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**DETERMINING THE CHARACTERISTICS OF SUPPLY AND DEMAND  
FOR HOUSING THE 55+ AGE GROUP INTO THE NEXT MILLENNIUM.**

**Work in Progress for Masters Thesis by Research**

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## **Abstract:**

The paper considers some of the factors impacting on housing requirements in Australia, for the 55+ age group over the next 15 years. To determine the future directions of demand and supply of residential housing, will require consideration of the trends and the importance of the factors likely to affect future accommodation needs.

Given the population changes and the size of the 'baby boomer' generation. Australia's ability to prepare for the future for this group will need to be more carefully considered and better focused to accommodate a population trend, quite different from that which it has experienced in the past. A key factor in this research will be the population trends for this age group.

In addition to the expected population bulge for this age group and diversity of demand, the environment is likely to be influenced by a number of key factors, or forces. These forces will include, technology, level of wealth, and lifestyle preferences. Exploring the environment of the future will provide an appreciation of issues likely to influence future needs and lifestyles, of the sector of the population under consideration. 'Older Australians' will represent a greater proportion of the population, not only due to the 'baby boomers' bulge, but also due to longer life expectancy for this group.

## **Overview of Research Project:**

The research proposes to study the housing of Australia's ageing population, incorporating the factors affecting supply and demand for accommodation, with emphasis on requirements into the next century, of the generation known as the 'baby boomers'.

The Council on Ageing (1995) defines the term 'older Australians' as that portion of the population over the age of 55 years. As stated by Shulz (1991), traditionally the 'retirement age' of 65 years has been used as a benchmark for the ageing population. Researchers and policymakers have now focused on a starting point of 55 years of age, in line with the current official age for access to the preserved component of superannuation. Given this trend, the age of 55 years will be adopted for this research.

Thurow (1996) defines the 'baby boomers' generation as that segment of the population born post Second World War, between 1947 and 1963, although often, available literature cites varying years of birth either side of these dates (Kotler 1998 and Dent 1993). It is generally agreed (Australian Housing and Urban Research Institute (AHURI) 1996 and Dent 1993) however, that this group, who have begun to enter their 50s, will have the biggest impact on many facets of society, due to the large numbers at each age level. As pointed out by Dent (1993), the 'baby boomers' generation brings with it changes to the economy primarily by its sheer size and cycle of spending patterns.

Given the population changes and the size of the 'baby boomer' generation, Australia's ability to prepare for the future for this age group will need to be more carefully considered and better focused to accommodate a population trend quite different from that which has been experienced in the past.

To determine factors driving demand for housing, an understanding of the environment over the next ten years and beyond is required. Consideration will need to be given to such factors as: -

- Key enabling technologies, as cited by Dertouzos (1997), will impact on peoples lives in areas such as enhanced communication and advances in medical science;
- Population Trends, the future size and structure of the population according to Australian Bureau of Statistics (ABS) Population Projections (1996); and
- Wealth levels - as a consequence of superannuation.

On the supply side, provision of appropriate residential housing will need to take into account issues like, lifestyle, security, degrees of incapacity and technology.

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**Rationale for program:**

There are many stakeholders with a keen interest in the outcomes for housing the ageing population of the future. On the demand side, the ageing group will have a dominant role in determining the factors that will influence their choices. These include the extent to which technology will be part of their lives, concern about safety, quality of life, income and wealth levels as well as other general lifestyle characteristics. On the supply side, service providers, governments, infrastructure planners and developers are some of the stakeholders who will be affected by the choices made by this generation and their general accommodation requirements.

In order to gain useful insight into the requirements for provision of accommodation, for the section of the population under review, an examination of the international trends occurring will be necessary. The impact of globalisation of the economy and intensified market driven competition, together with loss or reduction of government funded support systems, will result in a different accommodation requirement for some segments of the ageing population.

According to Cairncross (1997) the revolution occurring in the area of communications will have a dramatic effect on all facets of peoples lives, one being increased choices of where and how the population chooses to live. The impact of key enabling technologies, such as enhanced communication and advances in medical science, may provide the opportunity for people to live in what at present, may be considered more remote areas of the country. Access to 'on-line' medical and support services could lead to a reduction in the requirement to situate within close range of medical and other facilities. The emerging trend to leave the city for smaller urban communities could accelerate with the opportunities afforded via technological advances. Anecdotal material, currently available (Nieuwenhauzen 1997), indicates that this trend is fuelled by a desire for improvement in the 'quality of life'.

