



Downsizer

Chartpack

With a closer look at
Western Australia

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Economist in Residence | Downsizer
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The Problem:

- An aging population is increasingly finding itself asset rich but cash poor. This older population lives in a housing stock that is increasingly unfit for purpose. For property developers, there are less qualified buyers in the market due to high inflation and mortgage rates.

The Answer:

- Downsizing will boost retirement incomes and repurpose the housing stock. The products and services provided by Downsizer.com, for whom this report has been prepared, are an innovative way to ease financial constraints for buyers and developers.

Demography is Destiny – Or the 3-P's at Work

- Demography, or population trends, affects pretty much everything that is important to us:
 - the size of a country's *population* determines the demand for goods and services;
 - the *participation* of that population in the labour force drives what an economy can supply; and
 - the *productivity* of that population largely determines income.
- These 3-P's create the wealth needed to fund longer-run objectives and deal with the longer-run challenges such as climate change. They also provide a framework for policy makers.
- The focus is on population aging, courtesy of the post war “Baby Boom”, surge in immigration and lower birth rate.
- Demographics and aging cut across much of the economic story – particularly housing.
- Population projections show a steady rise in the number of people aged over 65:
 - from 4.4 million people or 17% of the population in 2022;
 - to around 9.4 million people or 23% of the population by 2063.
- The *wealth* of this aging cohort has benefitted from their lengthy period in the housing market:
 - but they are entering the older age brackets still carrying some housing *debt*; and
 - time hasn't always been kind – they have benefitted less from the spread of *superannuation*.

The Demographic Transition

- Older populations are hitting peak wealth at a time when their incomes plunge – they are finding themselves asset rich but cash poor.
- Older populations find the move to lower incomes coincides with a shift in spending towards more expensive areas like health and medical, intensifying the income squeeze.
- Older populations are living longer and need to fund that longer period of retirement.
- Older populations are discovering that governments are reluctant to increase assistance.
- Older populations are finding that their housing choice is less appropriate:
 - 88% of them lived in dwellings with only 1-2 residents; but
 - 76% of those dwellings had 3 or more bedrooms.
- Older populations are discovering that their larger, older houses are more expensive to run and come with rising repair & maintenance bills.

The Other 3-P's – Perception, Preference, Potential

- Older populations understand the issues - but *perceptions* change only slowly:
 - The majority want to age in place and perceive the family home as the place to see out retirement and a safety net against adverse developments. Bequests are also important.
 - Only a small proportion see the family home as a source of retirement funding.
- Those perceptions are shifting, however. The revealed *preference* among older populations who decide to move is to choose a smaller home or downsize.
- The *potential* financial benefits of downsizing are becoming more attractive:
 - The price “gap” between houses and units is at the high end of the historical range – the amount of equity that can be released is higher as a result.
 - Governments are offering incentives in areas like superannuation and stamp duty.
- A Downsizer/DFA survey of potential downsizers implies property sales of \$2 trillion over the next five years. The net equity released would be around \$640 billion. Or \$340,000 per household.
- The average super fund return over the past decade was 6.9%. So that extra \$340,000 of financial assets released by downsizing could potentially boost retirement income by \$23,000 per annum.

Downsizer Buying Intentions - National



DOWNSIZER

\$431,008	1,722,121
Avg. Equity Release	Hopeful Downsizers

DOWNSIZERS BY LOCATION

Select state to filter

VIC	\$373,694	525,001
NSW	\$624,279	506,679
QLD	\$291,611	322,843
WA	\$522,820	167,264
SA	\$242,583	125,817
TAS	\$175,700	44,908
ACT	\$482,400	19,581
NT	\$156,450	10,028

Avg. Equity Release Downsizer Count



Downsizing opportunities is used to understand and analyse homeowners in Australia who are looking to downsize in the near future, at a state and region level across a number of different metrics.

Data Source:

Digital Finance Analytics

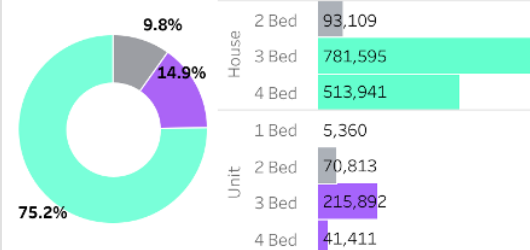
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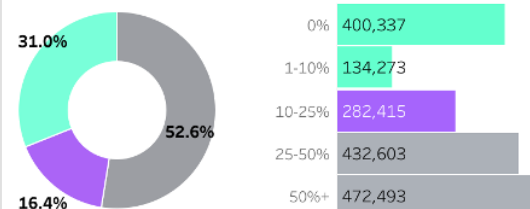
Analysis of Homeowners who want to Downsize



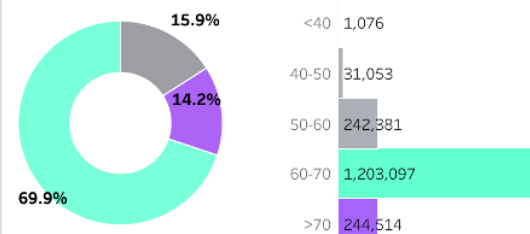
WHAT TYPE OF PROPERTY DO HOMEOWNERS HAVE NOW, PRIOR TO DOWNSIZE?



PRE-DOWNSIZE LOAN-TO-VALUE RATIO



AGE OF HOMEOWNERS

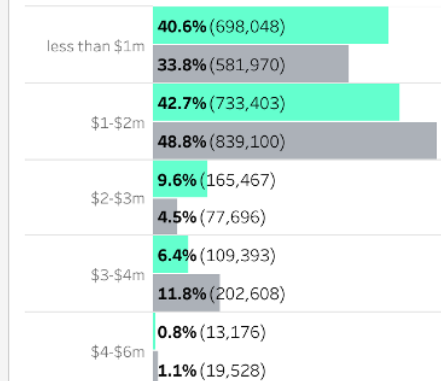


What hopeful Downsizers want from their future purchase

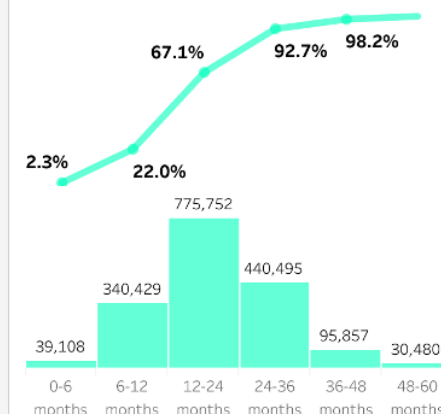


WHAT DO HOMEOWNERS WANT TO SPEND ON THEIR DOWNSIZED PROPERTY?

Current Home \$ vs Downsized Home \$



WHEN DO HOMEOWNERS WANT TO DOWNSIZE?



