

Downsizing and the Housing Stock– Realities for Older People

September 2016

Dr Kay Saville-Smith (CRESA)

Dr Michael Rehm (University of Auckland Business School)

Dr Bev James (Public Policy & Research)

Professor Laurence Murphy (University of Auckland)



Introduction

The idea that smaller dwellings are best for older people has long been promoted, despite older people persistently and overwhelming reporting that they wish to stay in their existing dwelling. The push to downsize from a dwelling with a larger footprint to one with a substantially smaller footprint is found in three discourses. The one least engaged with older people themselves is the discourse around over-consumption of the housing stock. That is, where older couples and individuals are seen as retaining possession of larger homes which could be used by larger households. The second discourse is structured around the notion that downsizing from a larger to a smaller dwelling will be associated with a reduction in price and consequently allow an older person to withdraw equity from their home. The third discourse is around relieving the physical and financial burdens of larger homes if an older person becomes less mobile and less able to manage a large home and/or garden. The latter has always been in some tension with the policy framework of 'ageing in place'. The tension is resolved to some extent by the idea of older people moving within their existing communities to more easily managed dwellings.

Reducing the alleged over-consumption of dwellings has been a preoccupation in the public rental stock. It underpins the relatively recent removal of tenure security in Housing New Zealand stock and the implementation of a review process which is not simply associated with financial eligibility but also with household characteristics.¹ In the owner occupied stock the pressure to downsize because of alleged over-consumption is simply a motif that threads through some public commentary of housing and unmet demand but is counter-pointed with a drive for larger dwellings.

With regard to equity release, the *Finding the Best Fit* research into the meaning and practicalities of downsizing for older owner occupiers, has already shown that realising equity release from owner occupation is by no means straightforward. Older movers in the market or to retirement villages typically do not seek equity release. Among movers in the open market only 23 percent reported purposely seeking to release equity from their move. Among retirement village residents, 17 percent reported seeking to release equity. Large proportions of those who do seek to release equity make less than \$50,000 from the transaction. Among those moving to retirement villages, 47 percent achieve a surplus of less than \$50,000 and among older people moving around the market 66 percent were able to cash up less than \$50,000.² There is evidence that larger dwellings are costly to run and more difficult to manage. For instance, in dwellings 151-200 square metre dwellings, one person households have twice the median winter monthly energy cost of dwellings 100 square metres or less with one person living in them. Dwellings with 2 or 3 household members in excess of 200 square metres had median monthly winter energy costs of around 1.7 times those of similar sized households in dwellings 100 sq metres or less.³

¹ Housing New Zealand, 2016, Tenancy reviews for social housing tenants, <http://www.hnzc.co.nz/for-our-tenants-and-their-communities/our-tenants/tenancy-reviews-for-social-housing-tenants/>

² K. Saville-Smith, B. James, M. Rehm and L. Murphy, 2016, *Equity Release – Realities for Older People*, Report from Finding the Best Fit Research Programme, <http://downsizing.goodhomes.co.nz/resources/downloads/Equity%20Realisation%20and%20Older%20People.pdf>

³ L. Easton and K. Saville-Smith, 2008, Sustainable Building for Affordable Housing, Paper at the Resource Management Law Association Conference, http://www.rmla.org.nz/upload/files/rmla08_loiseastonkaysavillesmith_sustainablebuilding.pdf

Finally, those older people looking to move from their existing homes report want more functional dwellings and gardens. That is sometimes couched in terms of a smaller dwelling and/or section.

This report is concerned with the practicalities of moving from a dwelling with a larger footprint or number of bedrooms to a smaller dwelling. That is, smaller in terms of bedrooms or footprint. It reports on older people’s desire for smaller dwellings indicated in two surveys. The first was with over 561 older people aged 65 years or more living in the mainstream housing market undertaken in 2014. The second was a survey with 617 residents in retirement villages who had moved there within five years prior to surveying. The report focuses on the practicalities of moving to smaller dwellings by reference to New Zealand’s housing stock and the delivery of new housing stock by the building industry.

