



MORETON BAY REGIONAL COUNCIL SENIORS HOUSING RESEARCH SNAPSHOT (MAY 2008)

Population Growth & Housing Demand

The formation of Moreton Bay Regional Council has created Australia's third largest local government by population size that is the equivalent of the Australian Capital Territory (ACT) and is bigger than Greater Geelong, Newcastle and Wollongong. If classed as a city it would be Australia's seventh largest city behind the five mainland state capitals and the Gold Coast.

Moreton Bay Regional Council faces a number of considerable challenges if the region is going to meet the projected demand for affordable housing in the future.

The total population is projected to grow strongly from approximately 325,000 people in 2006 to an estimated 442,000 residents by 2020. Within this population, the number of people who are over 65 years of age (Seniors) is expected to grow from approximately 38,900 (12% of the population) in 2006 and almost double to 76,840 people (17.4% of the population) by 2020 (Source: ABS Census 2006 and ABS unpublished data).

The projected growth in the 65+ age group suggests Moreton Bay Regional Council will experience between 2006 and 2020 a significant increase in demand for dwellings suited to one and two person households. Lumina primary research in the region and historical evidence suggests the sharp increase in one and two person households is likely to drive demand for purpose built one and two bedroom dwellings over the coming 15 years.

The region will require a minimum 78,000 new dwellings by 2026 (minimum of 3,900 new dwellings p.a.), of which at least 19,000 of these dwellings (950 dwellings p.a.) will need to accommodate single person households (Source: Planning Information and Forecasting Unit (PIFU), Department of Local Government, Planning, Sport and Recreation)

Demographic Profile & Housing Affordability

The Moreton Bay Regional Council has a very broad demographic spread, with some of the poorest postcodes in Queensland and some of the wealthiest postcodes.

Some suburbs in the region have up to 25% of residents receiving rent assistance with higher levels of social disadvantage being recorded in areas such as Caboolture, Caboolture South, Morayfield, Deception Bay, Lawnton, Kallangur, Strathpine, Woody Point and Margate (Source: Centrelink, Households receiving rent assistance and ABS Census 2006)

This reliance on government assistance extends through to older residents in the region, with the former LGA's of Caboolture, Redcliffe and Pine Rivers all having a higher percentage of seniors on the age pension than the Queensland average.

It is estimated that more than 30% of residents over the age of 65 who live in the region will need to rely on rental accommodation in their retirement years, due to insufficient equity in their own homes or insufficient savings. 69% of households where residents are over 65 years earn less than \$400 per week (Source: Lumina primary research and ABS Census 2006)

There is a worrying trend about reduced levels of home ownership in the region, with both Redcliffe and Pine Rivers experiencing net reductions in full home ownership between 2001 and 2006. As a percentage of total dwellings, the level of full home ownership fell across all three regions between 1996 and 2006 as follows: Caboolture down from 35% to 31%; Pine Rivers down from 35% to 28%; and Redcliffe down from 41% to 33%

It is highly unlikely the 30%-plus of poorer seniors will be able to rely on public housing in the region for their retirement years. Between 1996 and 2006, public housing rental stock reduced from 5% to 3% of total dwellings in the Moreton Bay Regional Council area. This decline was entirely affected by a decline of public housing rental stock in Caboolture (Source: ABS Census 2006 Time Series Profile).

Nationally, social housing stock grew by 1% between 1996-1997 and 2004-2005 and did not keep pace with the 15% growth in households over the same period. In Queensland, public housing fell from 49,306 to 49,137 dwellings between 1996-1997 and 2004-05.

Given the reliance on the age pension and reliance on rent assistance by the wider population, pricing of any seniors housing developments in the Moreton Bay Regional Council area **must be affordable** in order for the 65+ population to obtain access to suitable housing as their housing needs change.

It is likely that many of these older people will turn to cheaper housing models for their retirement housing needs, with the focus being on housing that sits in the price range of \$150,000 - \$280,000, or in a rental band-width between \$190 - \$260 per week, expressed in today's dollars (Source: Lumina primary research).

Seniors Housing in the Region

There is a range of seniors housing models operating across the Moreton Bay Regional Council catchment. These include retirement villages, manufactured home parks, seniors rental accommodation, pensioner units, aged care facilities, hostel accommodation and public housing. Whilst some of these models work well there are significant shortcomings and performance issues with other models.

Retirement villages in the region generally provide a good quality of accommodation, which comes at a price. More than 95% of retirement village operators have a deferred management fee structure, which results in residents paying 30% or greater of their ingoing contribution to the operator when they depart the village. This model works for older people who have the financial capacity to pay up to \$350,000 for their ingoing contribution, pay monthly fees of between \$120 and \$280 and pay the deferred management fee upon leaving the village. However, this model is beyond the reach of many seniors in the Moreton Bay Regional Council area (Source: Lumina primary research).

Aged care facilities and hostel accommodation are the option of last resort and require an ACAT (Aged Care Assessment Team) assessment to gain entry. More than 90% of aged accommodation providers in the region have waiting lists, with some types of accommodation having waiting lists up to 10 years. The longest waiting lists are for low care (hostel) style accommodation (Source: Lumina primary research).

Given the issues outlined above and the lack of supply of public housing, this leaves financially disadvantaged older people with four options:

1. Rent or purchase Seniors Rental Accommodation / Pensioner Unit;
2. Purchase and pay rent at a Manufactured Home Park;
3. Live with family or friends, possibly through the development of 'Relatives Accommodation', 'Dependent Person's Accommodation' or an 'Associated Unit' on the family's or friend's existing home site; or
4. Purchase or rent a suitably designed house, townhouse or unit.

Given the limited financial capacity of many older people in the region, they can not afford to purchase a suitably designed house, townhouse or unit and they are then competing with the entire rental market for the limited supply of suitable housing. Often this pushes them out of this market.

Assuming these people do not have the financial capacity to purchase a manufactured home or develop an Associated Unit, their only alternative is Seniors Rental Accommodation.

Economic Failure of Seniors Rental Model

In the Moreton Bay Regional Council area, there are some seniors rental developments that are almost empty with many operating with occupancies of 80% or less.

The circumstances behind the failure of some of these developments are different but there are also some universal market driven reasons why they have failed. These universal reasons include:

- Size of dwellings are generally one bedroom units less than fifty square metres (often 35m²) and this is unattractive for many prospective residents;
- Many of the dwellings do not have a full kitchen, which diminishes the independence of residents who then need to rely on food services delivered by the village manager;
- Retail financiers generally will not finance this product if it is less than 50m²;
- From the limited number of financiers who will finance seniors' rental accommodation, they will generally offer a loan with a maximum LVR (loan-to-value-ratio) of 60%. This requires an investor to put a lot of their own equity into the rental product and makes the investment unattractive in comparison with other options;
- Many of the developments are fifty units or less, which does not provide economies of scale when a site manager is needed to deliver services to residents;
- Site management costs and body corporate expenses are high relative to townhouse or unit developments, therefore making the dwellings unattractive to potential owner-occupier seniors; and
- Development finance is more expensive, therefore requiring the developer to sell units at higher prices to achieve an appropriate development profit. This makes the development less attractive for investors and therefore increases the selling period.