In America many of the wealthy ageing, representing a small percentage of the total population, have closed themselves off from society (Thurow 1996). From the researchers readings, parallels can be drawn between much of what occurs in Australia and that which has already occurred in the United States, indicating that a knowledge of such trends and patterns are important to us. Nieuwenhauzen (1997) refers to the impact of technology on the lives of Australians and infers that this could contribute to the development of 'walled cities'. Clearly the population pressures and crime rates, to the extent that they exist in the United States, are not yet present in Australian society, however these are factors that will impact at some level on people's choices.

Unlike studies undertaken in the United States on aspects of housing older people (Anikeeff and Mueller 1998), little has been carried out for Australia. Varying approaches to characterising the housing needs of the

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ageing population in Australia (Council on Ageing 1995 and AHURI 1996) have been considered, although past studies have been inclined to focus primarily on population estimates, based on ABS data and existing lifestyles. A different approach by Shulz (1991) places an emphasis on the economics of an ageing population and less on physical requirements of housing. Studies did not tend to incorporate economic considerations, the impact of technology and other factors, which are likely to influence demand and supply for the future.

In the past, some comprehensive studies of specific segments of the population have been carried out pertaining to those with special accommodation needs, such as those who have been incapacitated in some way. For example, reports such as Department of Veterans' Affairs (1994), addresses the needs of war veterans and widows, but little has been applied across the total segment of the population under consideration.

An Australian perspective on this issue will provide all stakeholders with the ability to better formulate policy for the future. For the projected period, events and circumstances are likely to be markedly different from those in the past. Consequently, the process of examining demand and supply characteristics cannot be simply based on the extrapolation of historical data. There is a need to supplement the data with knowledge of these new circumstances.

In researching this area, the various approaches will be examined, with the intention of bringing together concepts from such studies and incorporating new approaches. This body of knowledge can then be applied to addressing the requirements of housing the ageing population. There are numerous factors that impact upon residential housing requirements, but only those that have a distinct impact will be discussed in detail. It is envisaged that whilst a number of factors are likely to impact upon residential housing requirements, those factors identified as likely to have a notable impact, will be discussed to a greater degree. The principal focus of the study will be on the implication, flowing from this, for the residential housing market over the next 15 years for the 55+ age group.

The objective of this research will be to determine the future directions of demand and supply of appropriate residential housing over the next ten to fifteen years in Australia, with particular reference to people in the age group 55 years and beyond. Within the context of this research, housing needs projections extended 15 years ahead would be considered long term and are dependent on a range of factors. In addition to the population size for this cohort being the single most important variable, a contention of this research is that housing needs for the next 15 years will be significantly different to that of previous periods in history. Not only will the size of the cohort be different, but also we are entering a period when technology will impact significantly on choices.

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**Methods:**

In order to undertake this study, the required approach will entail an extensive literature review of this area and quantitative analysis of the data collection will be necessary.

The review of the literature will focus on exploring the environment of the future. This will provide an appreciation of issues likely to influence future needs and lifestyles, of the sector of the population under consideration. 'Older Australians' will represent a greater proportion of the population due to the 'baby boomers' bulge and also due to longer life expectancy.

- **Population Trends:**

The future size and structure of the population cohort according to ABS (1996) taking into account fertility, mortality, immigration and longevity.

During the period 1996 to 2016, Australia's population is projected to grow from 18.1 million to around 22.1 million, subject to the assumptions adopted with regard to fertility and overseas migration. [Table 1]

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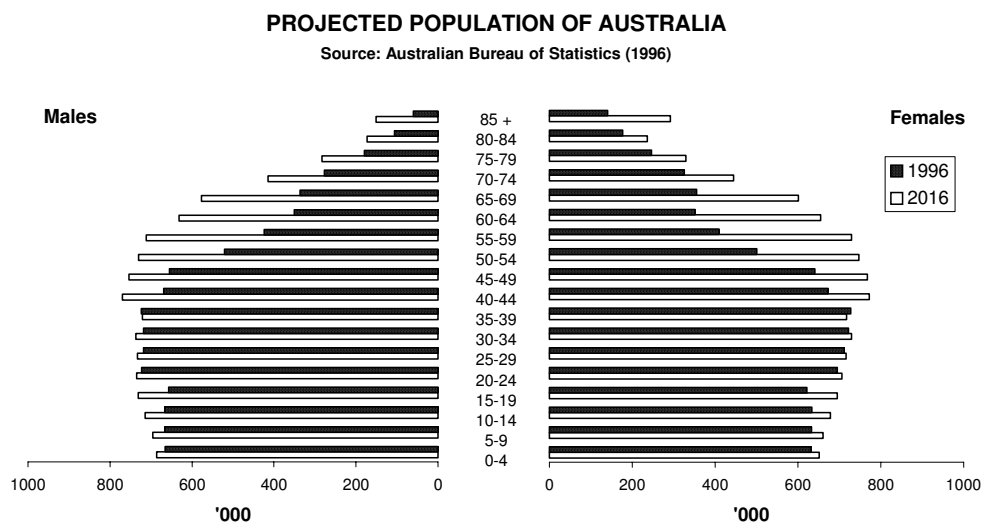
TABLE 1