The Housing Stock

That the housing stock in New Zealand has followed a size trajectory in opposition to the trajectory of household size is well established (Figure 1). What is perhaps less appreciated is that the regions in which population ageing is most evident are, simultaneously, areas in which the supply of dwellings with lower bedroom sizes are least evident.

New Zealand, by international standards, is relatively young in terms of its population structure. In the World Bank’s country lists, New Zealand lies thirty-fourth in relation to older age ratios (Table 1). But the New Zealand profile must be treated with care for it covers up an extraordinary diversity of regional age structure experience.

Table 2 shows the older age ratio evident in many New Zealand regions. What is evident here is the very high ratios of older people in provincial centres and in the south. Indeed, only two regions show ratios below the New Zealand older age ratio as a whole – Wellington and Auckland. Moreover, Marlborough, Northland, Tasman, Bay of Plenty, Hawkes Bay and Nelson have age structures which are more like old Europe than they are young Auckland. Marlborough, for instance, is older in age structure than both Italy and Germany.

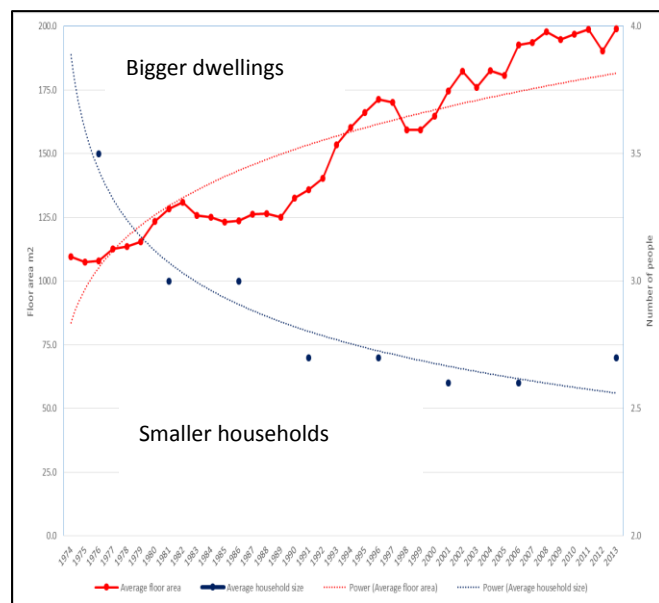


Figure 1: Falling Household Sizes and Larger New Builds

Table 1 Old Age Ratio by Selected Countries 2011⁴

Rank	Country	Old Age Ratio	Year
1	Japan	36.93	2011
2	Italy	31.51	2011
3	Germany	31.18	2011
4	Sweden	28.63	2011
5	Greece	28.01	2011
6	Portugal	27.21	2011
7	Finland	26.99	2011
8	Belgium	26.88	2011
9	France	26.44	2011
10	Austria	26.42	2011
13	Denmark	25.85	2011
16	United Kingdom	25.57	2011
17	Spain	25.27	2011
18	Switzerland	25.06	2011
19	Hungary	24.32	2011
20	Slovenia	24.11	2011
21	Netherlands	23.61	2011
23	Norway	22.58	2011
25	Uruguay	21.65	2011
26	Czech Republic	21.55	2011
29	Canada	20.84	2011
31	Malta	20.58	2011
32	Australia	20.33	2011
33	Luxembourg	20.33	2011
34	New Zealand	20.05	2011
36	United States	19.96	2011
38	Poland	19.32	2011
41	Iceland	18.17	2011
42	Cuba	18.02	2011
43	Ireland	17.82	2011
44	Russia	17.72	2011
46	Israel	17.04	2011
48	Slovak Republic	16.87	2011
49	Cyprus	16.66	2011
50	Argentina	16.52	2011

Yet Auckland has, compared to New Zealand as a whole, a higher proportion of one and two bedroom dwellings (Figure 2). That Nelson, Wellington, Auckland and Canterbury all have higher than the New Zealand proportion of smaller stock reflect the significant investment in pensioner housing in those areas made through government funding from the second world war up to the 1990s. It is notable that regions such as Bay of Plenty and Marlborough which attracted relatively low government pensioner housing investment are marked by stocks with larger bedroom numbers despite their now quite aged population structure.

