

HOUSING OLDER PEOPLE ACTUALLY WANT

Responding to the rising tide of an ageing population

KAY SAVILLE-SMITH

The silver tsunami

It has become fashionable to talk of the silver tsunami when we describe the impact of New Zealand's ageing population structure. But this is no tsunami – it is more like a slowly rising sea level.

Unlike a tsunami, New Zealand has had many years to think about our ageing future. Yet we have done little about it, perhaps because in some areas the population is still relatively young, sustained by the younger age pyramids of our Pacific and Māori populations. The reality is, however, that some parts of this country already have age structures more like ageing Italy, Germany, Japan and Greece rather than the still relatively youthful population of Auckland.

Property investment implications

So what does this mean for property investors? There has long been the notion that older people downsizing will generate a demand for apartments in New Zealand. However some interesting complexities around this seemingly simple response to a structurally ageing population emerge from *Find the Best Fit*, a Centre for Research, Evaluation and Social Assessment (CRESA) three-year research programme exploring older people's desire and capacity to downsize.

This research has surveyed, interviewed and undertaken focus groups with over 1,300 older people. National house price data from 1990-2013 has also been analysed by following the repeated sell and buy prices of specific dwellings. So for property developers and investors here are some top-line findings:



Older people would like smaller homes and gardens in walkable neighbourhoods, but find it difficult to find smaller suitable homes.

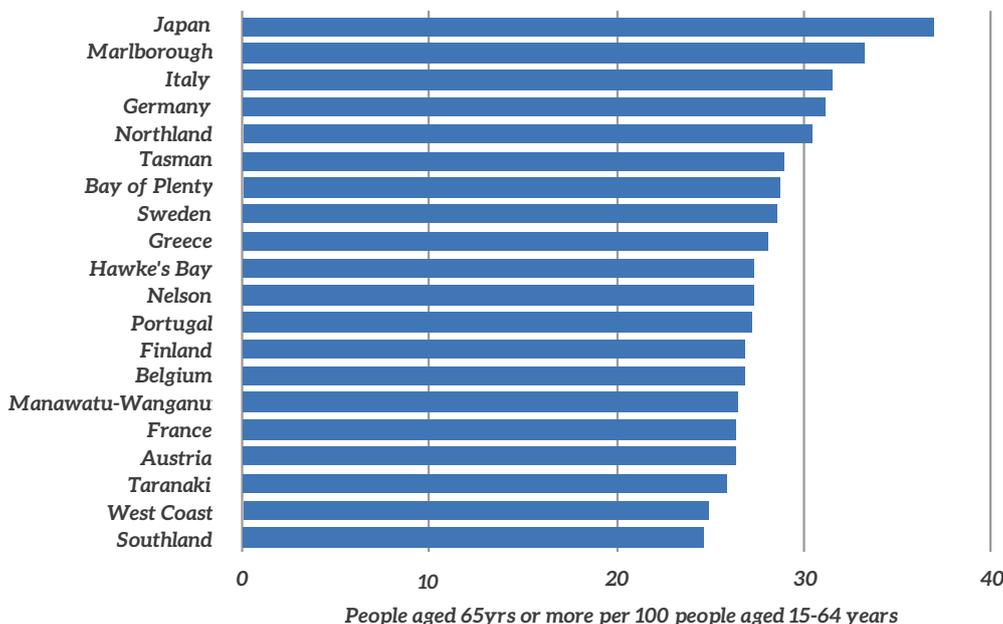


Figure 1: Older age dependency ratio – NZ's oldest regions and the OECD's 10 oldest countries