('000) Age	1995			1996			2001		
	M	F	All	M	F	All	M	F	All
0-4	661.8	628.6	1290.4	665.2	631.9	1297.1	685.2	650.5	1335.7
5-9	659.8	626.5	1286.3	666.2	633.0	1299.2	681.3	647.5	1328.8
10-14	662.2	628.7	1290.9	666.6	633.4	1300.0	681.3	647.5	1328.8
15-19	651.8	617.3	1269.1	656.8	621.0	1277.8	685.0	651.0	1336.0
20-24	736.7	709.2	1445.9	722.6	695.1	1417.7	679.0	650.6	1329.6
25-29	693.2	687.7	1380.9	718.4	712.0	1430.4	737.3	722.3	1459.6
30-34	727.9	730.6	1458.5	718.2	721.7	1439.9	738.3	741.2	1479.5
35-39	706.8	709.3	1416.1	723.9	727.4	1451.3	731.4	739.9	1471.3
40-44	661.7	664.1	1325.8	669.4	672.1	1341.5	730.0	736.5	1466.5
45-49	637.6	619.3	1256.9	655.1	640.8	1295.9	670.3	674.8	1345.1
50-54	496.8	475.8	972.6	521.1	500.3	1021.4	649.3	638.4	1287.7
55-59	409.2	396.2	805.4	423.6	409.1	832.7	511.2	496.6	1007.8
60-64	348.9	352.0	700.9	350.4	351.5	701.9	407.5	402.6	810.1
65-69	336.6	355.4	692.0	336.5	355.1	691.6	325.6	339.7	665.3
70-74	269.8	322.2	592.0	276.8	325.9	602.7	295.7	332.2	627.9
75-79	170.6	235.7	406.3	179.5	246.9	426.4	222.5	288.4	510.9
80-84	102.5	171.6	274.1	106.0	177.0	283.0	124.6	197.9	322.5
85 and over	56.7	133.3	190.0	60.1	140.3	200.4	80.5	178.1	258.6
<b>All ages</b>	<b>8990.6</b>	<b>9063.5</b>	<b>18054.1</b>	<b>9116.4</b>	<b>9194.5</b>	<b>18310.9</b>	<b>9636.0</b>	<b>9735.7</b>	<b>19371.7</b>

('000) Age	2006			2011			2016		
	M	F	All	M	F	All	M	F	All
0-4	685.1	650.3	1335.4	680.8	646.1	1326.9	686.0	650.8	1336.8
5-9	699.9	664.8	1364.7	699.9	664.6	1364.5	695.8	660.5	1356.3
10-14	695.3	660.8	1356.1	713.9	678.2	1392.1	713.9	678.0	1391.9
15-19	698.8	664.2	1363.0	712.8	677.6	1390.4	731.5	695.0	1426.5
20-24	706.5	678.8	1385.3	720.5	692.1	1412.6	734.6	705.6	1440.2
25-29	691.6	674.6	1366.2	719.2	702.8	1422.0	733.3	716.2	1449.5
30-34	754.3	748.1	1502.4	709.1	700.7	1409.8	736.7	728.9	1465.6
35-39	749.1	757.1	1506.2	765.1	764.1	1529.2	720.4	716.9	1437.3
40-44	735.7	747.5	1483.2	753.6	764.9	1518.5	769.8	772.1	1541.9
45-49	729.3	738.3	1467.6	735.3	749.6	1484.9	753.5	767.1	1520.6
50-54	664.6	672.2	1336.8	723.4	735.5	1458.9	729.8	747.1	1476.9
55-59	637.5	632.9	1270.4	653.4	666.7	1320.1	711.7	729.6	1441.3
60-64	493.3	488.4	981.7	615.5	621.9	1237.4	632.0	655.3	1287.3
65-69	380.7	389.2	769.9	462.1	472.2	934.3	577.1	600.6	1177.7
70-74	289.6	319.0	608.6	340.2	365.9	706.1	414.7	444.3	859.0
75-79	241.9	295.8	537.7	239.2	285.6	524.8	283.2	328.9	612.1
80-84	157.8	233.6	391.4	173.4	241.9	415.3	173.4	236.0	409.4
85 and over	101.4	214.5	315.9	129.7	259.8	389.5	151.0	291.7	442.7
<b>All ages</b>	<b>10112.4</b>	<b>10230.1</b>	<b>20342.5</b>	<b>10547.1</b>	<b>10690.2</b>	<b>21237.3</b>	<b>10948.4</b>	<b>11124.6</b>	<b>22073.0</b>

