

# Introducing the DZR Downsizing Index

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**DOWNSIZER**

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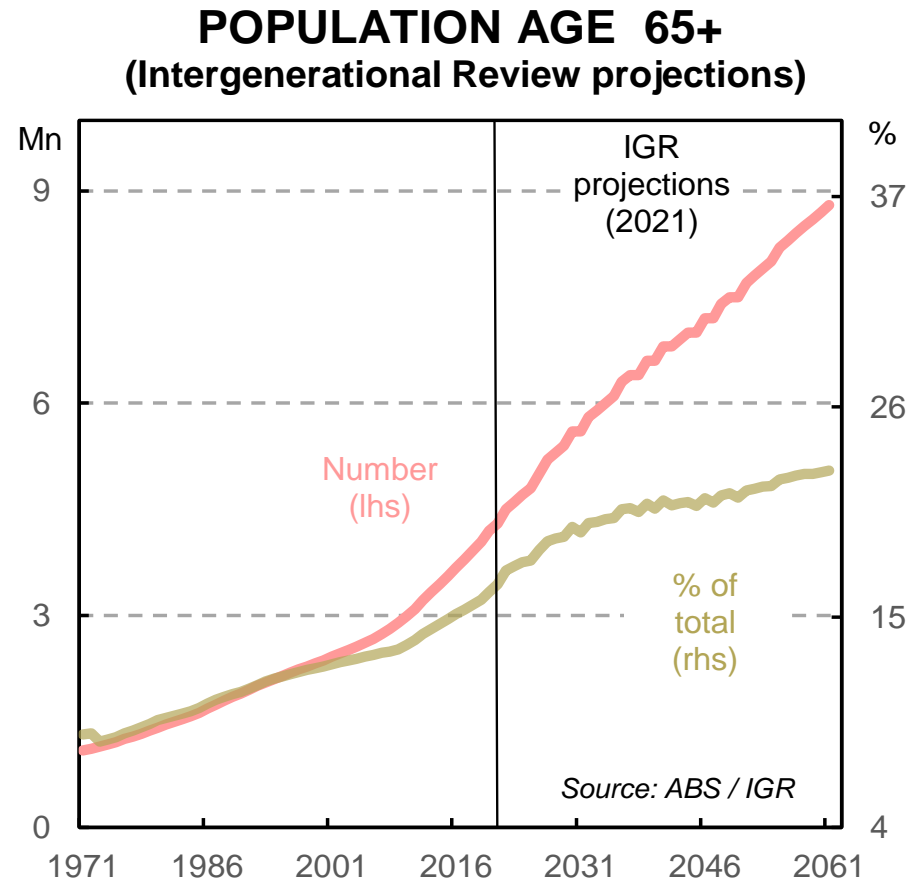
# Summary

- It is well understood that aging households face a number of issues:
  - they are asset rich but cash poor; and
  - their houses are too large for smaller, less healthy households requiring assistance and facing rising maintenance costs.
- It is well understood that “downsizing” is the way to deal with these issues:
  - restructure assets to generate more income; and
  - move to smaller, more age-appropriate dwellings.
- Households, governments, developers and facilitators like Downsizer are the key players in the downsizing space. They would benefit from an indicator that identifies where the downsizing focus should be - in both an absolute and relative sense.
- The DZR Downsizing Index is one such measure.
- The Index is based on the key fundamental drivers – demographics, dwelling suitability, health indicators, financial indicators and mobility.
- The index covers the Greater Capital City Statistical Areas of Sydney, Melbourne, Brisbane, Adelaide, Perth and Hobart & the rest of Tasmania.

# The Approach

- Research by Downsizer has identified the key fundamentals that drive downsizing:
  - Demographics – that aging population
  - Housing suitability – the appropriate type of dwelling changes with age;
  - Health status – health deteriorates and the need for assistance rises with age;
  - Financial issues – incomes fall and cost pressures rise for older households; and
  - Mobility – older households would like to “age in place” so willingness to move is a key requirement.
- The 2021 Census provides some very detailed information on these key fundamentals. Downsizer also has its own data relating to aspects of the downsizing decision.
- The data covers a range of concepts with a variety of measurement units:
  - to overcome these issues, the data is standardized by calculating a Z-score;
  - a Z-score essentially indicates how far away from average (above or below) a data read is; and
  - because they are standardized, data concepts/measures can be aggregated into an overall Index.
- The analysis is focused on the ABS definition of *Greater Capital City Statistical Areas*. Some “outliers” are excluded (eg Central Coast in Sydney). Tasmania includes Hobart and the rest of the State. The ACT and NT are excluded due to insufficient granularity in the data.