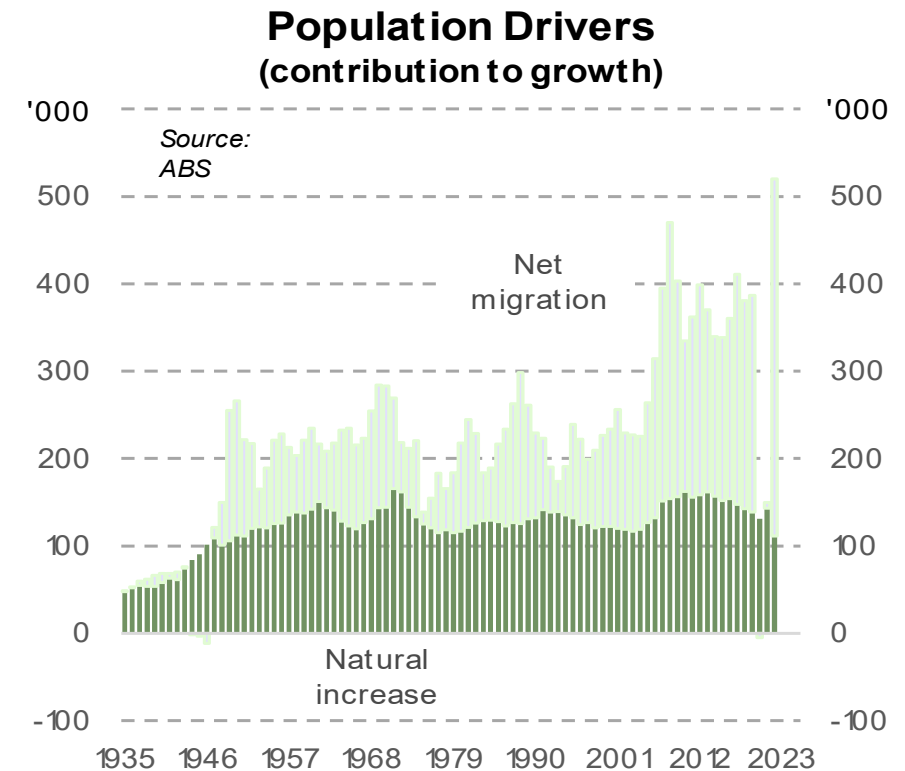
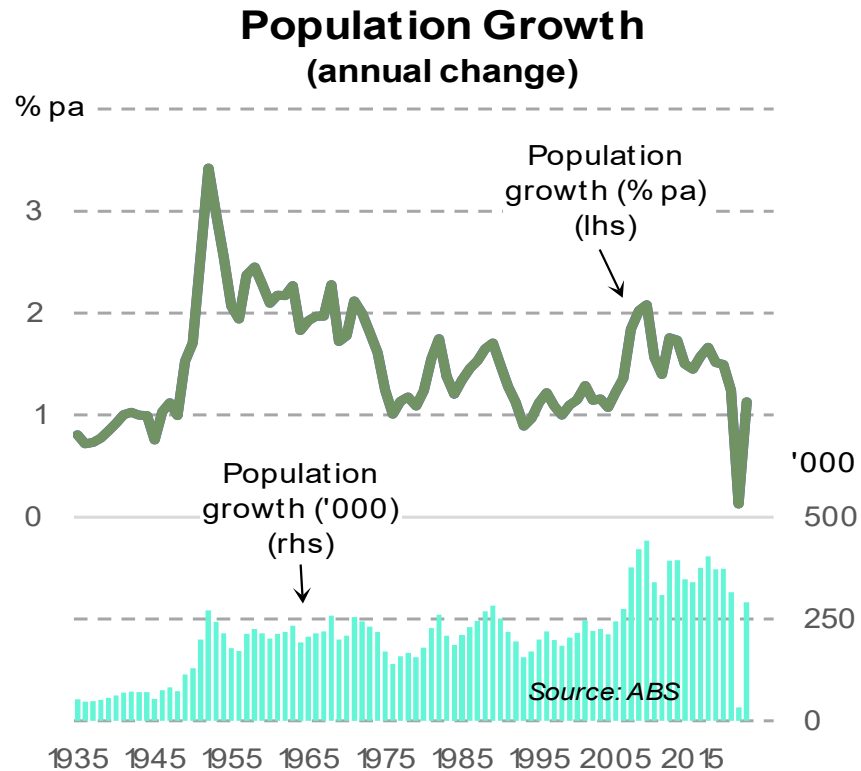
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Downsizer

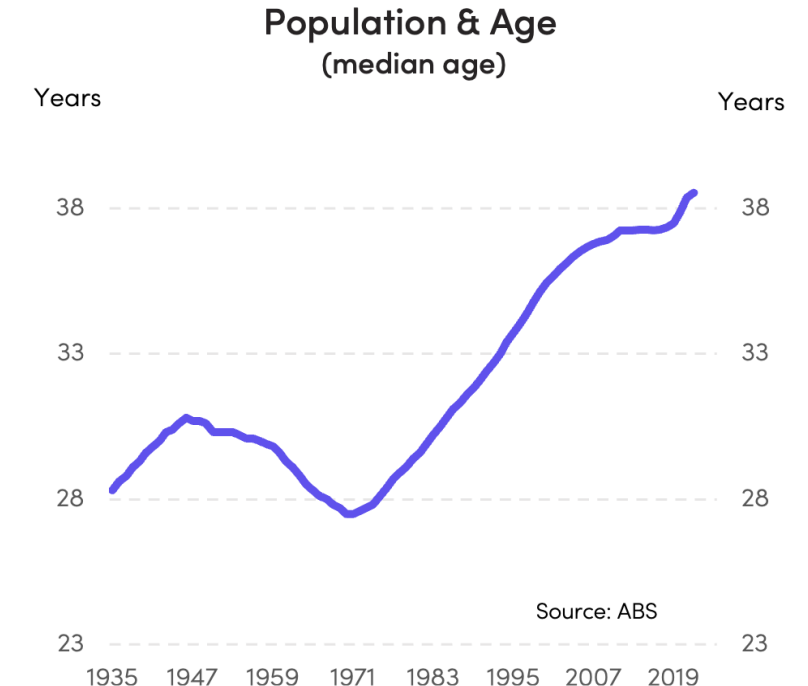
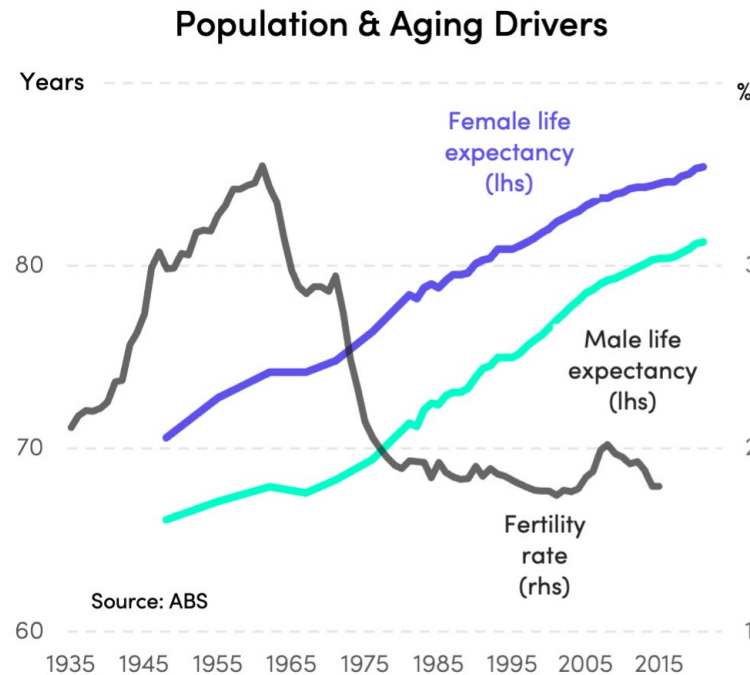
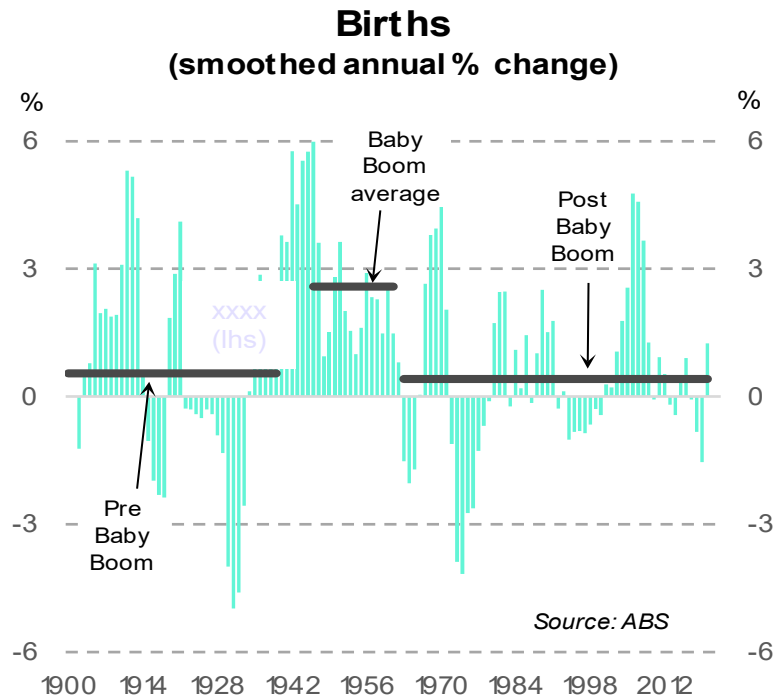
Downsizer Chartpack With a closer look at Western Australia