Population pyramids, based on ABS (1996) data can be utilised to convey a pictorial representation of the current and projected period. A comparison of 1996 statistics and those projected for 2016 shows the change in the population structure, over this period. [Chart 1]

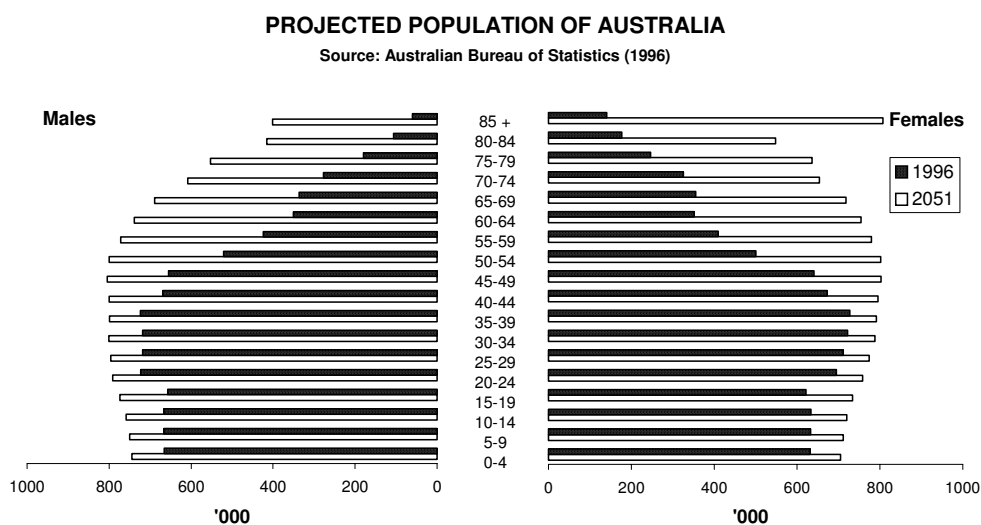
CHART 1



A comparison between 1996 and 2051 reveals the extent of the trend occurring within the 55+ age group, with the pyramid becoming substantially heavier in the higher age groups as the baby boomers age, coupled with longer life expectancy. (Chart 2)

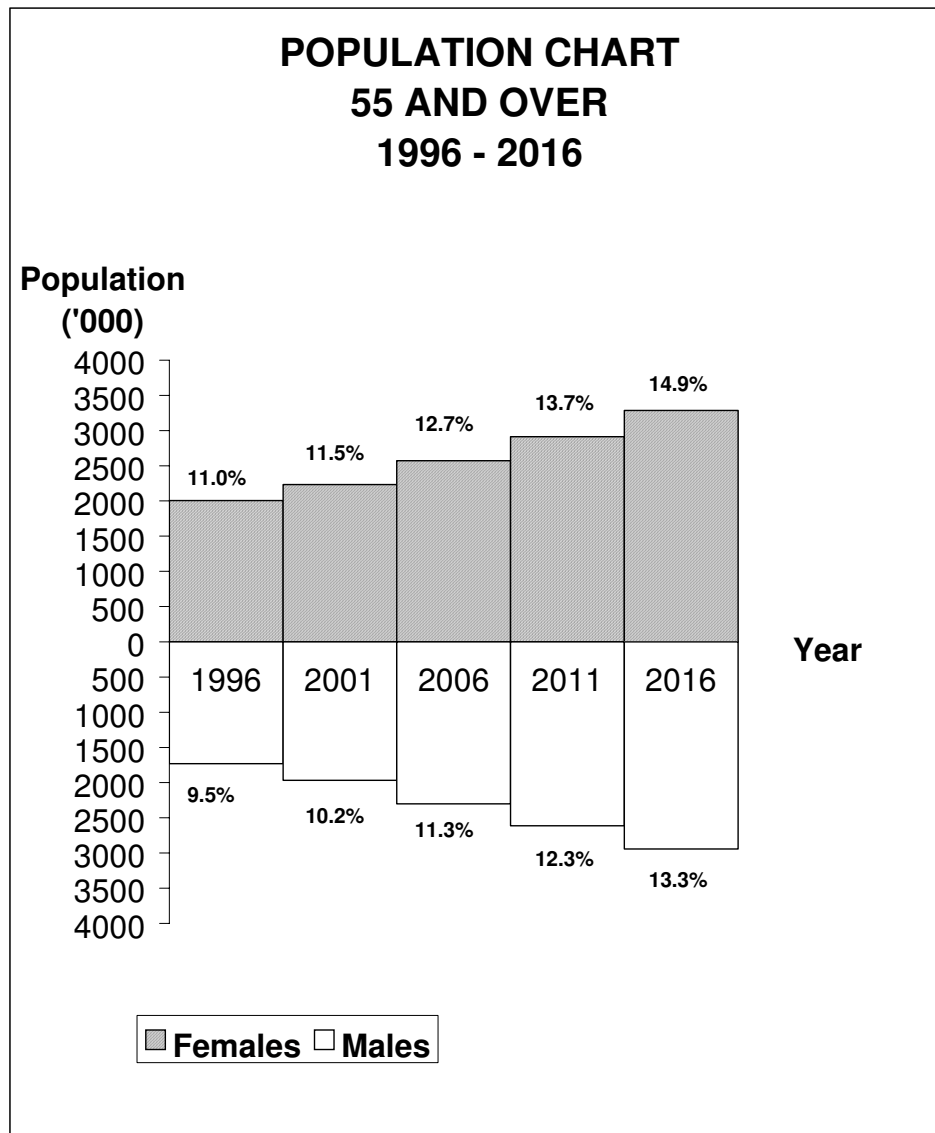
The number of people aged 85+ rises sharply between 2021 and 2041 due to the effect of the baby boomer generations who reach 85 years and more during this period. Average life expectancy for a female by 2051 is projected to be 86 years and males 81 years, whereas for 1996 the ages were 81 and 75 respectively.