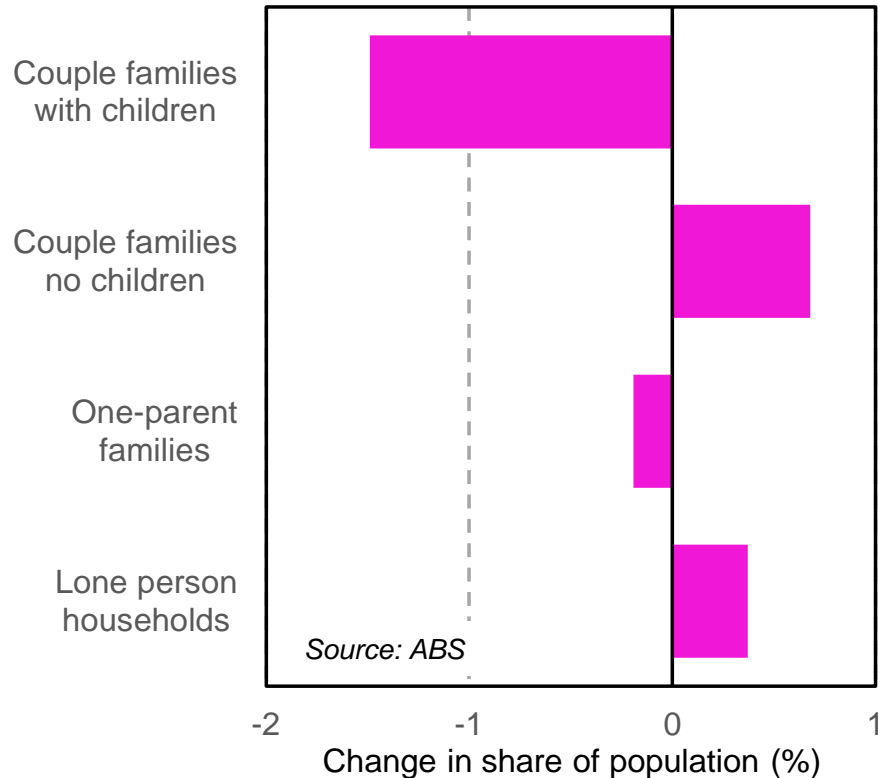
# The Drivers: The Aging Population



- The population is aging:
  - a post-war baby boom generated a population bulge that is slowly moving through the age distribution; and
  - fertility has fallen (so fewer “young” people) and life expectancy has increased (so more “old” people).
- Official population projections show a steady rise in the number of people aged over 65.
- Input into the DZR Downsizing Index:
  - % of population aged 60-69 (the prime downsizing cohort).

# The Drivers: Family Household Composition

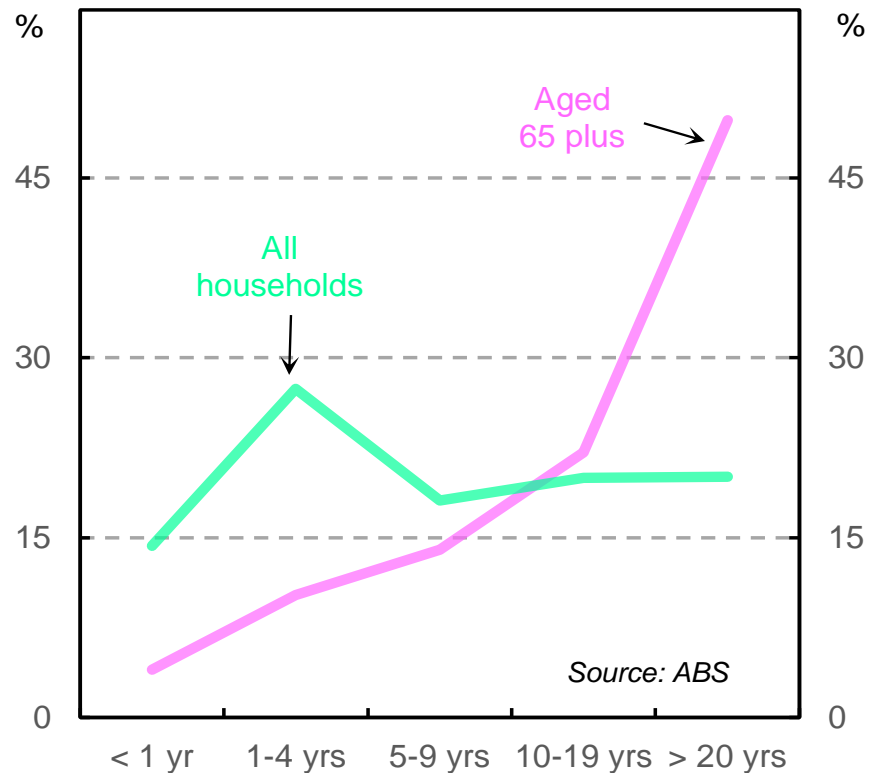
**HOUSEHOLD POPULATION SHARES**  
(change from 2016 to 2041)



- Household family composition changes as populations age:
  - the proportion of couple families with children is falling as the population ages;
  - the first offset is a rise in couple families with no children; and
  - as the years roll on, the proportion of lone person households will lift.
- Lone person households typically sit at the lower end of the income range. They tend to have less superannuation assets and are more reliant on government pensions. They need to downsize.
- Input into the DZR Downsizing Index:
  - % of households classified as “lone” or “couple – no children”.

# The Drivers: Dwelling Structure

**TIME IN DWELLING BY AGE**  
(% of total)



- The “typical” downsizing event involves moving from a house to an apartment:
  - more than 80% of those aged 65-74 live in separate dwellings rather than flats/apartments.
- Areas with “houses” as the dominant dwelling structure should be prime sources of downsizers.
- Input into the DZR Downsizing Index:
  - % of houses in overall dwelling stock.