The Demographic Backdrop



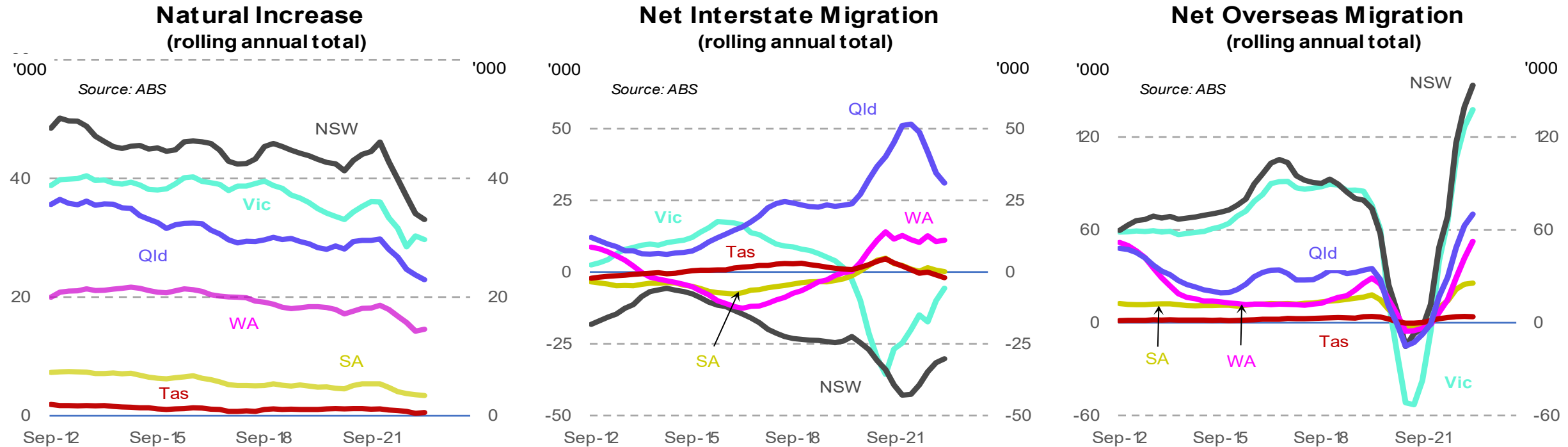
- Australia's population growth is strong by developed country standards. High rates of immigration and rising life expectancy have offset the impact of a slowing birth rate.
- Population growth has rebounded sharply as migrants and students return.

The Demographic Problem



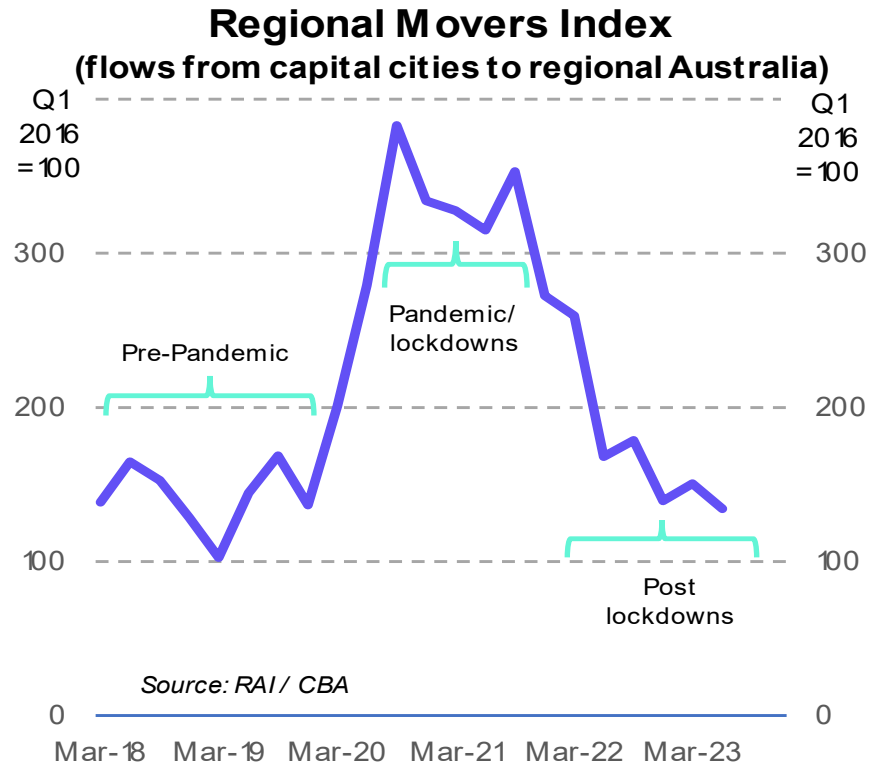
- A post-war baby boom generated a population bulge that is slowly moving through the age distribution.
- Fertility has fallen (so fewer “young” people) and life expectancy has increased (so more “old” people).
- The population is aging quickly as a result.

The Demographic Problem



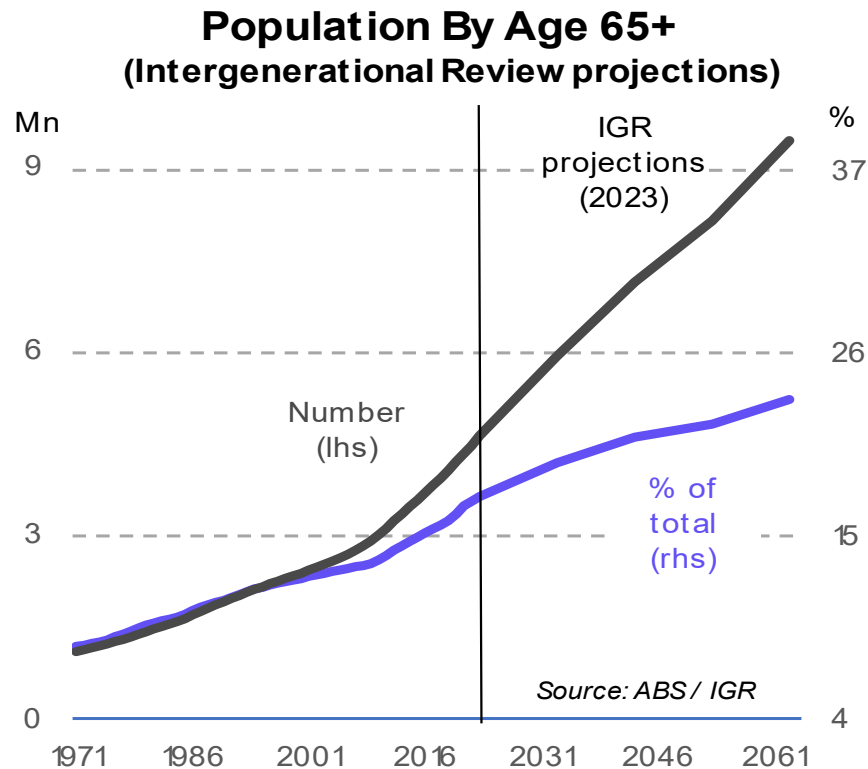
- A falling birth rate is accompanying the aging population. High rates of immigration is an offset.
- The aging population underlies an interstate flow from NSW and VIC to QLD and WA.