⁴ <http://data.worldbank.org/indicator/>

Table 2 Old Age Ratio by Region 2013 New Zealand Census

Region	65 Years and Over	Older Age Ratio
Marlborough Region	8,907	33.3
Northland Region	27,762	30.4
Tasman Region	8,463	28.9
Bay of Plenty Region	46,869	28.7
Hawke's Bay Region	25,461	27.4
Nelson Region	8,109	27.4
Manawatu-Wanganui Region	37,128	26.5
Taranaki Region	17,802	25.9
West Coast Region	5,184	24.9
Southland Region	14,616	24.6
Canterbury Region	83,844	23.6
Otago Region	31,695	23.3
Waikato Region	59,574	23.2
Gisborne Region	6,126	22.9
Total New Zealand	607,032	21.9
Wellington Region	62,268	19.6
Auckland Region	163,155	17.1

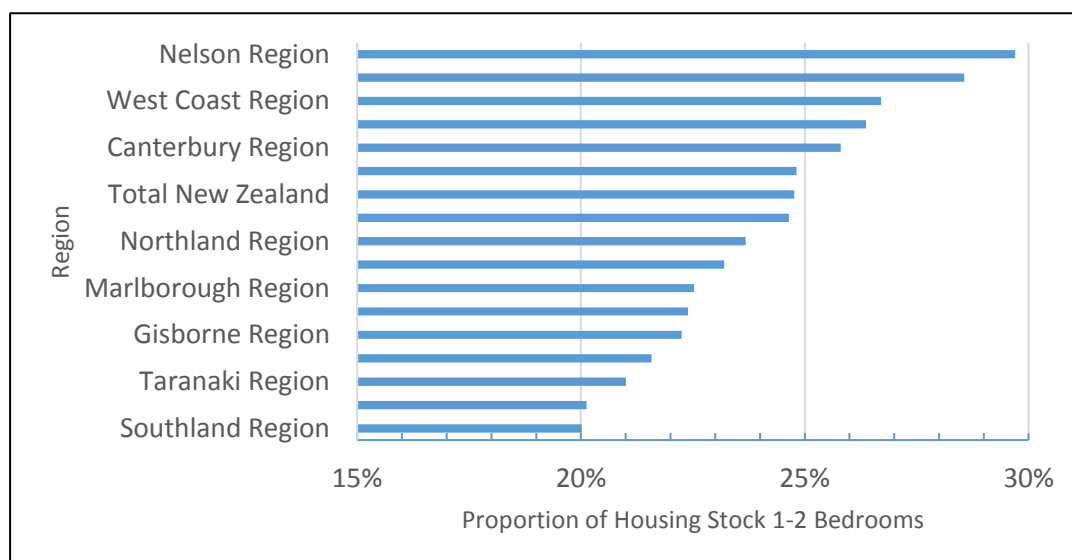


Figure 2: Proportion of 1-2 Bedroom Stock by Region

Supplying Smaller, More Functional Homes

This pattern of larger stock size continues irrespective of the age-population structure. As Figure 3 shows, only 7 percent of the stock added in Marlborough since 2001 is one or two bedroom. Even where the building of smaller units is more apparent, usually because of the expansion of the retirement village sector, in places such as Auckland over 60 percent of new-builds since 2001 have been four bedroom or more. One in five new builds in that market are dwellings with five or more bedrooms. Apartments tend to be more restrained in size increase (Figure 4) but the proportion of the stock built as apartments remains small.