# The Drivers: Excess Bedrooms

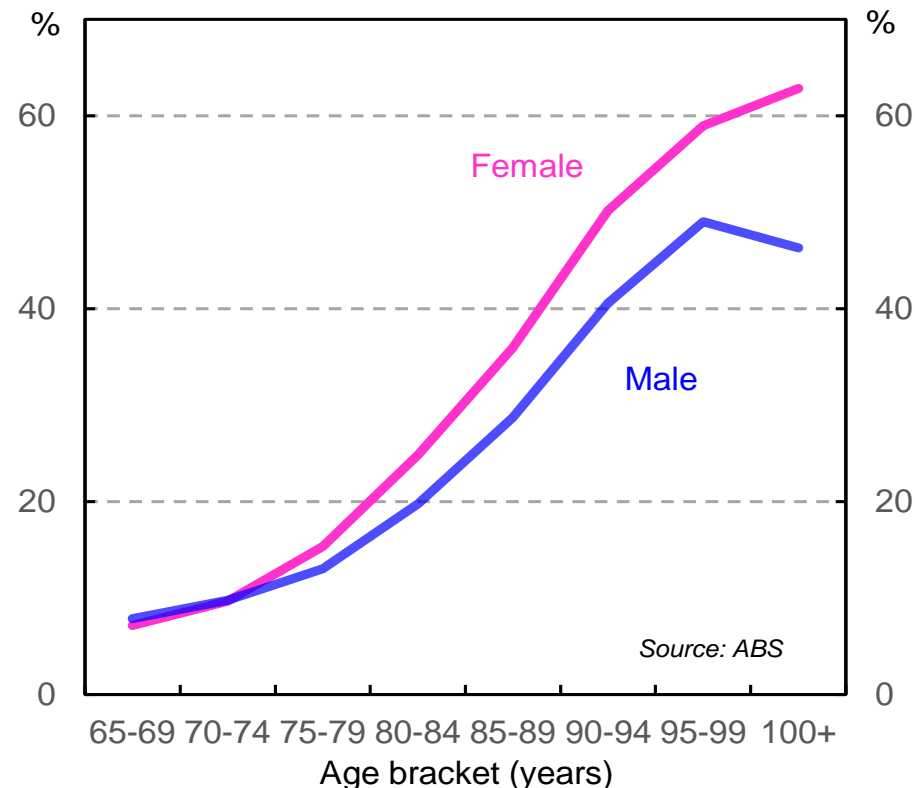
**RESIDENTS & BEDROOMS**  
(% of total, aged 65-74 years)



- The type of housing becomes less appropriate as populations age:
  - houses are too large for smaller households; and
  - maintenance costs rise as housing ages.
- Some 88% of those aged 65-74 live in dwellings with 1-2 residents but 76% of those dwellings had 3 or more bedrooms.
- Input into the DZR Downsizing Index:
  - % of 1 and 2 person households with 3 or more bedrooms.

# The Drivers: Need For Assistance

**HELP NEEDED WITH CORE ACTIVITIES**  
(% of age group)

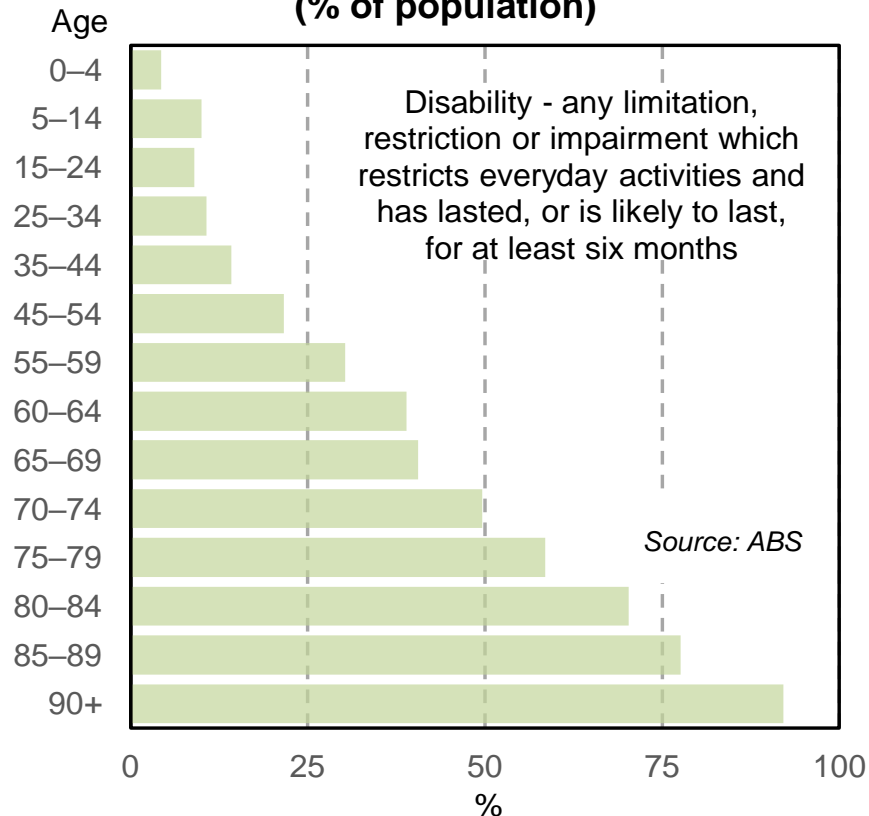


- The need for assistance increases with age:
  - surveys show that the most important type of assistance required by households was in housing-related areas such as home maintenance, garden maintenance and cleaning; and
  - a significant proportion of lower income households are not able to pay for the necessary dwelling modifications that would allow them to age in place.
- Downsizing into a newer, more appropriate dwelling is one way to deal with these issues.
- Input into the DZR Downsizing Index:
  - % of those aged 60-69 requiring assistance with core activities.