A Demographic Detour



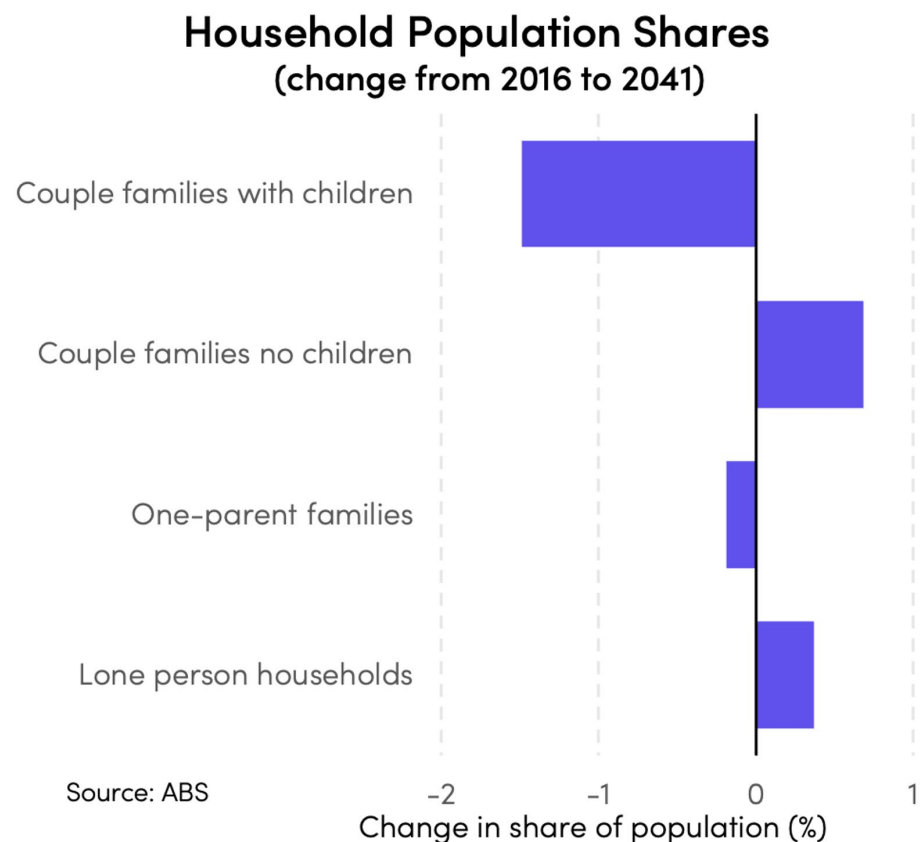
- The Regional Australia Institute / CBA Regional Movers Index gives a broad picture of total population flows from capital cities to the regions.
- The index points to a sharp lift in flows to the regions during the pandemic.
- But regional flows returned to more normal levels after the pandemic spike.

The Demographic Problem



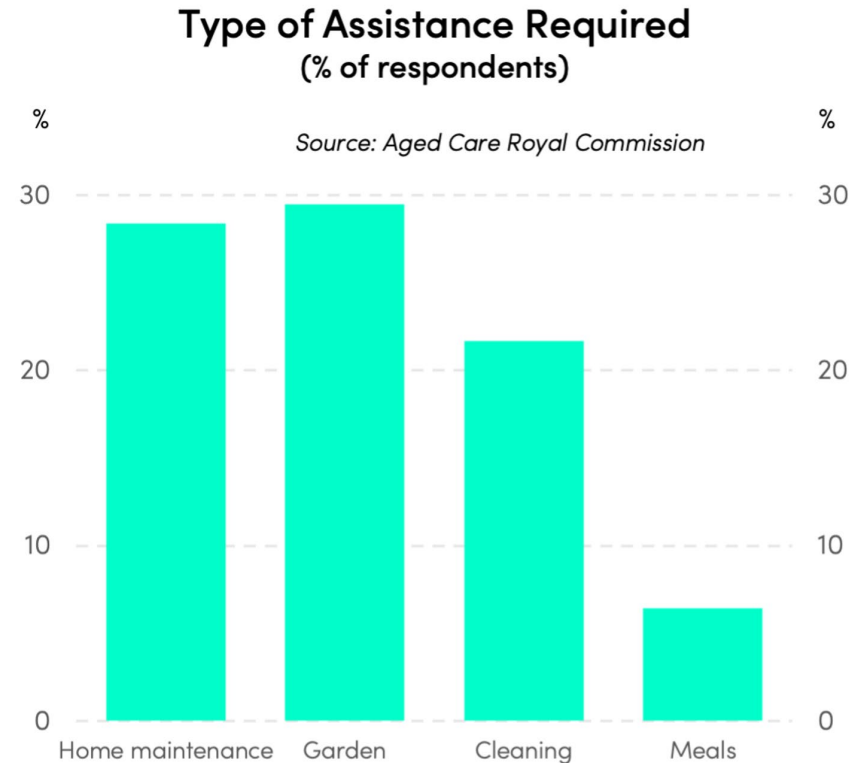
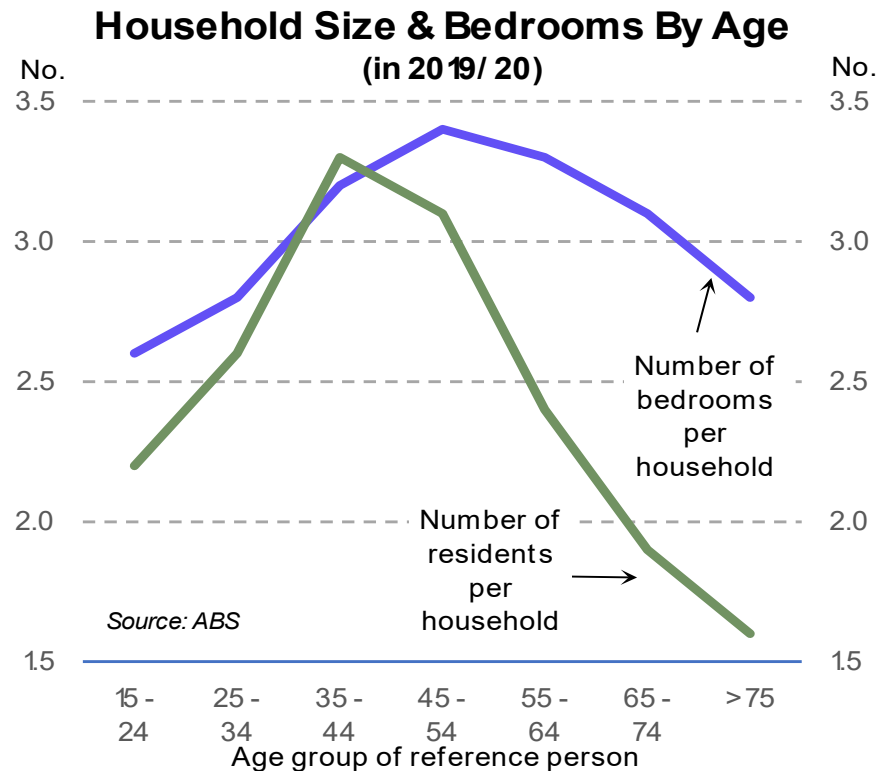
- Official population projections show a steady rise in the number of people aged over 65:
 - to 9.4 million people by 2063 (4.6m now).
- The older age group will account for 23% of the population at that point (17% now).