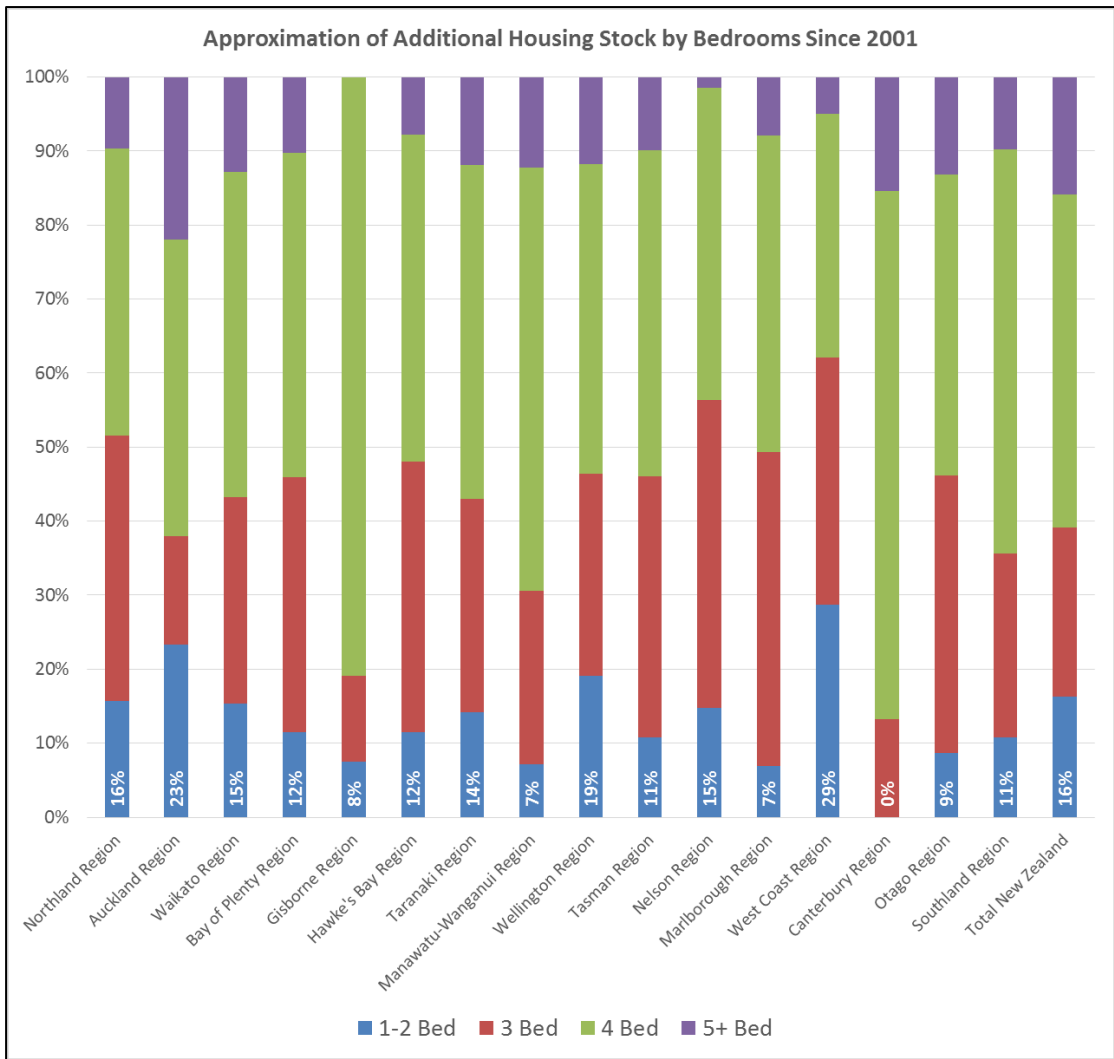


Figure 3: Proportion of Dwelling Stock Added Since 2001 1-2 Bedrooms by Region

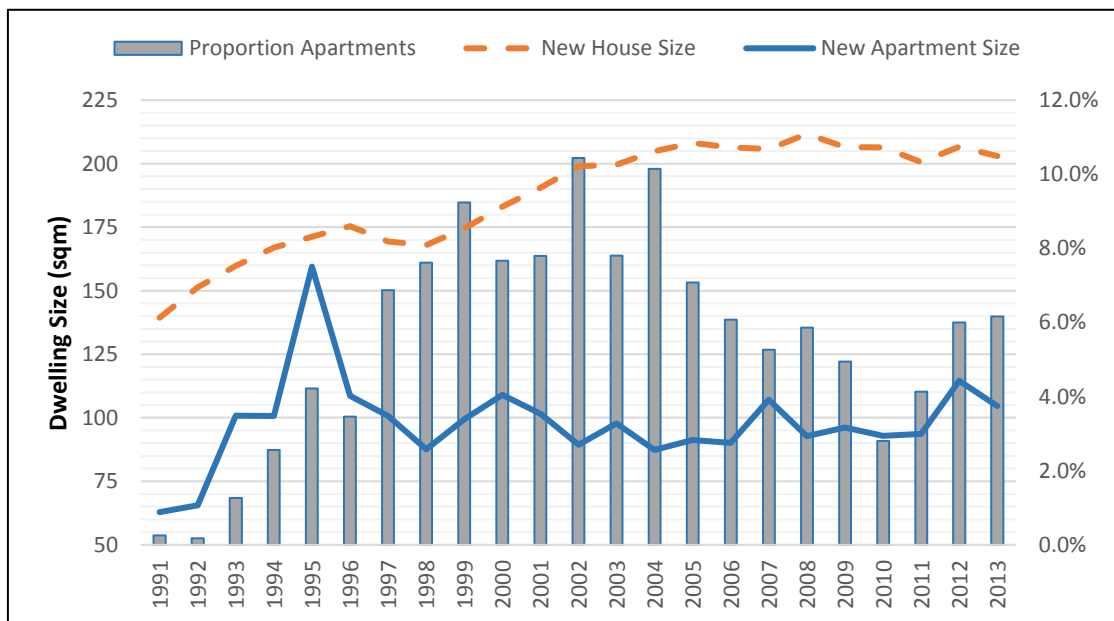


Figure 4: New Dwelling Size Since 1991 by Dwelling Typology

Just as there is a gap between the trajectory in household size trends and building size trends, there is also a misalignment in the dwelling sizes built in regions with older population structures (Figure 5).