# The Drivers: Health

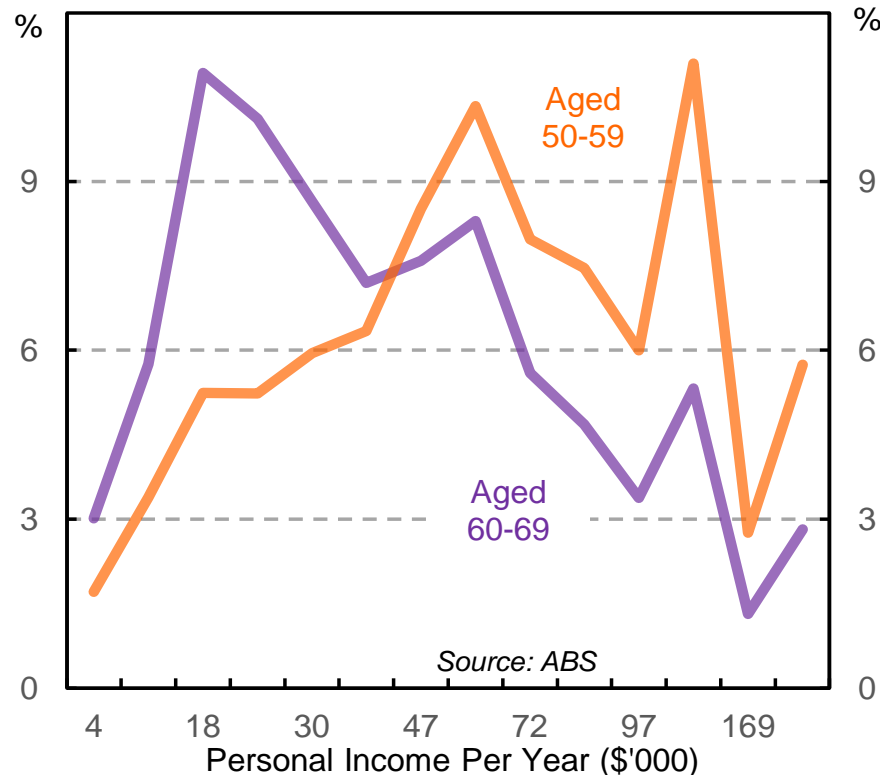
**PERSONS WITH DISABILITY BY AGE**  
(% of population)



- Health outcomes deteriorate with age:
  - older, less healthy, households face increasing difficulties in performing core activities and maintaining their houses; and
  - there is a clear correlation between age, disability and the need for assistance.
- Input into the DZR Downsizing Index:
  - % aged 60-69 with one or more long-term health conditions.

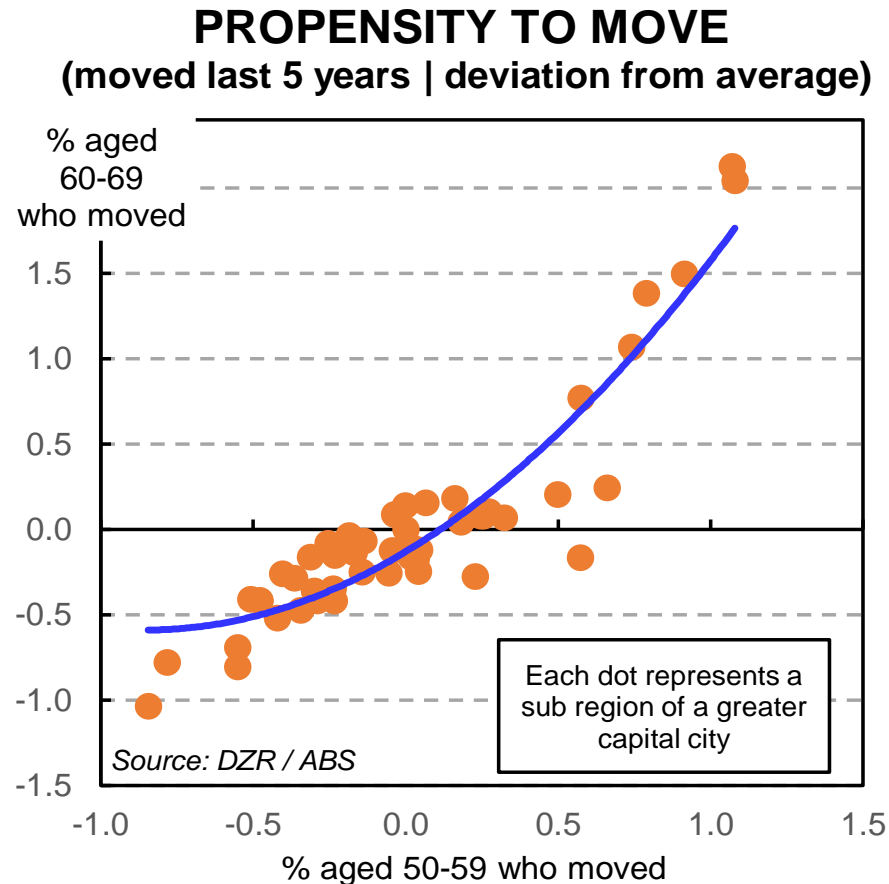
# The Drivers: Financial Pressures

**PERSONAL INCOME BY AGE**  
(% of age group)



- Older households face increasing financial pressures:
  - Household disposable income drops sharply at retirement. They have less superannuation assets. And their balance sheets are structured in a way that provides limited income.
  - Incomes fall at a time when the cost-of-living increases and there is limited likelihood of extra assistance from the government.
- Input into the DZR Downsizing Index:
  - ratio of potential downsizing equity release to personal income of those aged 60-69.