The Household Problem



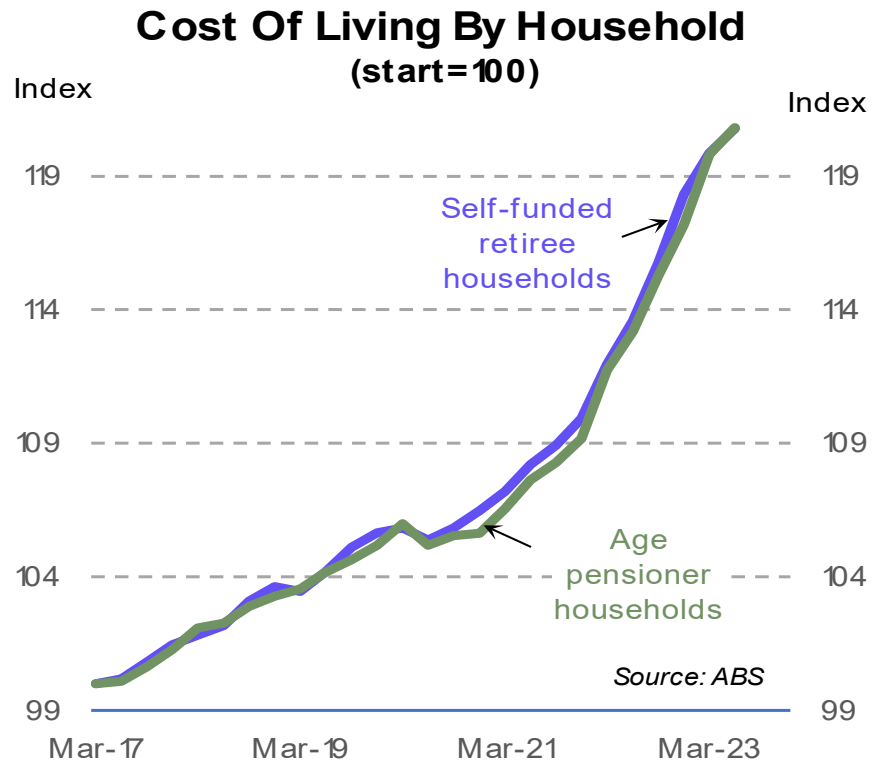
- Large shifts are occurring in the *type* of households as the population ages.
- The proportion of couple families with children is falling as the population ages. The first offset is a rise in couple families with no children. And, as the years roll on, the proportion of lone person households will 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.

The Housing Problem



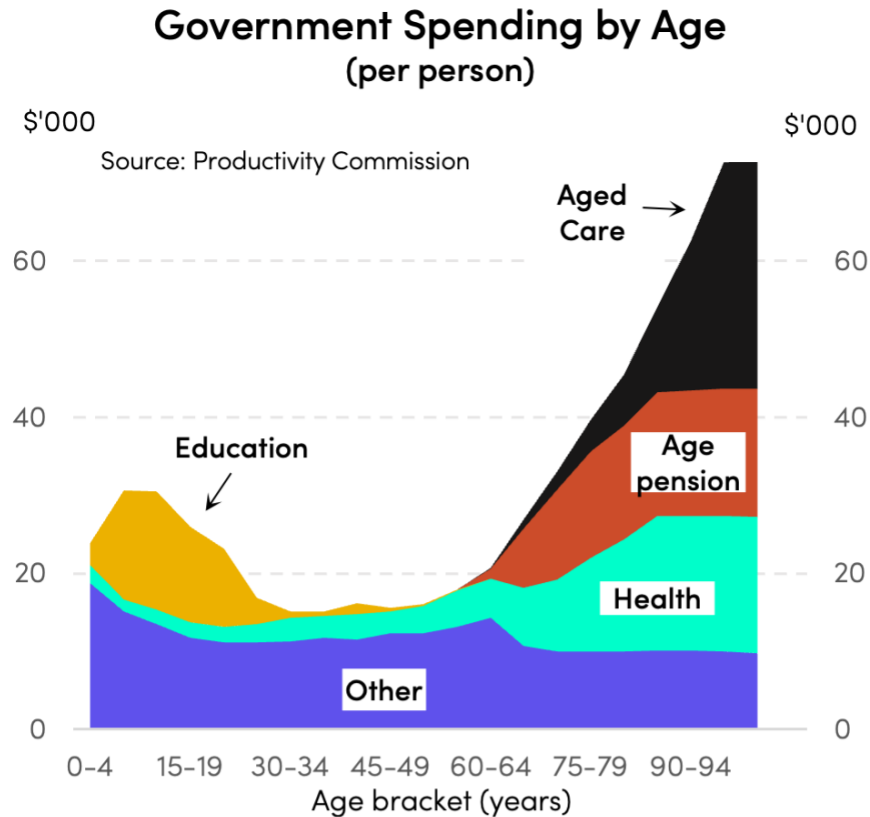
- The older population is living in dwellings that are now too large for the smaller households.
- Maintenance and assistance needs of those larger, older dwellings are increasing.

