affordability stress.<sup>69</sup>

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67 Baker et al 2012, op cit.

68 Ibid.

69 See Baker et al 2012, op cit, pp 5–15 and Appendix A, p 52.

## The non-private housing market

The extent to which people are accommodated in ‘non-private’ dwellings and whether the proportion and/or type of households that reside in non-private dwellings has changed over time is also examined. The last part of the study report examines whether people who are unable or unwilling to access private dwellings may seek, or be compelled to seek, accommodation in hotels, short-term caravan parks, health facilities or other forms of accommodation that do not conform with the ABS definition of ‘private occupied dwellings’.

No single data source accurately classifies all of the major groups who live in this non-private sector. So the review draws from a number of literature and data sources: analysis on the relatively robust ABS enumeration of non-private dwellings; the population resident in caravans and similar dwellings; and estimates of the homeless population, and what these estimates can tell us about persons living outside the formal housing market.<sup>70</sup>

### *Non-private dwellings*

The study suggests that between 44,000 and 72,000 persons who were enumerated in non-private dwellings in 2006 can be considered as excluded from the private housing market. This number includes a number of individuals (6,647) for whom the type of non-private accommodation was not stated and approximately half of the 63,772 persons in accommodation for the aged or the retired at the 2006 Census.<sup>71</sup>

Households resident in non-private dwellings may reflect particular groups who have different characteristics compared to the general population. Some persons with a disability or long-term health condition may be accommodated in non-private dwellings because of the absence of alternative forms of housing.<sup>72</sup> For example, many persons with a psychiatric disability reside in boarding houses and others with long-term health conditions may live in hostels and nursing homes despite their relative youth.<sup>73</sup> Some people with an acquired brain injury live in boarding houses because of the lack of other options.<sup>74</sup>

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70 Ibid, p 25.

71 Ibid, p 32.

72 Beer and Faulkner 2009, op cit.

73 Cleary et al 1998, Horan et al 2001, Anderson et al 2003 in Baker et al 2012, op cit.

74 Beer, A, Baker, E, Batterham, D, Mallet, S, Pate, A and Lester, L 2011, *Addressing Homelessness amongst Persons with a Disability: Identifying and Enacting Best Practice*, monograph commissioned by the Department of Families, Housing, Community Services and Indigenous Affairs.

**Table 3.5 Categories of non-private dwellings likely to include persons unable to access the market, 2006**

Type of non-private dwelling	Persons
Boarding house, private hotel	16,268
Hostel for the disabled	10,496
Hostel for homeless, night shelter, refuge	4,385
Other welfare institution	6,429
Not stated	6,647
<b>Total</b>	<b>44,225</b>

Source: Baker et al 2012, p 31. ABS Census 2006 data.

The study concludes that 44,225 persons were unequivocally resident in non-private dwellings on a permanent basis because of an inability to access the market for conventional dwellings: see Table 3.5 above.

It is also possible that approximately half of the persons living in accommodation for the aged or the retired could also be included in estimates of unmet housing need. In some instances, non-private dwellings represent lower-level care and support for ageing individuals (occupants are not regarded as being self-sufficient and do not provide their own meals). In other instances, however, such arrangements may simply represent a relatively inexpensive form of housing for income-poor and asset-limited older persons.

### *Caravans and temporary dwellings*

Based on an estimate of the proportion of caravan park residents who were non-holiday-makers in 2006,<sup>75</sup> up to 44 per cent of residents of caravans could be classified as persons who were unable to obtain accommodation in the private housing market.

Caravans and relocatable homes constitute both a desirable lifestyle choice for one group and simultaneously some of the most marginal housing for low-income Australians, who use such accommodation as part of a solution to a pressing housing need.

Many residents in a caravan or similar dwelling on Census night were there by choice, either while travelling around Australia or because they had chosen to retire or live in an attractive and affordable location.

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75 Chamberlain, C and MacKenzie, D 2008, *Australian Census Analytic Program: Counting the Homeless 2006*, ABS.