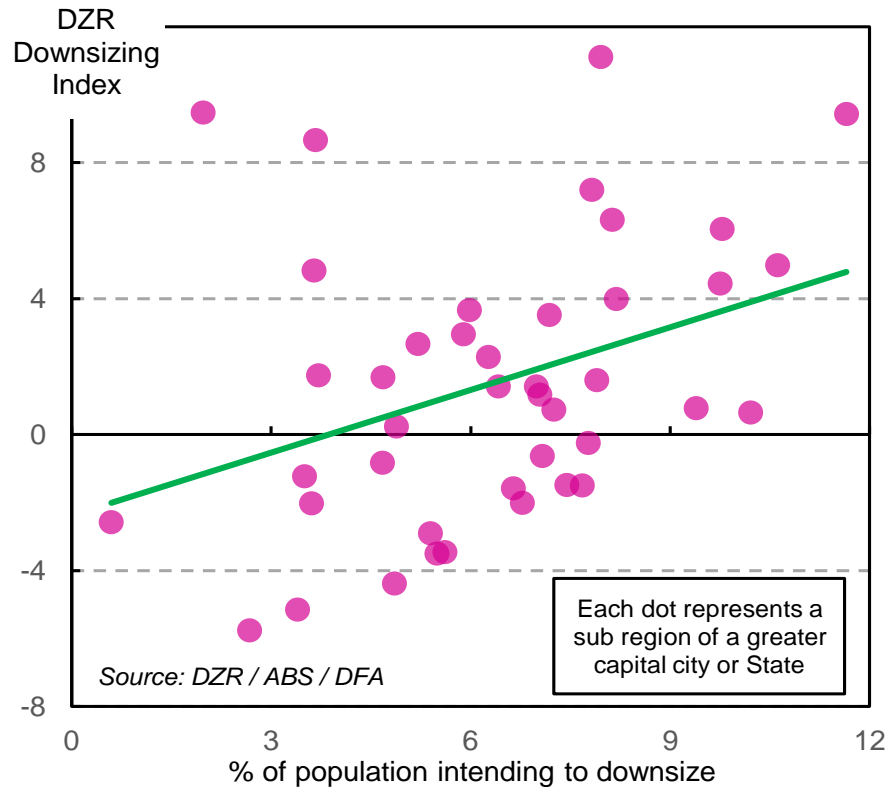
# The Drivers: Mobility



- The desire to age in place is a potential barrier to downsizing:
  - but the likelihood of potential downsizers moving is increased if they have moved previously.
- The mobility of those aged 60-69 years is higher if they had also moved when aged 50-59.
- Input into the DZR Downsizing Index:
  - % of persons aged 50-59 who moved in past 5 years.

# Proof of Concept

## DZR INDEX & DOWNSIZING INTENTIONS

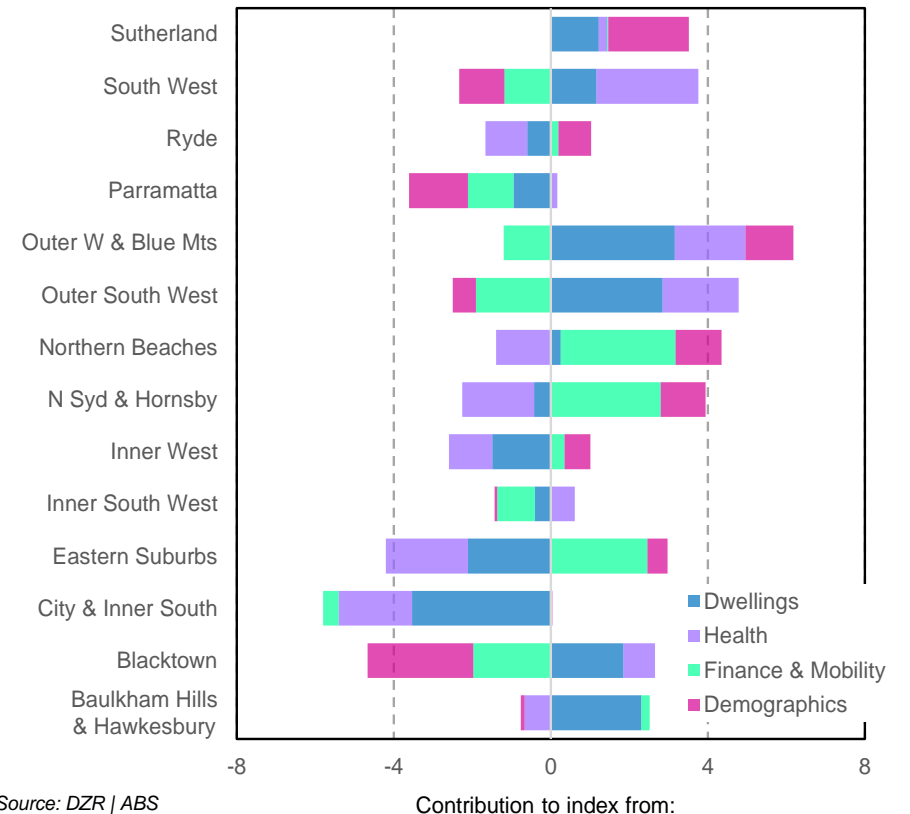


- The DZR Downsizing Index was compared with other downsizing indicators as a consistency check:
  - One alternative indicator is the survey of potential downtraders conducted for DZR by Digital Finance Analytics (DFA) .
  - As the chart shows, the two downsizing measures have a *positive* correlation.