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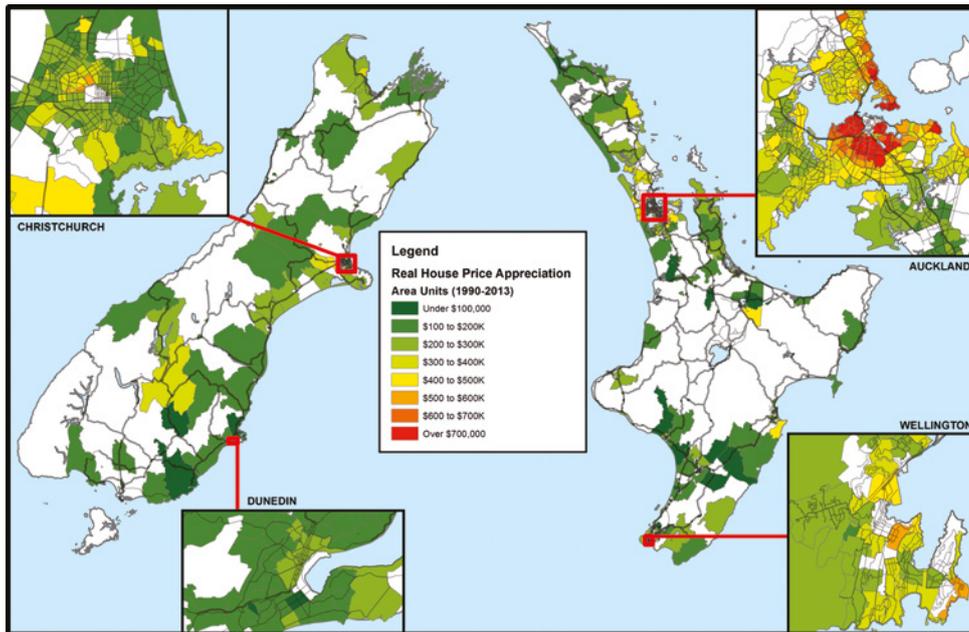


Figure 2: Real house price appreciation area units 1990-2013.

Source: Dr Michael Rehm and Professor Larry Murphy, University of Auckland, in Find the Best Fit

The vast majority of older people who aged in the post-war period are home owners, but in three decades this is not going to be the case.

- Older people are not big movers:
 - 79% of the 550 randomly surveyed older people living in the community had not moved dwellings in the five years before surveying, and
 - 78% of non-movers and 84% movers had no intention of moving within the next two years.
- Smaller homes are wanted by those seeking to move but:
 - Older people have anxieties about apartments related to body corporates and the leaky building syndrome
 - Entry to a retirement village is often perceived as resolving (rightly or wrongly) risks and inconvenience around body corporates and leaky buildings
 - Older people would like smaller homes and gardens in walkable neighbourhoods, but find it difficult to find smaller suitable homes that are:
 - at an affordable price
 - designed to be accessible and universally functional
- connected to shops and other amenities.
- Around 17% of retirement village survey participants and 21% of movers wanted to release equity from the sale of their last home but:
 - Equity release can be modest and varies considerably from place to place – some people simply cannot afford to downsize
 - More than half (54%) of the older movers paid more or the same for their downsized dwelling as they gained from selling their previous dwelling.

These survey-based findings are consistent with both our qualitative work with older people around issues of downsizing and the housing price appreciation analysis, which followed the value of dwellings sold and bought from 1990 to 2013. The latter shows there is considerable variation in house price appreciation. The heady price appreciations cited in the media tend to reflect housing markets in Auckland, but there are more modest appreciations around much of the rest of the country.

Pros and cons of retirement villages

Retirement villages have been on the leading edge of:

- More appropriate stock-sizing for older people
- Take-up of accessible housing design – represented in a significant number of retirement village operators seeking LifeMark accreditation
- The development of what are effectively master-plan developments with care given to communal and outdoor areas.

The stock provided through retirement villages is, compared to the New Zealand housing stock as a whole, heavily weighted to smaller dwellings and apartments.

However there are also barriers to retirement village living. Some older people expressed resistance to being with elderly people and living in a homogenous neighbourhood. There were also affordability barriers presented by the costs of licence to occupy and ongoing monthly costs. Also many retirement villages have, because of the issues around sustaining

their business models, increased the age of entry and moved away from a model of attracting early retirees.

Yet this downsizing research shows (confirming other research) that it is towards retirement many people think about moving and seeking a home for their retirement years. It is this pre-75-year-old population that find themselves with limited housing options.

Find the Best Fit research programme

The research in the *Find the Best Fit* programme has focused on older owner-occupiers. However from a property investment perspective it is important to recognise that New Zealand is not just experiencing population ageing. It is also experiencing a tenure revolution. The vast majority of older people who aged in the post-war period are home owners, but in three decades this is not going to be the case. The proportion of dwellings that are owner-occupied is falling, although the extent of that fall is somewhat obscured by licence to occupy being treated as owner-occupation in the census statistics (Figure 4).

Falling home ownership rates are already affecting older people. The percentage change in older people's owner-occupation shows a complex pattern, with negative changes among the 'younger old' and more sustained home ownership among the 'older old'. The latter suggests that, despite the extension of our lives, older people are currently more likely to retain home ownership and age in place (Figure 5).

