



# How will New Zealand's ageing population affect the property market?



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## Summary

Like many other countries, New Zealand's population is ageing. This means more people, and a higher proportion of the population, will be in the older ages. An ageing population will dampen population growth, but there will be more households, partly because of the trend to fewer people in each household. This will be driven by more one-person and couple-only households.

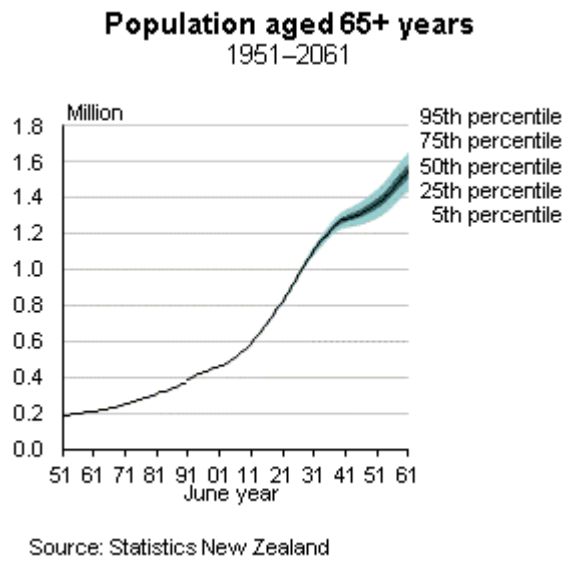
*How will New Zealand's ageing population affect the property market?* considers some of the implications of an ageing population for the property market.

The demographic projections were published by Statistics NZ between 2010 and 2012.

# New Zealand's population is ageing

New Zealand is experiencing a significant change in the structure of its population. The number of people aged 65 and over (65+) has doubled since 1980, and is likely to double again by 2036 (Figure 1). The largest growth will occur between 2011 and 2036, as the baby boomers (those born from 1946 to 1965) move into the 65+ age group.

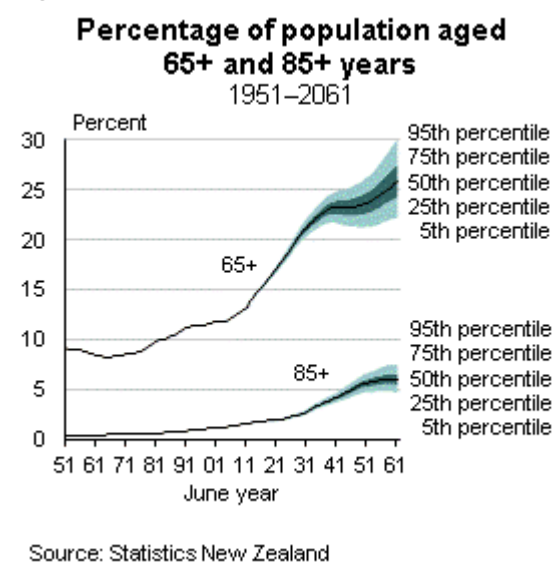
**Figure 1**



Note: The percentiles and shading in graphs indicate the chance that actual results will fall within this range.

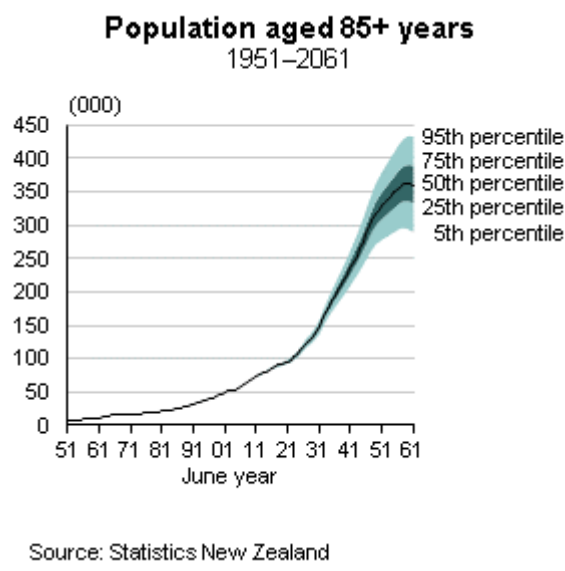
By 2036, we expect that between 21 and 24 percent of New Zealanders will be aged 65+, compared with 14 percent in 2012 (Figure 2). By 2061, we expect that between 22 and 30 percent of the population will be aged 65+.

**Figure 2**



Within the 65+ age group, we expect the number of people aged 85 and over (85+) to increase significantly. By 2061, about one in four people aged 65+ will be 85+, compared with one in eight in 2012.

**Figure 3**



## Slowing population growth

Our population is likely to keep growing, but at a decreasing rate. Historically, New Zealand has had many more births than deaths each year, which has driven population growth. An ageing population means more people at the older ages – where most deaths occur. So even with further increases in life expectancy, deaths are likely to increase, leading to a slower rate of population growth.

New Zealand's birth rates and migration gains (in most years) are likely to keep the population growing overall. But for some areas of New Zealand – particularly those with older populations – an ageing population means deaths will soon exceed births. This means static or declining populations in areas such as Thames-Coromandel, Horowhenua, and Waitaki districts, unless offset by more people arriving than departing.