The Cost-of-Living Problem



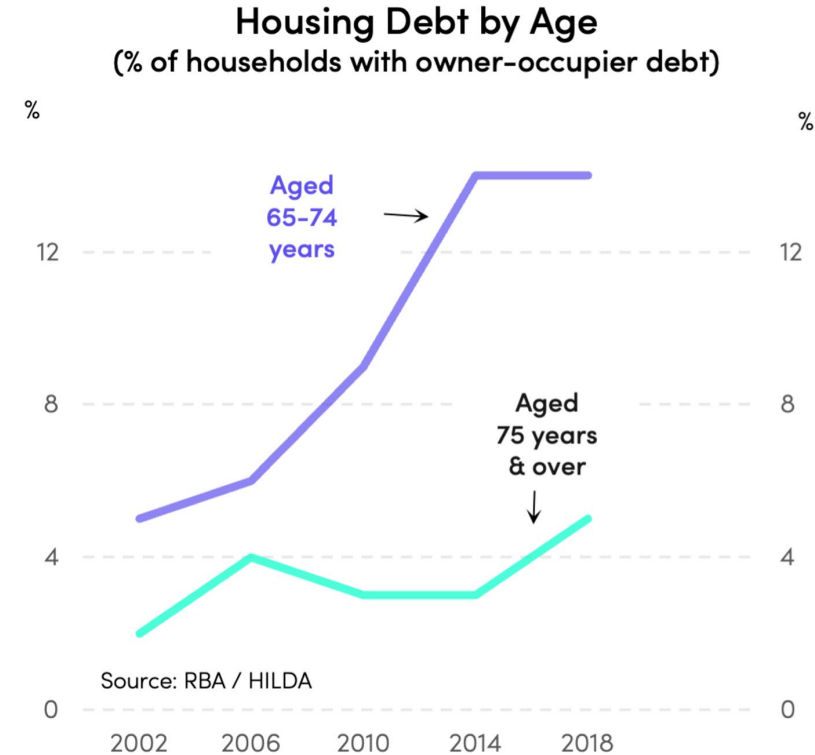
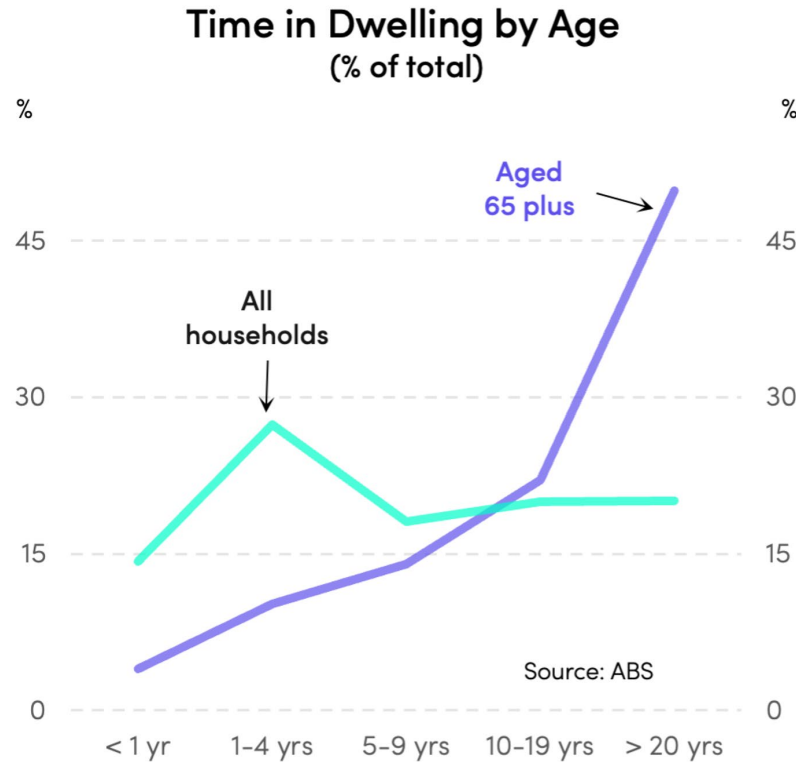
- Spending patterns change with age.
- These shifts bias the spending of older households towards items that generally grow at a faster rate than the overall CPI.
- The cost of living rises with age as a result.
- The cost of living faced by self-funded retirees and aged pensioner households have run ahead of those faced by employee households in recent years.
- Over the past 2½ years price rises total:
 - 13.4% for self-funded retirees; and
 - 14.4% for aged pensioners.

The Government Problem



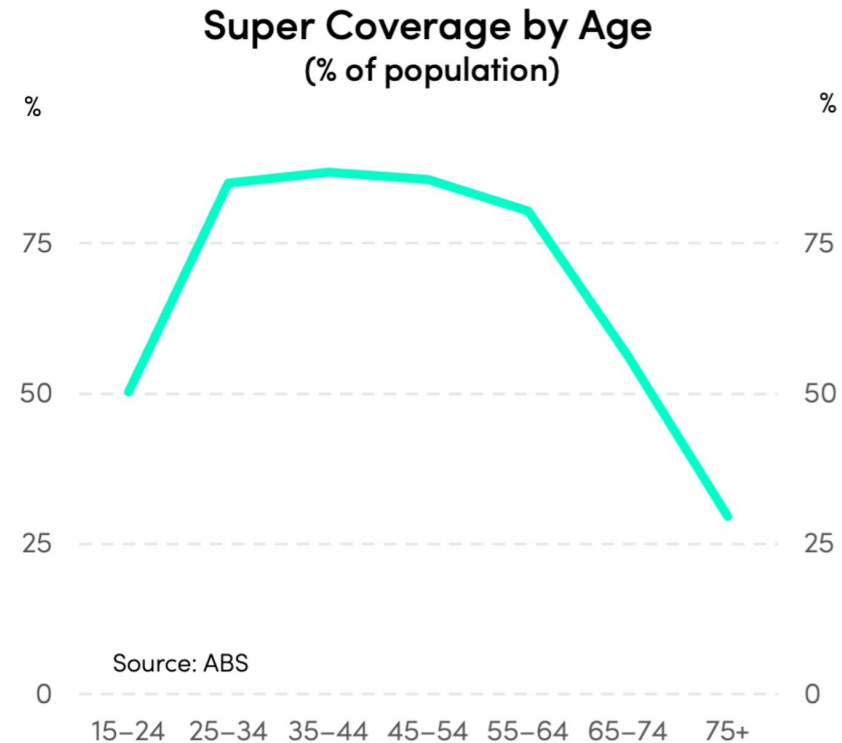
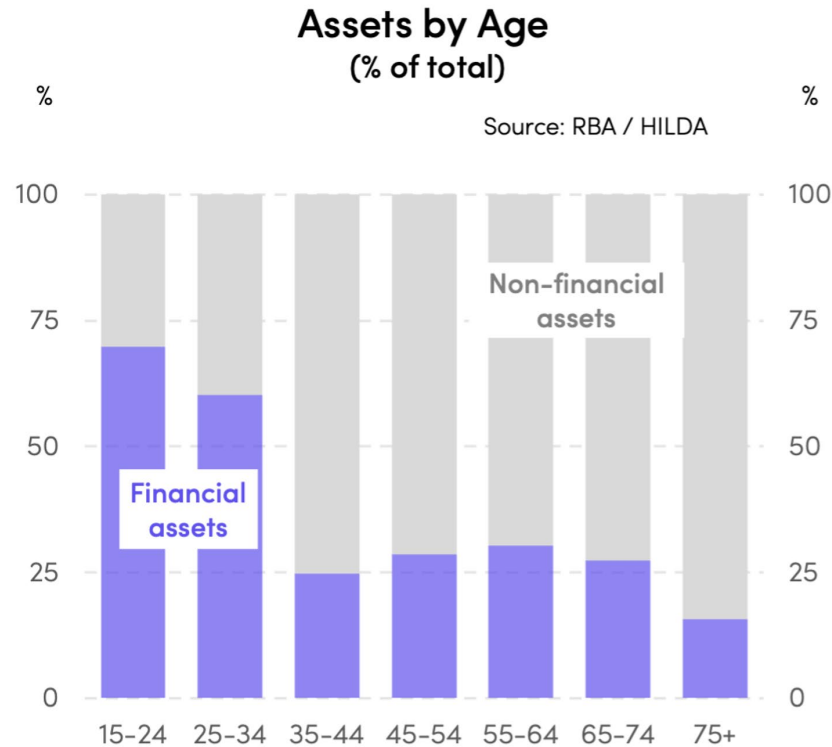
- The government budget is under pressure.
- Older age groups receive a larger share of government largesse than any other on a per capita basis.
- This skew reflects spending associated with health, the age pension and aged care.
- An aging population also means fewer taxpayers.
- The pressure on older age groups to fund their own retirement will continue.