# Interpreting the Index

- Each component of the index is presented as a score:
  - this score is a measure of how far above or below the average for a particular city a sub region is;
  - so a score of 2 means that index is 2 standard deviations *above* the average and -2 means 2 standard deviations *below* the average.
- The overall index is the sum of the Z-scores for the various components (see Sydney chart showing contributions to the overall index):
  - a positive reading means that the particular region should have an above-average likelihood of downsizing.
- The Northern Beaches, for example, show a positive reading overall because of an above average share of older residents in smaller households, with a high potential equity release from houses with too many bedrooms. Better than average health outcomes are a small offset.

**DZR DOWNSIZING INDEX - GREATER SYDNEY**  
(contributions to index)

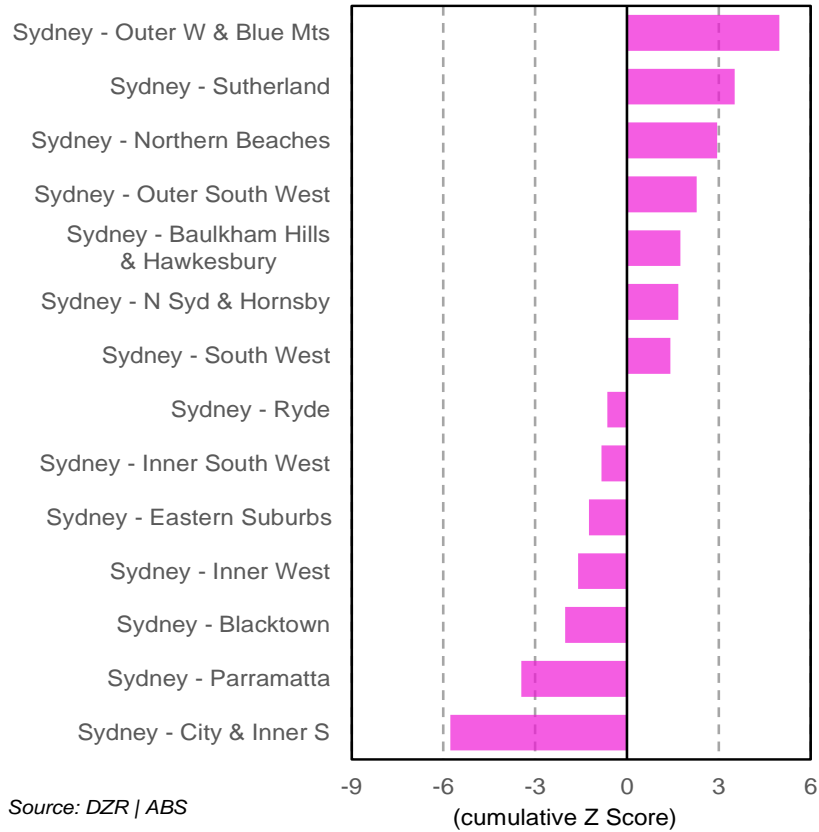


# Interpreting the Index

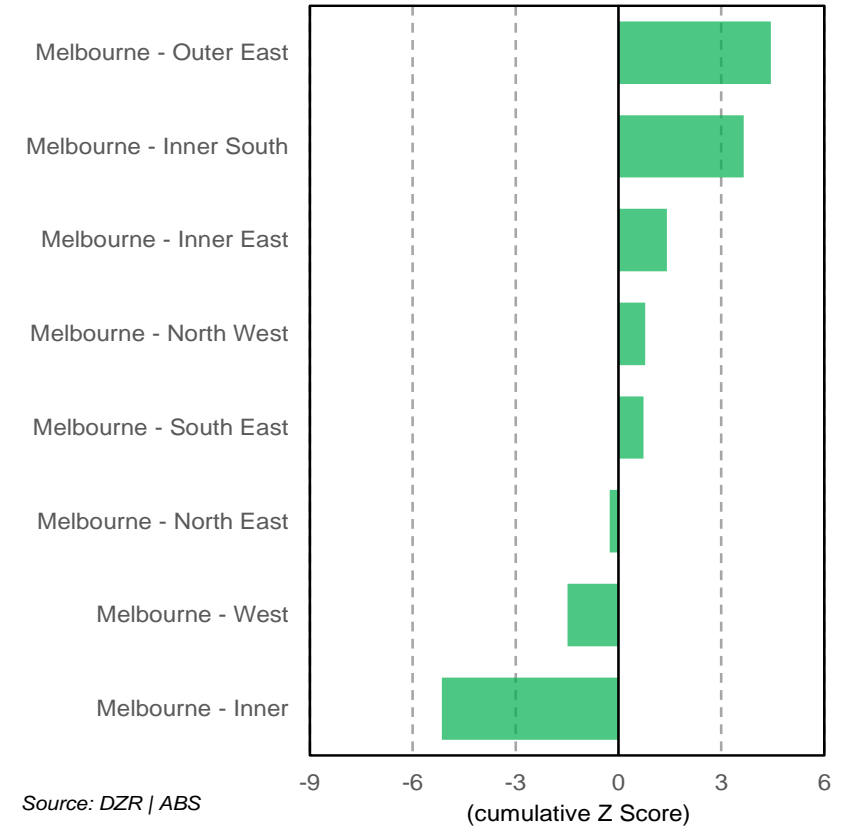
- The *level* of the index has no particular relevance:
  - it's a *relative* score;
  - a higher number for a particular sub region means that area scores more highly as a potential downsizing location than an area with a lower score.
- The indexes cannot be compared across different cities:
  - each score is benchmarked to the average for the particular capital city.
- Some outliers are excluded from the index calculations.
- The Central Coast, for example is excluded from the Sydney Index. It scores highly but probably because the downsizing activity has already occurred (eg high proportion of older, less healthy households with a high mobility score (because they have already relocated to the Central Coast)).
- Mandurah is excluded from Perth, Moreton Bay from Brisbane and the Mornington Peninsula from Melbourne for the same reasons.