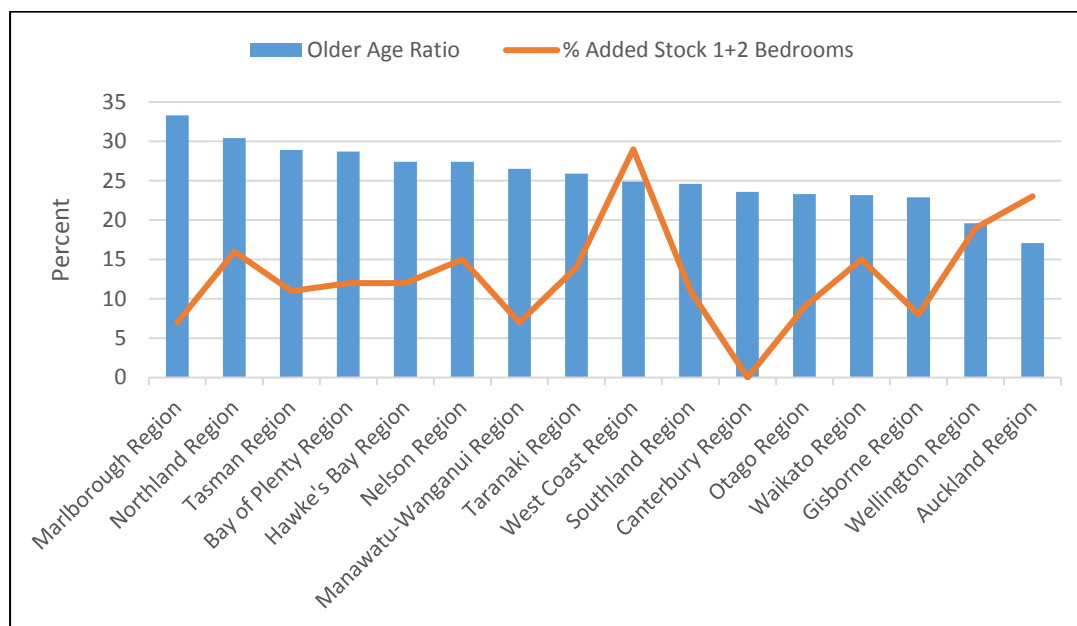


Figure 5: Regional Older Age Ratios and Proportion of Dwelling Stock Added Since 2001 1-2 Bedrooms

The residential building industry, including developers, tends to explain these patterns as indicative of low demand for smaller dwellings. This is not convincing. The burgeoning of the retirement village sector, despite the relatively low proportions of older people who can afford the fees associated with retirement village living, is evidence of a desire for smaller dwellings. As Figure 6 shows, the retirement village stock is heavily focused on two-bedroom dwellings.

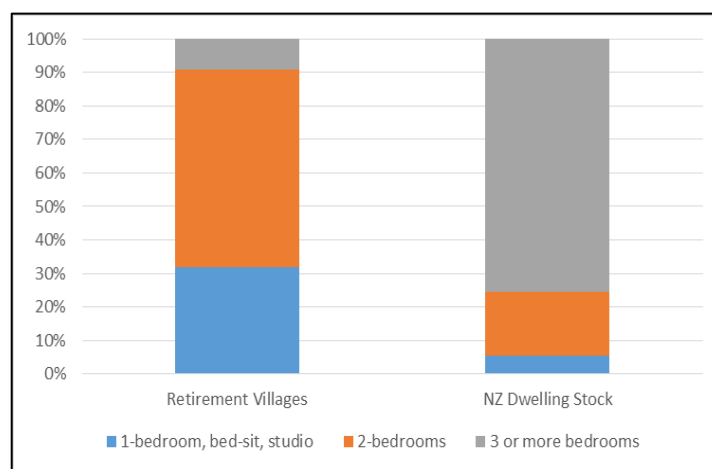


Figure 6 Retirement Village Stock compared to the NZ Dwelling Stock

The problem of finding a smaller dwelling that is functional and connected is persistently found in both the surveying and the qualitative research undertaken in the *Finding the Best Fit* research programme. The in-depth interviews and focus groups with 170 older people showed both a desire for a smaller home and, at the same time, the difficulty of achieving that desire. The aspiration for a small home was common, as these comments show:

I want something that's smaller. Get rid of a whole lot of junk. Release some money. Allows you time to do some things for you (couple 65-69 years).

As you get older things get more difficult. I'd love to buy a unit (couple 65-69 years).

Less maintenance, running costs and the work you have to do around the place ... I don't see downsizing as negative at all. I'm tired of stuff and just want to get rid of some of it. I've wanted to simplify my life for 18 years (couple 65-69 years).

Comments typical of those who had reduced the size of their dwelling and/or section, and were happy with the outcome, included:

We had a big garden, now just got a little garden. Absolutely wonderful. [former house] it was very large house and huge section which was getting a bit much (couple 80-84 years).

It was a 3 bedroom house and had a big section ... It was getting too much for me (man 85+ years).

However, problems in finding a smaller sized home were evident. Participants identified a lack of smaller sized homes, both in their neighbourhood and in their wider urban area:

We haven't done it yet [downsized] because we haven't found any other suitable place (couple 70-74 years).

We couldn't find anything we wanted in [their neighbourhood] - no town houses and small sections. Those town houses available often don't even come on to the market. These are the good ones and they go quickly ... we didn't want to move out of [town], that's where our friends are, so we had to find something here (couple 65-69 years)

Some participants also noted that, where smaller dwellings were available, those properties were not up to the standard they wanted or expected:

It was a bit difficult. Found a lot of trashy places! There wasn't a lot on offer (couple 65-69 years).