Population decline may mean some local services become unsustainable in terms of patronage (eg schools, retail outlets) and funding (eg council rates). Population decline may also dampen housing demand – though our ageing population will help offset this.

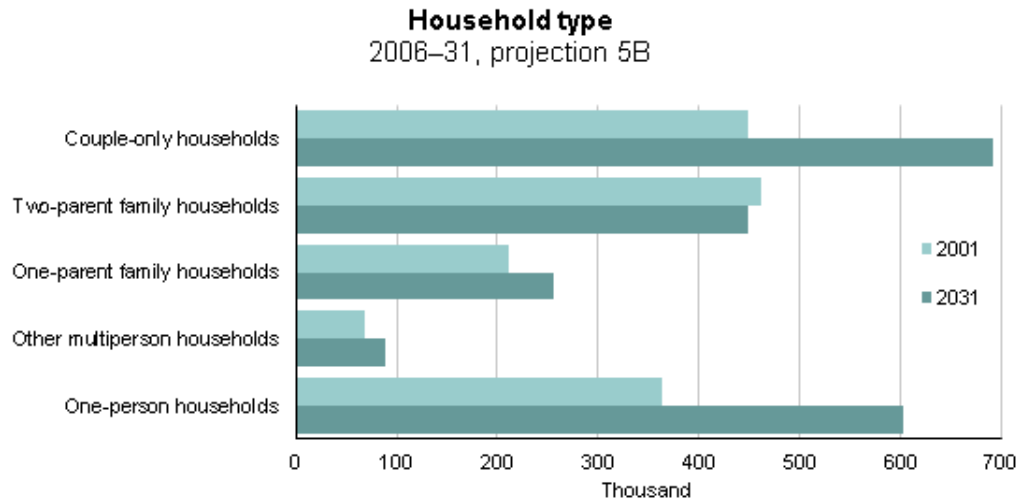
## Fewer people in each household

We are seeing a general trend towards fewer people in each household (or smaller average household size). This trend may have slowed in recent years, with children remaining in the family home for longer as housing has become less affordable. But the ageing population will drive the future trend. Overall, the average size of households is projected to slowly decline between 2006 and 2031, from 2.6 to 2.4 people per household. This continues the decline seen in recent decades, with the average household size falling from 3.7 people in 1951 and 3.0 people in 1981.

The average household size is shrinking due to the increasing proportion of one-person and couple-only households. Most of the couple-only households will be empty nesters – couples reaching ages where their children have left the parental home.

One-person households are projected to grow particularly fast (see Figure 4). Under a mid-range scenario, one-person households will account for 29 percent of all households in 2031, up from 23 percent in 2006. The growth in one-person households will be mainly due to the increasing number of older people, with almost three-quarters of the growth occurring among those aged 55 years and over. Twelve percent of the total population will be living alone in 2031, compared with 9 percent in 2006.

**Figure 4**



Source: Statistics New Zealand

## The conventional housing model is changing

The conventional New Zealand housing model starts with living in the parental home, moving to rental accommodation, buying a first home, and then trading up homes as family and employment situations change (Davey, 2006). People may trade down homes as children leave home or retirement nears. At later stages, people may also sell their house to pay for their retirement.

This simple model is arguably changing with changes in patterns of family formation and dissolution, family size and lifestyles, and employment and financial instability. New Zealand's changing ethnic make-up also adds an interesting dimension, with the growth of non-European ethnic populations likely to mean more multigenerational families living together.

It is unclear how intergenerational transfers of wealth will affect home ownership rates. We also don't know how New Zealand's diaspora – including the 600,000 New Zealand-born people living in Australia – might influence the property market by returning home or investing in New Zealand property, either before or after retirement. Increasing globalisation may also mean a more mobile older population and families spread globally. Older people may move more frequently across national boundaries to care for family and grandchildren, or to receive care in later stages of their life.

## Increasing demand for housing

Demand for housing is driven by the growth in the number of households. The baby boomers created an unprecedented demand for housing as they moved through the family formation stage of the life cycle from the 1960s onwards. As a result, household growth rates have exceeded population growth rates for several decades.



Future household growth is likely to continue outstripping population growth for two reasons. First, there is the trend towards smaller households, driven by the ageing population. Instead of having every 100 people spread over 38 houses, we might have 100 people spread over 42 houses. Second, demand for second homes, including second residences and holiday homes, is an important feature in some parts of New Zealand.

## Increasing demand for communal dwellings

Population ageing also contributes to the projected large increases in the number of people living in more communal, non-private dwellings (including retirement homes). The number of people aged 80+ living in non-private dwellings is projected to roughly double between 2006 and 2031, from 23,000 to 43,000 – even allowing for increases in life expectancy and improved well-being, which would allow older people to live independently for longer.

## Housing has to cater to older people's needs

Because of increases in life expectancy and improved well-being, there is likely to be a continued emphasis on 'ageing in place' – living in the community, with some level of independence, rather than in residential care. As a result, one might expect strong demand for safe, warm, and affordable housing. Increasing numbers of older people, many of whom will be women on their own, will require housing which is secure and easily maintained, with access to public transport, health, and other services.