Caravans and re-locatable homes are also affordable housing to many people who are unable to access rental accommodation in the private market or public housing and who have few other housing options.<sup>76</sup> For some residents, the housing offered is of a last resort and many are accommodated through referral by the Supported Accommodation Assistance Program (SAAP). Levels of residential satisfaction with this type of accommodation are very low, especially for families with children or women escaping domestic violence. These caravan parks also accommodate large numbers of single males, many of whom have complex needs caused through addiction, mental illness or physical disabilities and are described as ‘tertiary homeless’ individuals because under the cultural definition of homelessness a caravan is regarded as temporary accommodation.

The study’s estimate of marginal caravan park residents is higher than those in the most recent ABS publications on homelessness<sup>77</sup> (not available when this study was completed). The ABS estimates there were over 12,000 such marginal residents in the 2006 Census (this could represent about 15 per cent of caravan park residents in 2006) increasing to nearly 13,000 in the 2011 Census estimates.

**Table 3.6 Persons in other marginal housing, 2001, 2006 and 2011**

	2001	2006	2011
Persons living in other crowded dwellings	43,665	43,149	60,875
Persons who are marginally housed in caravan parks	19,465	12,444	12,963
Persons in other improvised dwellings	5,000	7,724	4,504
<b>Total persons in other marginal housing</b>	<b>68,300</b>	<b>63,317</b>	<b>78,342</b>

Source: ABS 2012, *2011 Census of Population and Housing: Estimating Homelessness*, Table 2.1.

### Homelessness

Although the causes of homeless are more complex than just a lack of housing, the Baker et al study’s analysis of the literature and Census and other data sources suggests that homelessness is a major contributor to the number of persons excluded from the traditional private dwelling market.

The study notes that the *Counting the Homeless*<sup>78</sup> report classified 105,000 people as homeless in 2006. The ABS has since released the first official estimates of homelessness using its own statistical definition, with 89,728 classified as being homeless on Census Night in 2006 (0.5 per cent of the Australian population).<sup>79 80</sup>

76 Reed, R and Greenhalgh, E 2004, Nelson, K and Minnerly, J 2008 in Baker et al 2012, op cit.

77 ABS 2012, *2011 Census of Population and Housing: Estimating Homelessness*, Australia, cat no. 2049.0.

78 Chamberlain and MacKenzie 2008, op cit.

79 See ABS 2011, *Methodological Review of Counting the Homeless, 2006*, discussion paper, cat no. 2050.0.55.001.

**Table 3.7 ABS estimates of homelessness, persons by homeless operational groups**

<b>Homelessness category</b>	<b>2001</b>	<b>2006</b>	<b>2011</b>
Persons in improvised dwellings, tents or sleeping out	8,946	7,247	6,813
Persons in supported accommodation for the homeless	13,420	17,329	21,258
Persons staying temporarily with other households	17,880	17,663	17,369
Persons staying in boarding houses	21,300	15,460	17,721
Persons in other temporary lodging	338	500	686
Persons living in 'severely' overcrowded dwellings	33,430	31,531	41,390
<b>Total homeless persons</b>	<b>95,314</b>	<b>89,728</b>	<b>105,237</b>

Source: ABS 2012, *2011 Census of Population and Housing: Estimating Homelessness*, p 6.

As the ABS notes, most of the increase in homelessness between 2006 and 2011 occurred in the category 'People living in severely crowded dwellings',<sup>81</sup> up from 31,531 in 2006 to 41,390 in 2011.<sup>82</sup> A category not included in the homelessness count but likely to indicate people excluded from the mainstream housing market is the 'Persons living in other crowded dwellings' category (requiring three extra bedrooms). This has increased dramatically (41 per cent) from 43,149 persons in 2006 to 60,875 in 2011 (see Table 3.6).

## Conclusions

The number of persons housed in non-private accommodation in Australia appears to be growing substantially. The extent to which this may be related to housing affordability requires further examination. The scoping study<sup>83</sup> concludes that, at the 2006 Census, somewhere between 135,000 and 167,000<sup>84</sup> persons were unable to meet their housing needs via the conventional housing market. This population was comprised of persons (including some of the aged) enumerated in non-private dwellings, residents in caravan parks who were accommodated in this tenure through necessity rather than choice, and persons who were homeless at the 2006 Census and not included in the other components of this count.

