

Housing for Older Australians

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COTA Australia 2017 National Policy
Forum
Canberra, June

Structure of presentation

- Broader impacts of older Australians having greater housing wealth
- Broader impacts of younger Australians having less housing wealth
- Policy responses

Labour force participation

- Single female home owners aged 55–75 have a strong and significant response to house price changes. **For each 1 per cent increase in house prices, hours of work are reduced by 1.1 per cent.**
- For this group, house price increases are treated as a large positive wealth gain, which is used to transition from work to early retirement.
- Negative consequences for productivity.

Source: Atalay et al 2017, House prices, household debt and labour supply in Australia AHURI, Final Report No. 266

Household consumption wealth effect

- Increases in house prices can have material impacts on the perception of wealth of a home owning household – the ‘wealth effect’ – and this can have downstream effects on consumption and therefore economic growth. For older households...



Pre-GFC

Additional household consumption of

\$1,000

for every \$100,000 increase in house prices

Post-GFC

Additional household consumption of

\$600

for every \$100,000 increase in house prices

Source: Atalay, K., Whelan, S. and Yates, J. (2017) Housing prices, household debt and household consumption, AHURI Final Report No. 282

Ageing in place

- High rate of home ownership sees more and more older Australians ageing in place, in their own homes and this costs \$4,000 - \$7,000 per year relative to \$34,000 per year in residential aged care.



Ageing in own homes

\$4,000 - \$7,000

in costs per year



Ageing in residential care

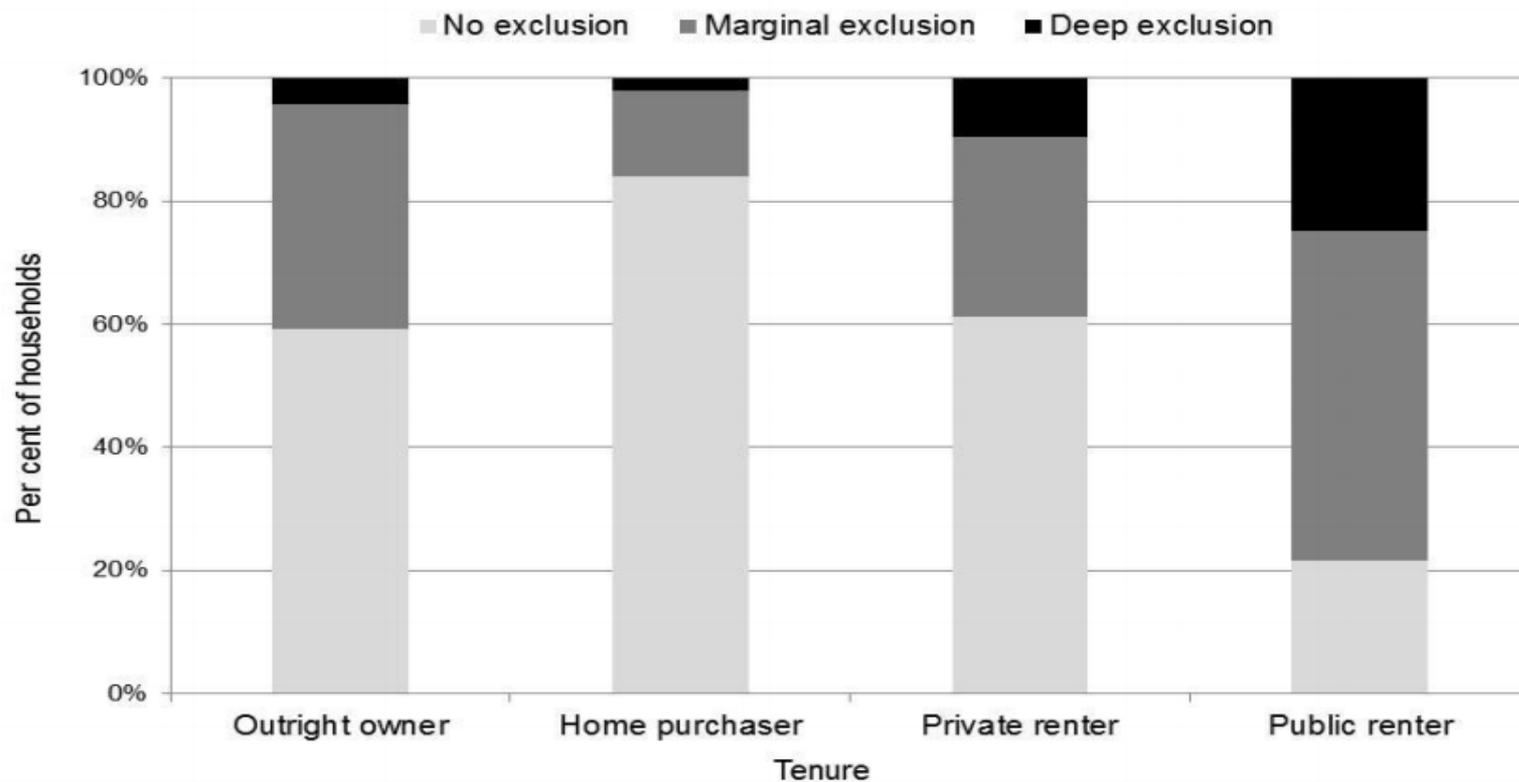
\$34,000

in costs per year

Source: Bridge et al 2008 The costs and benefits of using the home for the care of older people, AHURI, Final Report 115

Social inclusion

Figure 5: Social exclusion within housing tenures (all households)



Source: HILDA Survey, Wave 9 Release 2010

Source: Stone, et al 2013, *Housing and social inclusion*, AHURI, Final Report 207

Poor outcomes for children in private rental

- Having a stable home benefits children by providing families with a greater opportunity to maintain more consistency in their daily routines.
- Housing stability minimises the number of disruptive school changes that children have to cope with. Children who change schools frequently are three months behind their peers by the end of grade four, while those who repeatedly changed schools over a six-year period fell behind by a full year.