The Balance Sheet Problem



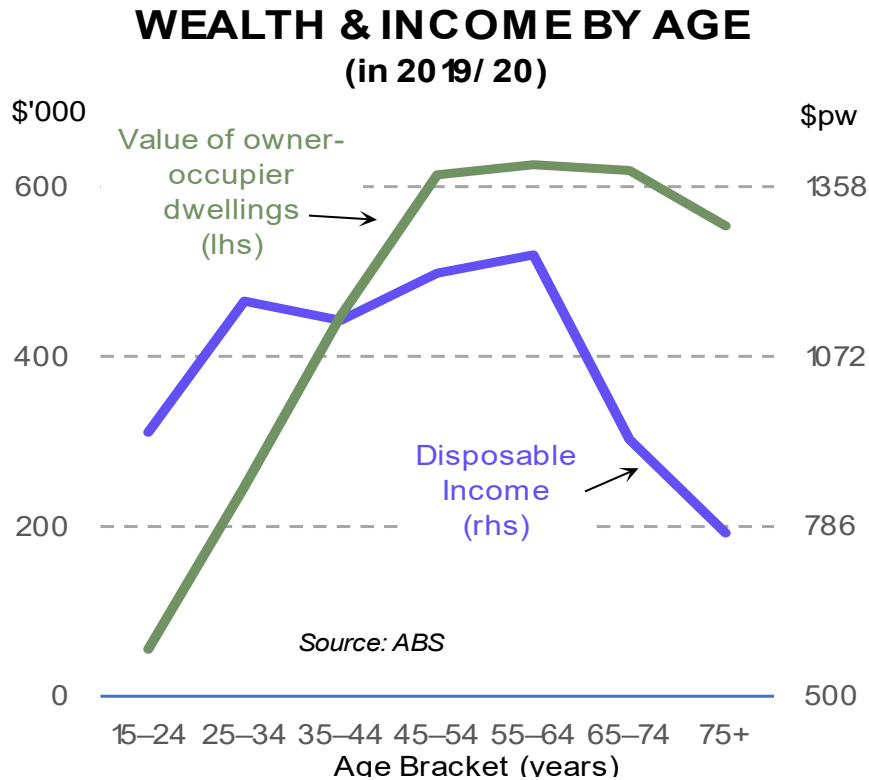
- Older households have been in the market for longer – and received a significant wealth boost as a result.
- But older households are also carrying housing debt into old age as well.

The Income Problem



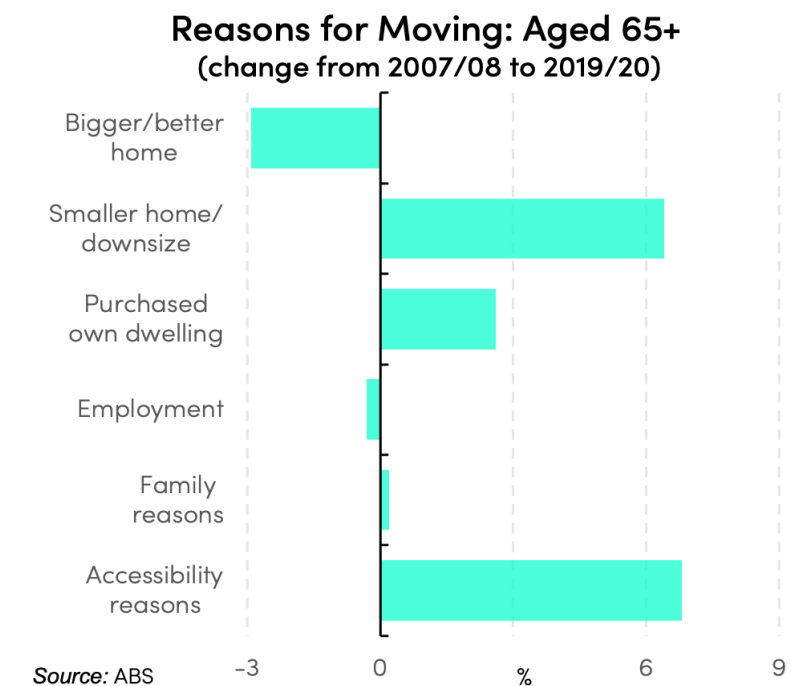
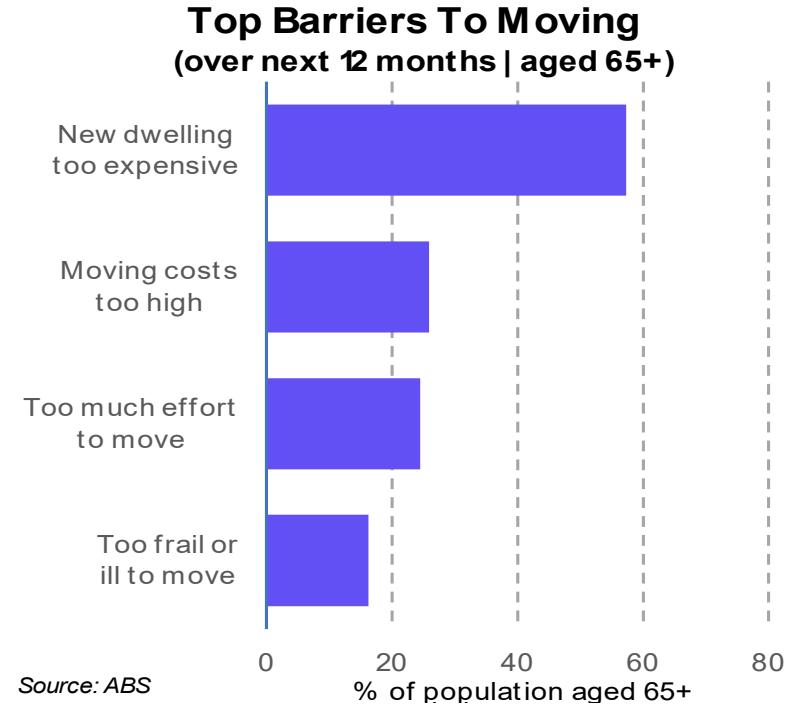
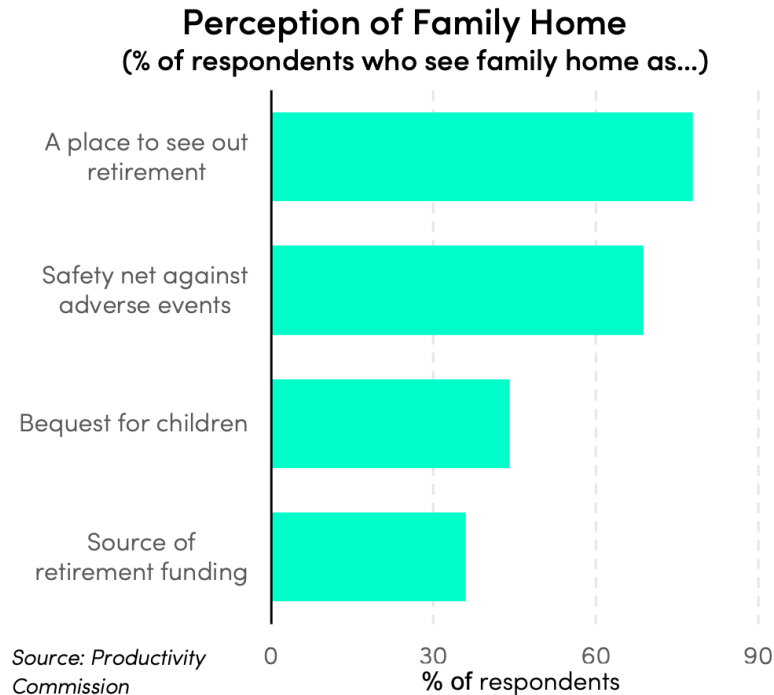
- Older households are “overweight” non-financial assets – a constraint on income.
- Older households have less superannuation assets – a constraint on income.

