This is the published version:

Reed, Richard 1999, The older generation and the housing market, *REIQ journal*.

Available from Deakin Research Online:

http://hdl.handle.net/10536/DRO/DU:30022327

Reproduced with the kind permissions of the copyright owner.

Copyright: 1999, REIQ
The Older Generation and the Housing Market

REIQ Journal, November 1999

Richard Reed
Lecturer in Property Studies
The University of Queensland
Brisbane Qld 4072
AUSTRALIA
Telephone + 61 7 54 601189
Facsimile + 61 7 54 601169
Email r.reed@mailbox.uq.edu.au

With the ageing of the population and the advent of increasingly older households, the accommodation requirements of this sector will have a significant impact upon the overall property market in the future. Serious consideration should be given to their accommodation needs and preferred housing localities. This paper identifies and analyses the influence of older households upon the detached housing market in Brisbane.
Introduction

If the predications by analysts are true, the 65 years and over age bracket will heavily influence the residential real estate market during the first half of the next century. According the ABS, this segment of the population represented 11.3% of the Queensland in 1996 but is expected to increase dramatically to 24.9% (or one in four Queenslanders) by 2051. Although all age brackets are projected to increase in population numbers, it is this proportional increase in the 65 and over bracket which overshadows all other changes in the population. A growth rate of this proportion deserves special consideration, especially when current trends include decreasing fertility rates and the different social needs of fast changing society.

This article broadly explains the main changes in the older generation which are already occurring and are predicted to continue, and their implications on the demand and supply of residential property. This information will assist property owners, investors and developers to make informed decisions about the future, although it is recommended that further research be conducted if higher detail is required for a specific region. The information in this article is sourced from the Australian Bureau of Statistics (ABS), State Government Departments, Local Government Authorities and other government departments (eg. Dept. of Health) although detailed information is available concerning specific areas or suburbs.

Importantly there is no one single identifiable factor which is causing this proportional shift increasing the 65 and over generation. To fully understand this change a number of influences must be considered which are discussed in further detail below.

Mobility Rates

As well as household formation rates for new couples, the demand for services provided by real estate agents are directly affected by mobility rates which usually relates to the number of moves per age bracket in any given year. These statistics are important to agents as a single decision by a household to move has a two-fold effect, resulting in both a vendor and a purchaser situation. Between 1991 and 1996 in Queensland, 46.4% of the population moved at least once with only 41.2% showing the same address (the balance failed to complete the
1996 census question). Similar research in the USA found that only 6.3% of the 65 and over age bracket move in any given year, compared to 22.1% for younger age brackets.

It is considered that these statistics would roughly translate to the Australian market, varying from region to region. Reasons for this lower mobility for older Australians have been attributed to factors such as well established social networks in the local neighbourhood, and at times an accumulation of miscellaneous chattels and cherished memorabilia. Also, if an older couple experience an “empty nest” and now live alone, the attractiveness of downsizing is often lost with the extra transaction and relocation costs usually outweighing the financial gain of a smaller house. However, when the 65 and older generation do decide to move, they are most likely to relocate within the same suburb.

**Mortality Rate**

In Australia mortality rates have been steadily decreasing which has enabled more Australians to at least reach the 65 and over bracket. This decrease in mortality rate can be attributed to factors such as improved water supply, sewerage systems, food quality, better health services and the availability of immunisation and antibiotics. In real terms, the
mortality rate has decreased from 12.2 deaths per 1,000 population to 8.9 in 1955, and then to 6.9 in 1995. These reductions in mortality rates were greatly assisted by a large reduction in infant deaths, especially in the first half of this century.

Life Expectancy

The decrease in mortality rates has helped to dramatically improve life expectancy, which have increased since 1900 for males and females by about 20 and 22 years respectfully. For example, a male born in 1901 had a life expectancy of about 55 years increasing by 1995 to 75 years. It is also well known that females outlive males, increasing from an extra 4 years in 1900 to 5.9 years by 1995. These differences can be attributed to biological factors and lifestyles choices, which differ due to work practices and locational choices. Interestingly, infectious diseases caused 12% of deaths in the early 1920s falling to less than 1% by 1995.

Household Structure

The proportion of lone person households are continuing to increase, up from 13.6% of all households in 1971 to 22.1% in 1996. Regions with larger concentrations of 65 and over residents recorded high rates, which is reflects the increasing confidence and agility of older Australians, improving levels of health and the decision to delay moving into a retirement or nursing home. For example, the bayside city of Redcliffe has a higher than average 65 and over population which was reflected in an increase in lone person households from 8.6% in 1986 to 12.5% in 1996. In direct contrast larger families are decreasing rapidly, with the number of households with six or more residents declining sharply from 11.1% of all households in 1971 to 3.7% in 1996

Median Age

The median age of Australia’s population continues to rise which indicates a general ageing in the overall population, following trends in most parts of the world. Results from the first census in 1911 indicated this country’s median age was 24 years, increasing to the mid-thirties by the end of this century. As the baby boomer generation continues pass through into the older age bracket, the median age should continue to climb with projections reaching 41.3 years by the middle of the next century. Simply explained, more people are entering the
65 and over age bracket at a greater pace than they are being replaced by younger Australians. This situation is compounded when the implications of fertility rates are considered.

**Fertility Rates**

One of the prime reasons older couples have been overlooked in real estate marketing campaigns in favour of younger couples has been the future likelihood the younger household would expand and include children, an extra advantage over and above the 65 and over age bracket. However with the entire baby boom generation already reaching and beginning to pass through their reproduction stages, fertility rates have been steadily decreasing. In Australia the fertility rate in 1971 was as 2.9 per babies per woman, decreasing to 2.1 in 1976 and by 1995 was down to 1.8 per woman. Considering the increase in childless couples (27% in 1993, up from 8% in 1933), strategies marketing real estate to families will need to be refocused upon childless couples, including the increasing 65 and older generation.

**Summary of Implications**

Although they have already commenced, fundamental changes to the Queensland population base will continue with added pressure resulting from the passing through of the “baby boomer” generation. This should see a decrease in the proportion of first home buyers and more emphasis placed on the 65 and over age bracket. Changes in other related areas such as
decreasing fertility rates, increasing life expectancy, decreasing mortality rates, household formations and perceptions all contribute to a substantial increase in older Queenslanders.

The onus is upon the real estate marketers to recognise this shift in demand and adjust their thinking accordingly. Failure to adjust to these changes will leave the focus on a shrinking younger market, with the booming 65 year and over market set to explode but only those with foresight and understanding of their needs will benefit.