CHART 2



In 1996 the baby boomers cohort represented 30 percent of the total population, whilst the 55s and over segment accounted for 20 percent. It is projected this proportion will rise to 28 percent by 2016, in line with the majority of the baby boomers then falling into the over 55s segment.

CHART 3



Further analyses by accommodation types for each age group, to ascertain the most significant type of accommodation of the 55 and over segment in the current environment will provide a clearer picture of that presently available as a basis for future projections.



**1996 ACCOMMODATION BREAK-DOWN  
55 YEARS AND OVER - BY AGE GROUP**

<b>Category</b>	<b>Age</b>	<b>55-59</b>	<b>60-64</b>	<b>65-69</b>	<b>70-74</b>	<b>75-79</b>	<b>80-84</b>	<b>85 and over</b>
Nursing Home Special Accommodation Retirement Village Other Specialised Independent	TO BE COMPLETED ON RECEIPT OF DATA							
<b>Total</b>								

In addition to the expected population bulge for this age group and resulting diversity of demand, the environment is likely to be influenced by a number of key factors, or forces.

Some of these factors are: -

- **Wealth:**  
Incorporating superannuation implications and disposable income.
- **Key Enabling Technologies:**  
Impact on peoples lives in areas such as enhanced communication and advances in medical science.
- **Lifestyle Preferences**  
Review of factors such as rural vs. city living, security and 'better way of life'.
- **Workforce participation**  
Declining work participation levels for 55 and over segment.
- **Government Planning and Policy Issues:**  
Legislation, rules and regulations, funding issues and infrastructure.
- **Cultural Backgrounds.**

**Simultaneous equation model:**

$$H^D = f(\text{Employment, Population, Income, Relative Price, GDP, Technology, .....})$$

$$H^S = f(H^D, \text{Land Availability, Building Materials, .....})$$

$$H^D = H^S$$

One approach to addressing demand is that of an econometric model of the housing industry, requiring data of several economic and other variables, covering the period of analysis 1996 to 2016. Consideration must be given to the reliability of the base data relied upon for projections. Population data is easily accessed from the ABS would be expected to be reasonably reliable. However, most of the independent variables could prove extremely difficult to predict over the horizon, given the lack of public information available, resulting in an unreliable projection.

An alternative approach to consider, is to examine the implications of the factors listed and use a scenario analysis approach, such as that utilised by Burns (1986) and Schwartz (1996), which is used to examine the implications concerning the provision of housing for this age group. This would include the evaluation of trends, size and composition of prevailing factors or forces, as historical facts can not easily be extrapolated into future trends.

**Expected Outcome from this Research:**

It is proposed that by projecting data out to the year 2016, taking into account the factors and methods discussed, a better understanding of the provision for housing for this cohort in the future could be gained.

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