The scoping study suggested a need for detailed analysis of the 2011 Census data to establish the nature and direction of change since 2006. The study also highlighted the need for further analysis of the data and discussion and agreement on definitions to establish the number of individuals living in 'non-market' housing. It gives one example of the potential undercount when estimating unmet housing need

80 ABS 2012, *2011 Census of Population and Housing: Estimating Homelessness*, Australia, cat no. 2049.0, p 5.

81 Severely crowded dwellings are dwellings requiring four more bedrooms to accommodate all the usual residents using the Canadian National Occupancy Standard.

82 ABS 2012, *Census of Population and Housing: Estimating Homelessness*, Australia, cat no. 2049.0, p 6.

83 Baker et al 2012, op cit, p 26.

84 This estimate might change if reconciled with the new ABS (2012) estimates for homelessness in 2006.

depending on the extent to which accommodation in non-private dwellings for the aged or the retired is due to a need for extra care or a lack of other options.

The ABS's recently published analysis of homelessness using 2011 Census data shows a substantial increase in overcrowding but similar numbers of persons in other marginal housing in caravan parks and other insecure tenures. Although the ABS has used different definitions to those of the scoping study commissioned by the Council, this suggests that the number of persons unable to access the mainstream housing market in 2011 is likely to be greater than was estimated for the 2006 Census by the Baker et al scoping study.

## Housing supply responses to changes in affordability

Relatively little comprehensive evidence has been collated on how the home building industry is changing the type of product it produces, and the method for producing it, in response to the decline in housing affordability.

The Council commissioned Urbis to conduct research into this and highlight areas for future investigation. The report from the scoping study *Housing Supply Responses to Changes in Affordability*<sup>85</sup> is published in full on the Council's website. In addition to a literature review, the study includes interviews with stakeholders with a direct interest and experience of the residential construction industry. These stakeholders included builders and developers, industry peak bodies, not-for-profit housing organisations and researchers, of various sizes and with a wide geographic sweep.

The study documents a number of examples of innovative responses by the industry, but it was not possible, based on the number of interviews undertaken, to accurately identify the extent to which these innovations have been adopted. Besides a few truly innovative, world-class projects, evidence of innovation in response to declining housing affordability is somewhat limited. Those in the industry who are responding to declining affordability most commonly do so through reducing dwelling and lot sizes, changing dwelling product and sourcing cheaper or more efficient materials that reduce time (and therefore costs) on site. The bulk of any change that has happened in the building process looks to have been a modification or refining of traditional construction techniques rather wholesale change. Some of the key points on the industry's response to declining affordability are highlighted below.

### Dwellings and lot sizes

A reduction in dwelling and lot size was the major area noted by the industry as having changed in recent years. Some stakeholders quoted a reduction in floor space

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85 Urbis 2012, *Report to the National Housing Supply Council: Scoping Study into Housing Supply Responses to Change in Affordability*.

in average two-bedroom apartments from over 80 square metres to around 60 square metres over the last decade.

There was a range of explanations for how this reduction has been achieved, including more open-plan living (for example, dining/living rooms and kitchens combined), more one- and two-bedroom homes being built instead of three- and four-bedroom homes, and reduced circulation areas — communal areas such as hallways, lobbies and stairways.

Terrace houses have become more popular and achieve amenity through higher-density development and the provision of adequate community infrastructure such as open space and community centres.

There has also been an increase in garage-top flats and apartments with the option to connect to adjoining dwellings. These have proved attractive in areas near universities, which tend to have many shared households.

## Materials and methods

There was evidence that some builders are looking to use cheaper materials to deliver more affordable dwellings. Some interviewees reported that they were buying materials from overseas, particularly from China, although there were challenges noted in establishing regular supply chains. There also remains a sense of national loyalty by some firms who source materials locally.

The greatest potential savings in the production process was said to be in increasing the efficiency of the construction process by reducing waste and downtime. Some builders also reported that they are looking to new materials and methods of construction, including light-weight bricks in preference to traditional clay bricks that are more costly to lay.

There was also some evidence of off-site manufacturing, such as with pre-cast concrete walls and building facades. However, the integration of off-site manufacturing has been slow, partly due to the fragmented nature of the contracting system. There is also a reluctance to produce new and different products because of concerns about whether the market will accept a new style, particularly modular design, and the investment required to train staff to work in a changed environment.