Appropriately sized housing is another aspect. However, having fewer people per household does not necessarily mean one- and two-bedroom homes will be the norm. Older people often want an extra bedroom to cater for family and caregivers. Census data shows that houses with four or more bedrooms increased from 19 percent of occupied private dwellings in 1991 to 28 percent in 2006. Over the same period, building consents show that the average floor area per new residential dwelling increased from 139m<sup>2</sup> to 191m<sup>2</sup>. Historically, at least, we've been building larger houses despite there being fewer people per household.

The physical effects of ageing need to be taken into account in housing design. For example, Lifetime Design advocates housing design standards for an ageing population (see [www.lifemark.co.nz](http://www.lifemark.co.nz)). Features to assist older people include smart assistive technology and modifications to help mobility, and range from video-entry phones and handrails to accessible driveways, ramps, and street-level entrances. Some of these are easier than others to retrofit to existing dwellings.

## Geographical differences in population ageing and growth

Population ageing will affect all areas of New Zealand, but to different degrees because of different age structures, fertility patterns, and migration patterns. The proportion of the population aged 65+ already exceeds 22 percent in the districts of Kapiti Coast, Thames-Coromandel, Horowhenua, Waitaki, and Waimate. By the 2030s, when New Zealand reaches 22 percent, those districts will exceed 30 percent. Other areas where the 65+ share might exceed 30 percent in the early 2030s include the Wairarapa and the districts of Hauraki, Buller, Marlborough, Timaru, and Central Otago.

Access to facilities and services, notably specialised health care, is an important requirement for older people. As a result, the very aged tend to be concentrated in larger urban areas.

## Auckland will contribute most of our population growth

Auckland accounted for over half of the country's population growth during the 1990s and 2000s, and is projected to account for about three-fifths of the population growth to 2031. Auckland is now home to one in three of the country's people and households. So Auckland is important

demographically, as well as economically, socially, and politically. However, Auckland can also expect slower population and household growth than in recent decades, because of population ageing.

Within Auckland, the fastest population and household growth over the next 20 years is projected in the outer local board areas. The 65+ population is projected to more than triple over the next 20 years in Upper Harbour, Franklin, Waitakere Ranges, and Rodney – and at least double in other Auckland local board areas.

Auckland is most affected by the flow-on effects of migration on rental and real estate markets. This reflects the important contribution that migration from overseas, including returning New Zealanders, makes to Auckland. It is said that immigration affects the rental market, while emigration affects the real estate market. What is more certain is that migration is selective in terms of migrant streams, ages, and destinations, and its effects are also selective on local and regional housing markets.

## The housing market is affected by many non-demographic factors

Demographic projections indicate the demand for housing from changes in populations, families, and households. The housing market, however, is affected by a wide range of non-demographic factors including housing supply, interest rates, savings and investment patterns, and income. It can be affected, especially at a local level, by holiday homes, which do not have people usually living in them. Similarly, people invest in housing in areas where they are not necessarily living (including overseas investment in New Zealand).

International evidence suggests that population ageing will have a negative impact on real estate prices (Stephenson, 2006), although whether this will apply to New Zealand is uncertain. Slower population growth may mean lower residential investment, slower growth in prices, and less speculative volatility in the housing market. These are all likely to fluctuate with ups and downs in population growth, as they have done historically.

House prices may also become more aligned with personal and household incomes, as in other countries. With slower labour force growth, demand for labour may lift incomes, perhaps leading to higher house prices (assuming there is not an over-supply of housing).

Irrespective of the impact on capital values, housing wealth poses difficulties for the asset-rich and income-poor. People needing to access their housing wealth for retirement income can either trade down homes or release home equity via financial contracts such as reverse mortgages. As a result, one might expect further development, promotion, and understanding of equity release products in New Zealand.

## Evolving notions of ageing populations and old age

Too often, the ageing population is discussed in negative terms. In fact, it reflects reduced death rates at all ages. That we are living longer is a positive. Indeed, the concept of what it means to be aged, elderly, or old continues to evolve as we experience improved health, well-being, and survival into increasingly older ages. New Zealanders reaching age 65 around 1950 lived, on average, another 14 years. By comparison, those reaching age 65 in 2013 can expect to live another 22 years, on average.

Our burgeoning older population will affect many aspects of our country and communities. This presents opportunities, as well as challenges, for those involved with the property market.



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## References and further reading

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Davey, J (2006). Housing. In J Boston & J Davey (Eds), *Implications of population ageing: Opportunities and risks*. Wellington: Institute of Policy Studies.

Lifetime Design (2012). [Lifemark Design Standards](http://www.lifemark.co.nz). Available from [www.lifemark.co.nz](http://www.lifemark.co.nz).

Stephenson, J (2006). Implications of population ageing for different markets. In J Boston & J Davey (Eds), *Implications of population ageing: Opportunities and risks*. Wellington: Institute of Policy Studies.

### Further reading

Visit [www.stats.govt.nz/estimates-projections](http://www.stats.govt.nz/estimates-projections) for more information on demographic projections.