Ones on the market need a lot of doing to them or not in convenient areas. A lot of houses were old, needed money spent on them yet they were dear and we didn't have the excess money (couple 65-69 years).

Perhaps the most frustrating aspect of the search was the lack of evident consideration of the design for a smaller home to achieve convenience, privacy and a feeling of space. Participants' comments included:

I really only thought of it as being a smaller house with a garden, but this didn't have a garden when I moved, that's smaller than I expected (woman 85+ years)

I'd been looking for some years ... Been to open homes and so on. Looked at a new subdivision but didn't like them because no separate laundry and no storage (woman 80-84 years)

They were all built at the same time, and they are very shut in. I've never been lonely in my life before, but I am occasionally now, I can't see people on the street ... The fences are high right round (woman 85+ years)

Certainly, substantial minorities of older movers see smaller dwellings as desirable. Indeed, of movers to retirement villages, 104 of 617 residents reported that they had looked at dwellings on the open market. Of those, a third reported that their choice to eventually settle in a retirement village was driven in part at least by being unable to find a suitable dwelling on the open market (Table 3).

Table 3: Reported Reason for Eventual Selection of Retirement Village by those who Considered both Retirement Village and Open Market Housing

Reported Reason for Choice	% Residents Choosing RV Over Non-RV Dwellings (n=104)
Desired Dwelling not Available on Market	32%
Reduced self and household management	22%
Onsite care for self or partner	22%
Companionship	13%
Onsite Security	11%
Planning for Old Age	6%
Unchallenging Environment	4%
Children's Decision	4%
Cost Effective	3%
Additional Facilities	2%
Reduced Burden on Children	1%

*Multiple choice

Similarly, of the 126 older people who moved in the open market in the older people's survey, 28 percent, the single largest proportion of older movers, reported that they were seeking a smaller home through moving dwelling. About 26 percent of older movers were looking to reduce section maintenance and 25 percent were looking for a more functional and accessible home.

Key Conclusions

The evidence suggests, then, that there is a 'taste' for smaller dwellings. The problem for older movers is that the building industry has, for a variety of reasons, turned away from the low cost housing sector and targeted the upper quartile of new-build dwelling value. That shift in attention is associated with a focus on larger dwellings. It is a shift supported by the practices of valuation in which dwelling floor area and location tend to drive

valuations rather than the performance and amenities delivered by a dwelling.⁵ It is supported too by the way in which building costs are presented to householders. Building prices tend to be presented as a square metre cost which are almost inevitably higher in smaller dwellings than larger dwellings. Lower square metre prices can easily become confused with low and more affordable housing prices. It is a tendency fuelled by low interest rates and over-heated house prices which here and overseas have engendered an illusion of widespread wealth accumulation among owner occupiers.⁶

The focus on the upper quartile of the market reflects a significant shift in the framing of housing policy in New Zealand in the 1990s. Previous research on older people's housing futures has highlighted the differences in the housing market, housing policy and public policy that confronted the conditions faced by those who reached 65 years in 2010 and the policy framework and conditions that prevailed in 2008/09 for people who would be 65 year olds in 2050. Those include the virtual termination of direct assistance into owner occupation, removal of the Family Benefit and its capitalisation, and significant reductions in the building of state housing as well as reductions in capital support for community housing.⁷

All those changes have re-directed industry attention away from building housing in the lower quartile of housing values. It is supported too by a real estate industry that promotes space, including garaging space, as vital to resale. Finally, there has been a cultural shift. It is a shift noted not only in New Zealand but also in Australia, Britain and North America. It is a shift in which the asset-value of dwellings has been increasingly emphasised while their use-value has become less and less prominent in both policy and public discourse. The latter reflects in part the frequently unsound, but nevertheless persistent, idea of the dwelling as, effectively, an insurance for the costs of old age.⁸

Unfortunately, there remains a dogged retention of the idea that housing supply reflects the tastes and needs of households. This view is founded in part on a facile, and technically distorted understanding of the nature of housing demand. Markets only meet demand where consumers simultaneously have a taste for a housing typology, a willingness to pay

⁵ DPMC, 2008, *Final Report of the House Price Unit: House Price Increases and Housing in New Zealand*, Wellington: DPMC; New Zealand Productivity Commission, 2012, *Housing Affordability Inquiry*. Wellington: New Zealand Productivity Commission.