The cost of transportation both from abroad and within the country, and the relatively small scale of Australian markets, was also cited as a significant constraint to transporting modular components.

However, the study notes that some of the larger players are beginning to explore some of these more innovative practices, often looking to Europe and the United States for examples of best practice.

## Partnership with government

Several participants in the study identified areas to work with government, at State and federal level, to deliver innovative and affordable housing. It was noted that government often holds prime sites in desirable inner-city areas that are prime for infill development. Several specific examples were noted of partnerships where governments had contributed land to projects and in several cases innovative construction techniques were used.

The study notes a possible role for governments to act as a catalyst for innovation in their own projects, either by leading in their own projects or by requiring innovation in contracts with the private sector. It concludes that, particularly for smaller builders, stimulation for widespread change will need to come from elsewhere. This could potentially include regulation, incentives that support research and training and 'leading by example' in government projects.

## Factors influencing affordability and driving innovation

The study noted a wide range of factors attributed by interviewees as contributing to the decline in affordability in recent years. These included the cost of land; the challenge, particularly for smaller players, to raise finance; the complexity and inconsistency of the planning approvals process; difficulties with finding and purchasing affordable land and the costs of holding it; infrastructure levies; and regulation around the building process.

Factors affecting innovation include financing arrangements; the scale of projects; the geographical spread of delivery (smaller being better for market knowledge and consistent regulations); the capacity to engage in training; the capacity for on-site management; the capacity to invest in research and development; and different types of dwellings.

Innovation is regarded as more accessible for larger-scale developers than smaller players for a range of reasons including economies of scale and ability to self-fund (offering greater flexibility than bank borrowings); larger players also tend to have greater research and training capacity.

Innovation may be easier when an organisation operates over a smaller area without jurisdictional differences, such as different legislative requirements.

There is reluctance in the industry to risk producing new and different products that the market might reject, particularly in locations where these product types are relatively uncommon (for example, terrace housing in outer-ring suburbs). There is also an evident gap between trades expertise and the expertise needed for large-scale projects, which may not currently be being effectively met by other construction professionals. This gap is even more significant with the introduction of innovative building methodologies.



Despite limited evidence of widespread adoption at present, the industry is interested in, and open to, innovation. The study found that a number of major players are beginning to explore the opportunities for introducing more pre-fabricated components, module home design and other types of innovation more seriously.

The study suggests scope for future innovation through a 'Centre for Excellence and Innovation' model, where best practice is recognised and the industry can benchmark quality. It also notes that industry recommends greater community education to help home buyers to better understand the benefits of innovative products and different dwelling types that will allow more people into the market.

## Conclusions

A number of opportunities to drive innovation are identified in the study, including the following:

- Require the use of innovative construction methods in government projects.
- Address how the current construction industry contracting model works – it is seen as a disincentive to innovation.
- Invest in training to assist the industry to be able to implement innovation, particularly for smaller and medium sized home builders and developers.
- Support research, development and dissemination of new methods and materials.
- Support infill development as a necessary and significant contributor to housing supply in Australian cities.
- Promote innovation by 'leading by example' in government projects.
- Support the 'Centre for Excellence and Innovation' models.
- Develop a broad community education strategy targeting home buyers as well as the industry itself.

Industry responses to addressing declining housing affordability through innovation in construction methods have been limited to date. The most common responses are to reduce dwelling and lot sizes, to introduce changes in dwelling types, and others: to source cheaper materials from overseas and to introduce some limited prefabricated materials (such as concrete walls) that reduce construction time and therefore costs. These changes are primarily focused on refining traditional trade-based methodologies. There are differing challenges faced by smaller and larger builders in adopting new techniques.

Infill is expected to play an increasing role in meeting new demand in future and is often dominated by smaller players, with community opposition to high-rises slowing the approval process. There is scope for further exploring the challenges faced in adopting innovation in infill areas, particularly as smaller and medium-sized home builders and developers are delivering an increasing share of new dwellings in infill areas.

The challenges associated with greenfield development are different and include the consolidation of land holdings, infrastructure provision and the consumer accepting differing dwelling types.