(Dockery et al. 2010, AHURI Final Report 149)

Poor outcomes for children in rental

- Children living in rented accommodation have less favourable outcomes
 - less favourable lifetime prospects
 - reduced math and reading achievements
 - greater propensity to drop out of high school
 - a lesser chance of graduating from high school
 - fewer years of completed schooling by the time they are adults
 - lower levels of earnings as adults.
 - more likely to display behavioural problems and to have poorer physical health outcomes ()

Sources: Dockery et al. 2010, AHURI Final Report 149; Dockery et al. 2013, AHURI Final Report 201

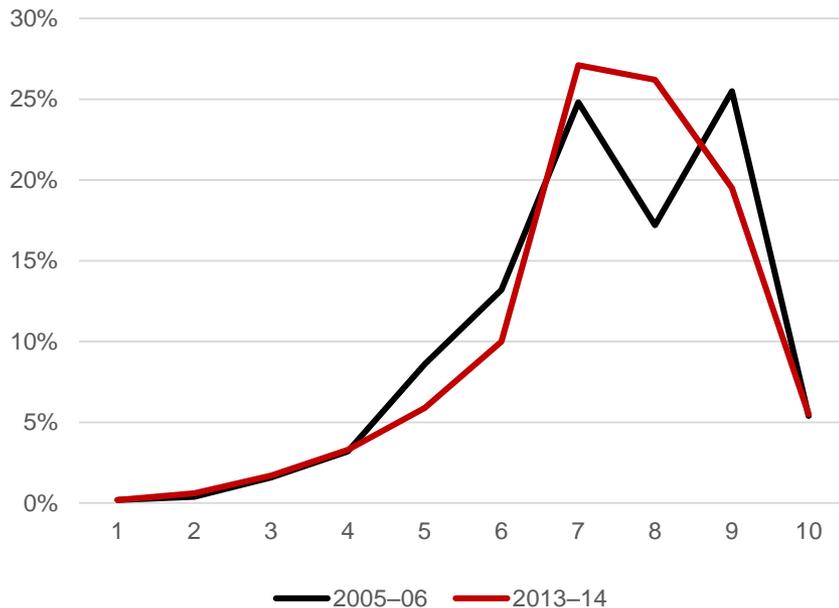
Inheritance

- Intergenerational transfers are associated with a more rapid transition into first-time home ownership, effectively doubling the chances of recipients transitioning into home ownership.
- Modelling showed that bequests and transfers from parents over the period 2001 to 2010 increased the level of wealth inequality.

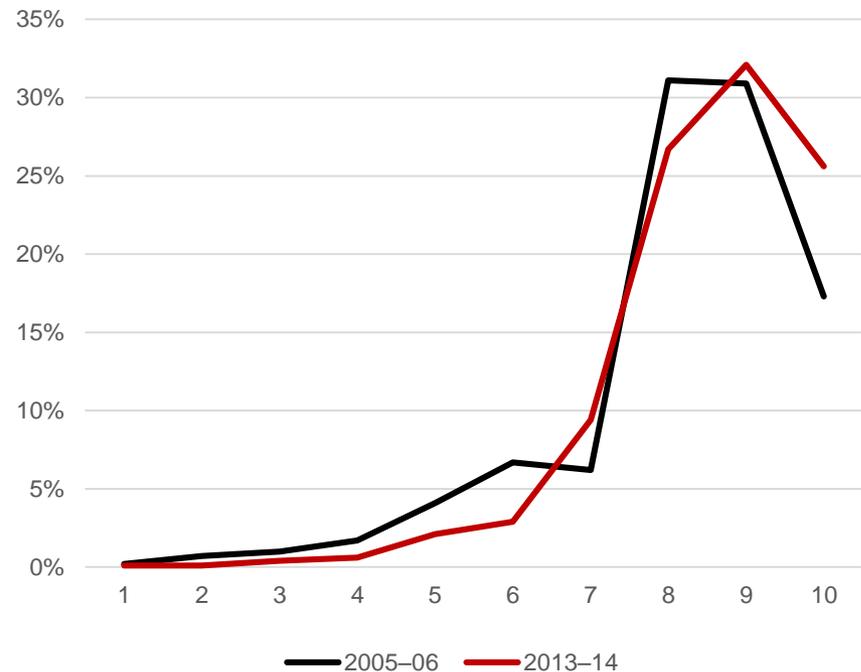
(Barrett et al. 2015, AHURI Final Report 250)

Supply is skewed to higher priced housing

**Building approvals by price decile:
Houses**



**Building approvals by price decile:
Units**



Source: Ong, R., Dalton, T., Gurrán, N., Phelps, C., Rowley, S. and Wood, G. (2017) Housing supply responsiveness in Australia: distribution, drivers and institutional settings, AHURI Final Report No. 281

Recent policy initiatives

- National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator
- National Housing Infrastructure Facility to support local governments to finance critical infrastructure
- Capital gains tax discount from 50% to 60% for individuals and Managed Investment Trusts to invest in affordable housing

ALSO

- Super saver plan for first home buyers
- Downsizing incentives for older home owners
- Security for renters



Upcoming conference



Affordability and liveability in our cities

Melbourne Convention and Exhibition Centre - 29 June 2017



The logo for AHURI features the acronym 'AHURI' in a bold, white, sans-serif font. A red curved line arches over the letters 'A' through 'R'. The lowercase letter 'i' is positioned to the right of 'R' and is colored red, with a red dot above it.

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