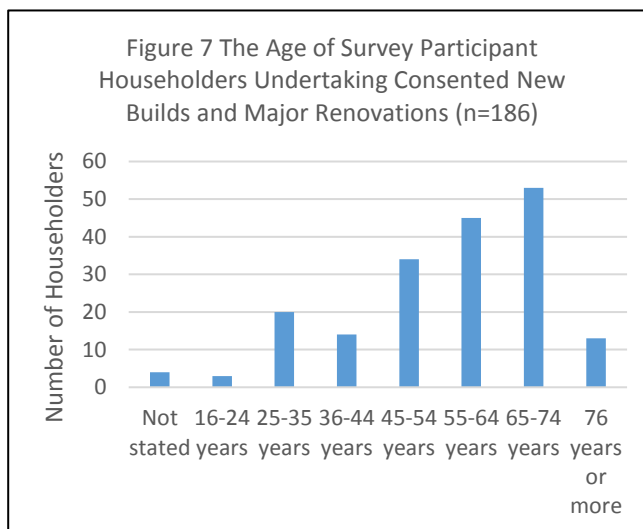
⁶ L. Murphy and M. Rehm, 2016, Homeownership, Asset-based Welfare and the Actuarial Subject: Exploring the Dynamics of Ageing and Homeownership in New Zealand. In N. Cook, A. Davison and L. Crabtree (eds) *Housing and Home Unbound: Intersections in economics, environment and politics in Australia*, Routledge/Taylor and Francis, London, pp 39-55.

⁷ K. Saville-Smith, B. James, J. Warren and A. Coleman, 2009, *Older People's Housing Futures in 2050: Three Scenarios for an Ageing Society*, Wellington, CHРАНZ.

⁸ L. Murphy, 2012, Asset-Based Welfare, in S. J. Smith, M. Elsinga, L. Fox O'Mahony, S. E. Ong, S. Wachter, and C. Hamnett (eds), *International Encyclopedia of Housing and Home, Volume 1*, (81-86). Oxford. Elsevier; N. Delfani, J. De Deken, and C. Dewilde, 2015, Poor because of low pensions or expensive housing? The combined impact of pension and housing systems on poverty among the elderly, *International Journal of Housing Policy*, 15:3, 260-284; K. Saville-Smith, 2013, *Housing Assets: A Paper for the 2013 Review of Retirement Income*, Wellington, Commission for Financial Capability, <http://www.cffc.org.nz/assets/Documents/RI-Review-2013-Housing-Assets-and-Retirement-Income.pdf>.

for that housing, and the ability to pay for housing at a price the industry wishes to deliver. Inertias within the building industry are high.

The failure to generate age-friendly housing has been persistent in New Zealand, despite much of the new-build and major renovations in New Zealand being consumed by older people. A recent survey undertaken by CRESA found that almost 60 percent of householders involved in new builds or major consented renovations were aged fifty-five years or more (Figure 7). That



study of accessible housing production of which that survey was a part prompted three conclusions. First, a low level of understanding of building and design among consumers. Second, even where consumers wanted accessibility features and/or accreditation, the building industry was not responsive. Finally, the building industry had low levels of recognition, capability or willingness to deliver accessible housing. Those findings are consistent with previous research both in New Zealand and overseas.⁹

⁹ For an extensive review see K. Saville-Smith and J. Saville, 2012, *Getting Accessible Housing: Practical Approaches to Encouraging Industry Take-up and Meeting Need*, A Report Prepared for the Office of Disability and Building and Housing Group, Ministry of Business, Innovation and Employment, Wellington <http://www.odi.govt.nz/resources/research/#Housing5>