## Council perspectives on innovation and housing supply

While appreciating the interesting snapshots that the interviews uncovered, and that the scoping nature of the study meant that the issues uncovered could not be investigated in detail, the Council has some additional observations on innovation in the housing industry in response to changing affordability.

The study notes there is more scope for innovation than is actually occurring, but that reducing lot sizes and dwelling sizes is the most common response to declining affordability. However, the scoping study, while giving examples, did not map the distribution of this change. In general, dwelling sizes, particularly for detached and semi-detached housing, appear to be increasing as a proportion of total stock,<sup>86</sup> as can be seen in Chapter 2 (Table 2.4 Bedrooms in occupied private dwellings).

There is a view in the Council that a shift to downsizing lots and the type of homes being produced is a significant change in its own right. It could be argued the industry is being structurally downsized as a result of this change. A move away from 'traditional' homes leads to a question of what the buyer profiles are for these products and whether these markets are big enough to sustain sales of both large-scale master-planned communities and small land developments.

Additionally, it is worth noting that medium/high density and infill development tends to be much more capital intensive than greenfield development. For example, substantial funding needs to be invested earlier in the construction process to provide site infrastructure when producing a block of flats in comparison to developing

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86 For example, analysis of Census data in National Growth Areas Alliance (NGAA) Local Government Areas shows that, despite the fact that household sizes have not changed a great deal since 2006, houses are getting bigger (more bedrooms), with a smaller proportion of three-bedroom homes (44 per cent compared to 47 per cent in 2006) and larger proportion of four or more bedroom homes (41 per cent compared to 37 per cent in 2006) in the total housing stock. Of the total increase in the housing stock in NGAA areas since 2006, nearly two-thirds of dwellings have had four or more bedrooms. The proportion of all dwellings with one or fewer bedrooms changed 0.1 per cent and the proportion of two-bedroom dwellings remained the same (<http://profile.id.com.au/ngaa/bedrooms>).

individual lots on a greenfield site. At the other end of the process, developers only receive income, or at least the bulk of the sale price, on completion of an entire infill site in the case of apartments in a block being sold. On greenfield sites with lot-by-lot development, the homes can be sold individually as they are completed. This greater use of capital is costly in its own right.

An increasing share of new homes being built as infill requires industry and government to recognise that this often involves a more complex and lengthy delivery model compared to many greenfield locations. This makes the environment more challenging in its own right and it is questionable whether it is reasonable to add further complexity by adopting new construction methods at the same time unless there are demonstrable time or cost savings (and no inherent sales risk). The Council is interested in evaluating the short- and longer-term impact on the industry of this complexity and the scope for innovation in producing new housing.

As the study notes, industry has identified lack of community education as a barrier to innovation in delivering more affordable supply. The Council notes, for example, that with smaller lot sizes one of the ongoing issues that needs to be resolved is ensuring acceptance by local councils that small lots are an acceptable solution to addressing affordability and that, with the appropriate design controls, they can enhance the overall image and streetscape.

One of the key areas impacting on affordability where there may be scope for innovation is in infrastructure provision. Across the country, the divergence between local councils in the standards and requirements for the delivery of services, such as roads, water, sewer, storm water and electricity, can have an additional cost impact. The Council recommends that State and local governments work towards developing an agreed system of infrastructure planning and funding that will be acceptable to government, the development industry and the community. Additionally, the Council would like to see State and local governments working towards uniform engineering codes for all residential developments to ensure consistency and deliver the cost savings required to address the ongoing affordability challenge.

## Conclusions and further research

The Council has long noted the need to examine the potential impacts of the ageing of the Australian population on the provision of housing. This need is confirmed in the study on Baby Boomers and in the study on affordability impacts on households, where it is noted that a substantial proportion of older residents may be in non-private dwellings because of affordability problems rather than care needs. Recognising the likelihood that future social and demographic trends will not necessarily reflect past practice, the Council will continue to explore the implications for housing of an ageing population, in particular recognising the influence of the Baby Boomers on housing markets and future housing needs and planning.

The Council will also continue to examine the scope for innovation and improvement in the creation of available and affordable housing supply to meet the changing needs of Australian households.