To date, property investors have focused very much on owner-occupiers, typically on the assumption they have through their equity money to spend. Retirement villages have made a strong showing among higher income and asset-rich older people already. The gaps that are opening up are among functional dwellings for older people with more limited wealth and constrained incomes, not simply in Auckland, but in other centres with already structurally aged populations.

A new renting future

There is, too, a new renting future. This raises both opportunities and challenges for property investors and developers, especially about how to increase provision of smaller homes and outdoor areas while maintaining the accessibility and connectivity of older people and their desire for space and an outlook. 

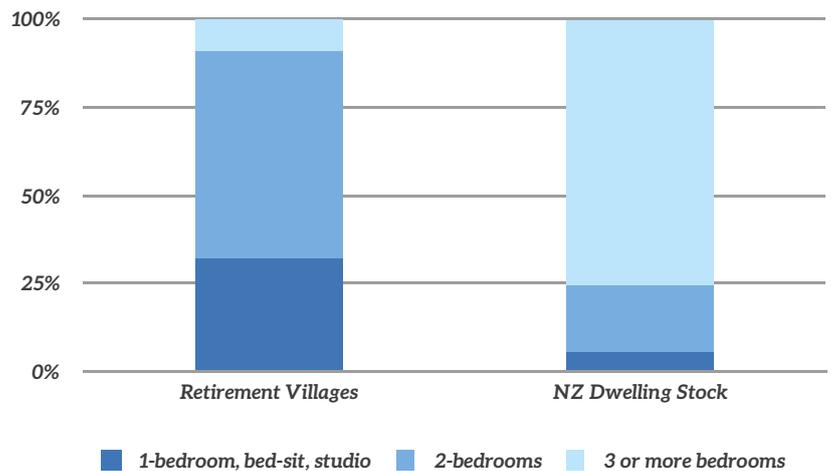


Figure 3: Stock types in the NZ housing stock and in retirement villages

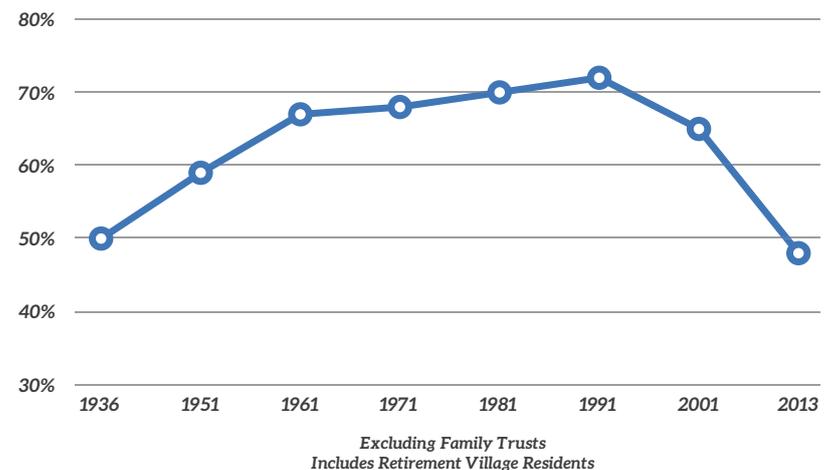


Figure 4: Proportion of dwellings in owner-occupation

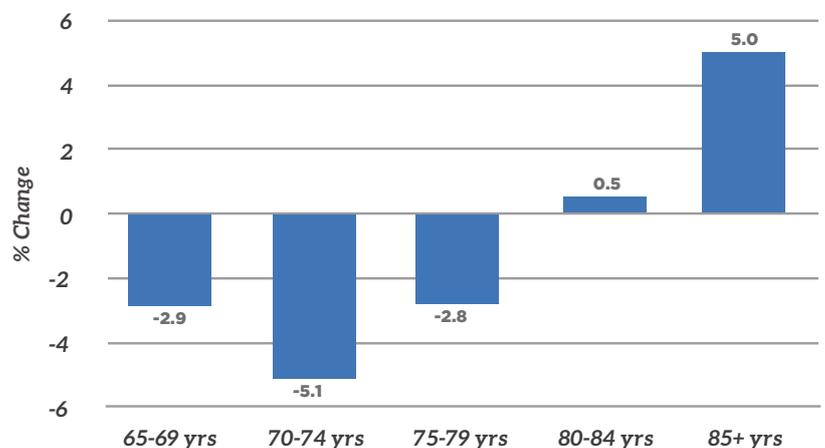


Figure 5: Percentage change in older people's owner-occupation 2001-2013 (NZ Census)