# The DZR Downsizing Index – Sydney & Melbourne

**DZR DOWNSIZING INDEX - SYDNEY**

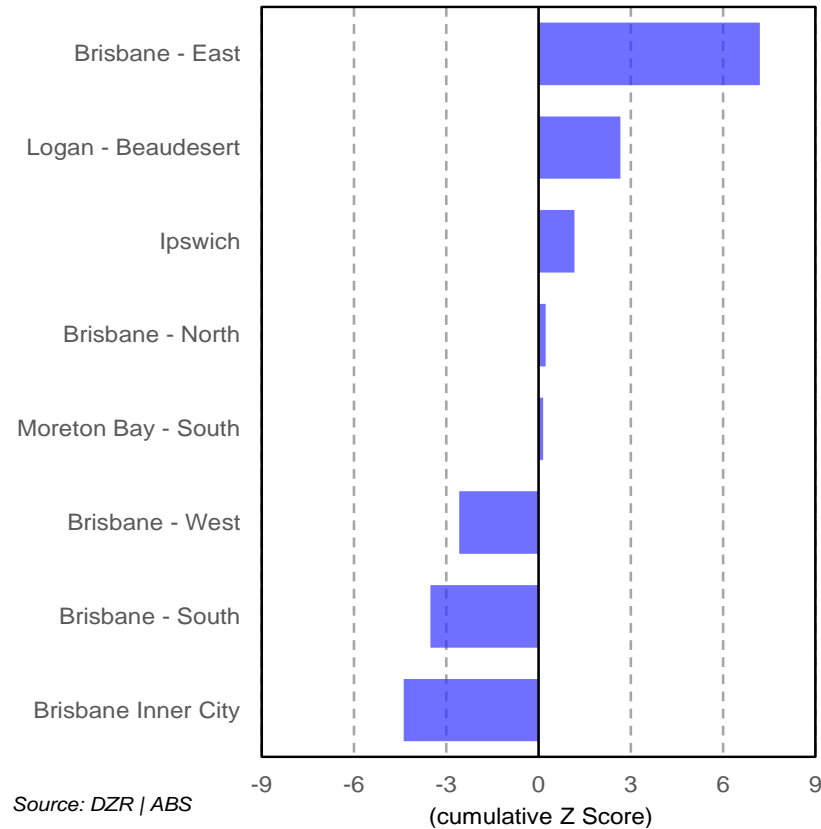


**DZR DOWNSIZING INDEX - MELBOURNE**

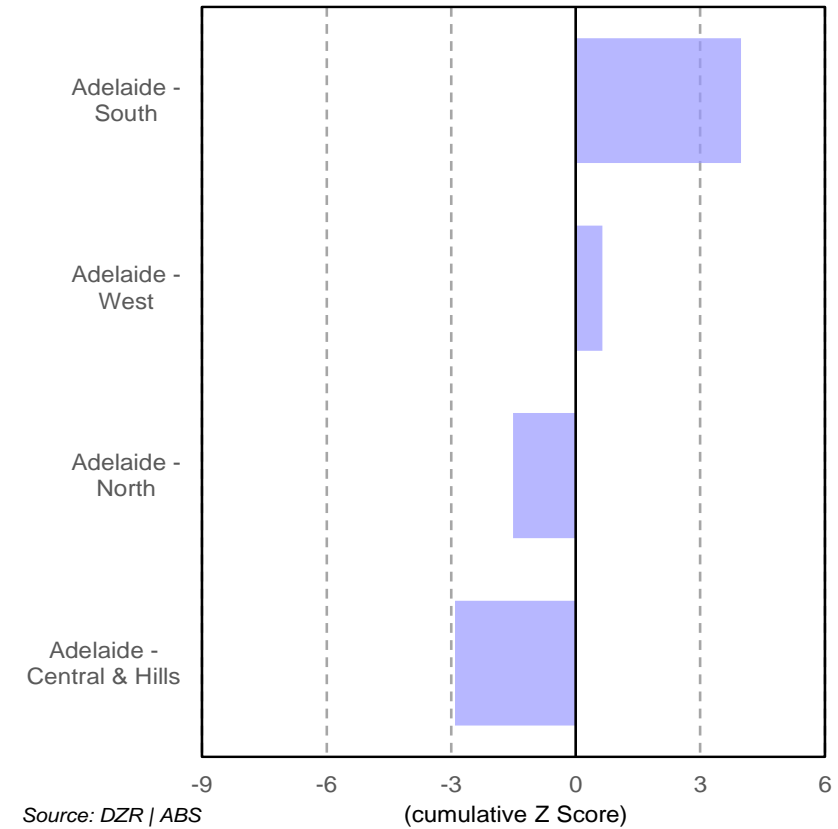


# The DZR Downsizing Index – Brisbane & Adelaide

DZR DOWNSIZING INDEX - BRISBANE



DZR DOWNSIZING INDEX - ADELAIDE

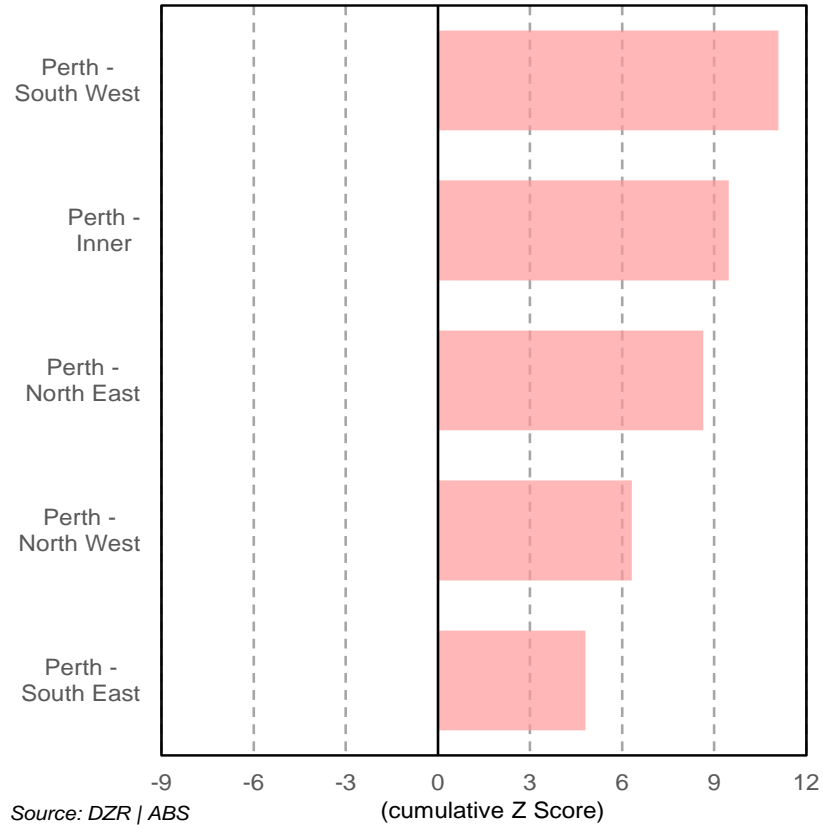


- The ACT and NT are excluded due to insufficient data points.

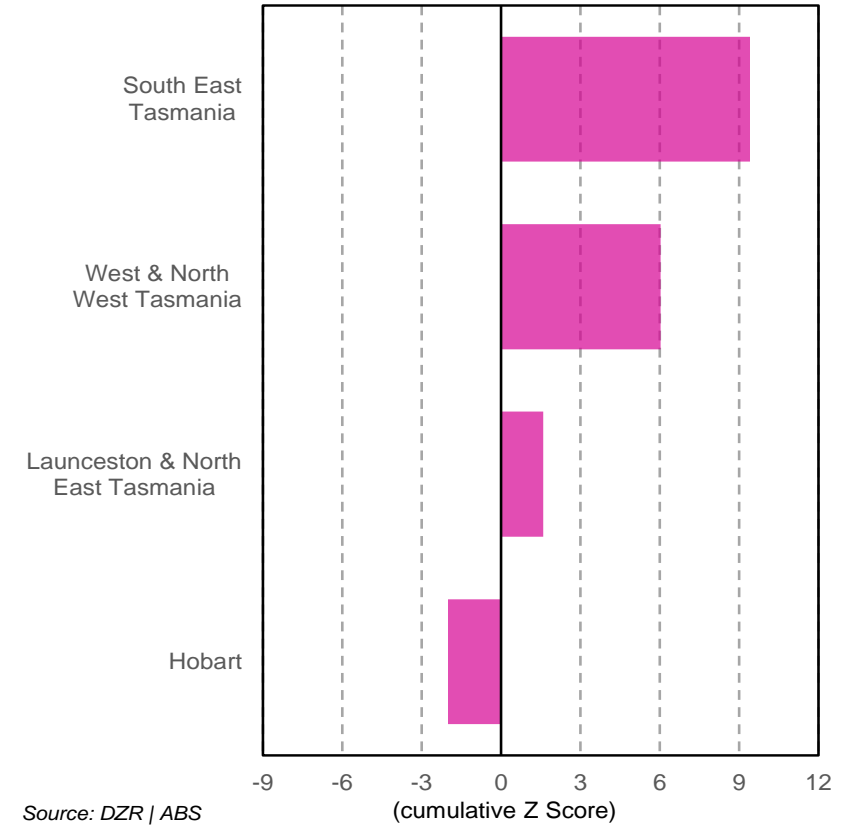


# The DZR Downsizing Index – Perth & Tasmania

DZR DOWNSIZING INDEX - PERTH



DZR DOWNSIZING INDEX - TASMANIA



- Hobart includes the Greater Capital City Area plus the Rest of Tasmania to give enough data points to construct the index.

# About



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- Economist-In-Residence at Downsizer
- Chief economist and senior executive in economic policy and financial markets bringing great knowledge of, and insight into, the Australian and global economy
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