The Solution



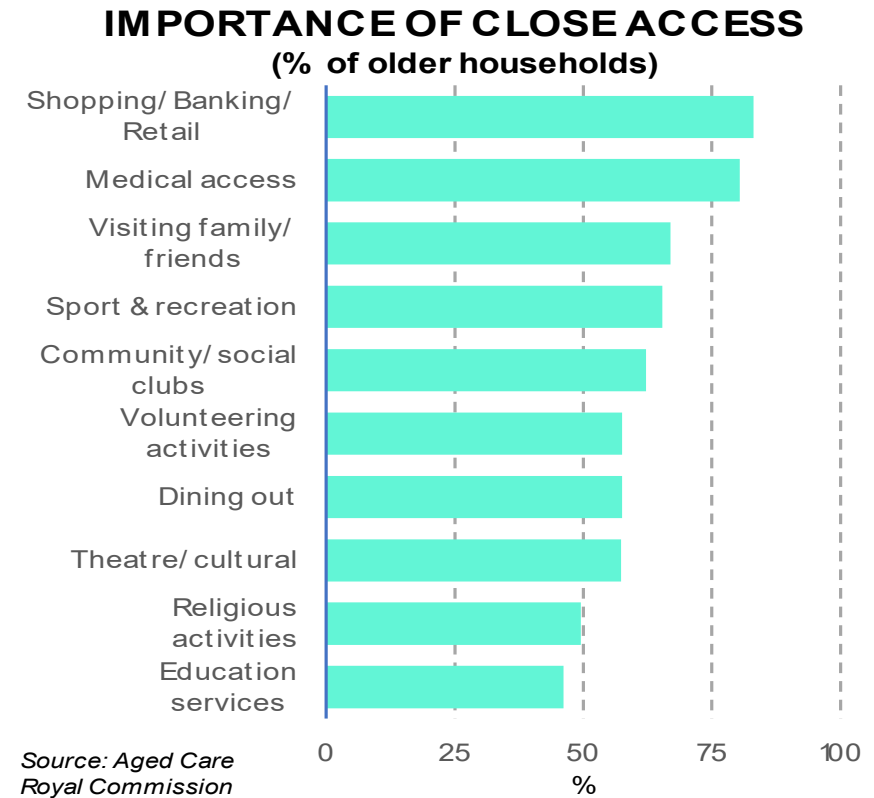
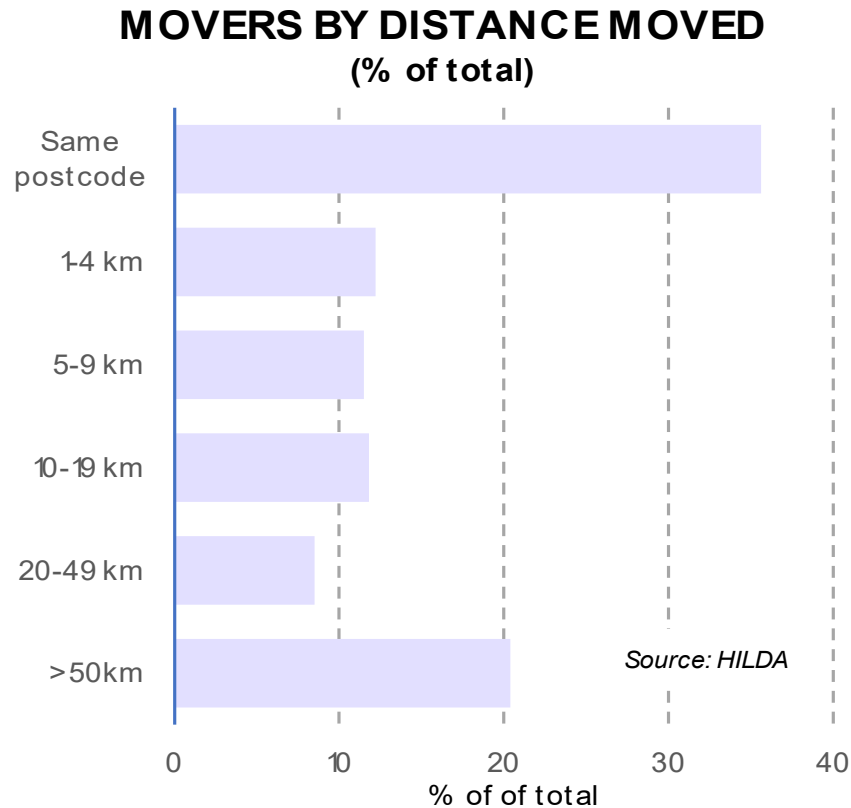
- Households reach retirement at a point of peak wealth. But their disposable income drops sharply. They have less superannuation assets. And their balance sheets are structured in a way that provides limited income:
 - older households are asset rich but cash poor.
- Incomes fall at a time when the cost-of-living increases and there is limited likelihood of extra assistance from the government.
- The type of housing becomes less appropriate:
 - houses are too large for smaller households; maintenance costs rise and the need for assistance lifts.
- The solution:
 - restructure assets to generate more income; and
 - move to more age-appropriate dwellings.
- This solution is the definition of “downsizing”.

The Perception Problem



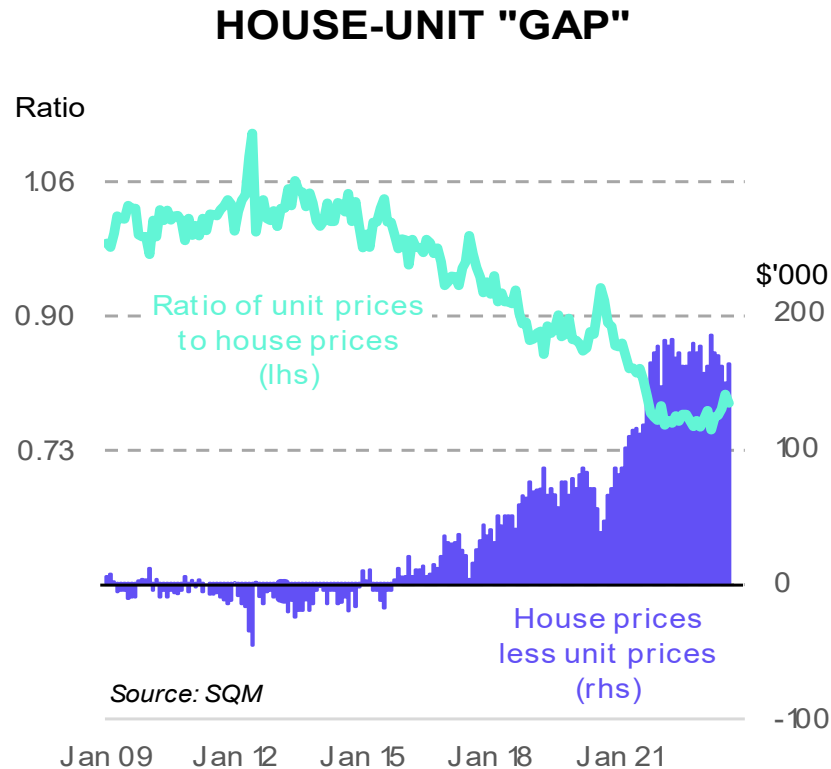
- The majority of those aged over 60 want to age-in-place – perception is new dwellings are too expensive and moving costs too high. Lack of choice is another common barrier.
- Nevertheless, perceptions are changing. A survey on the reasons people move shows a big rise in those nominating a desire for a smaller home/downsizing.

The Gravity Issue



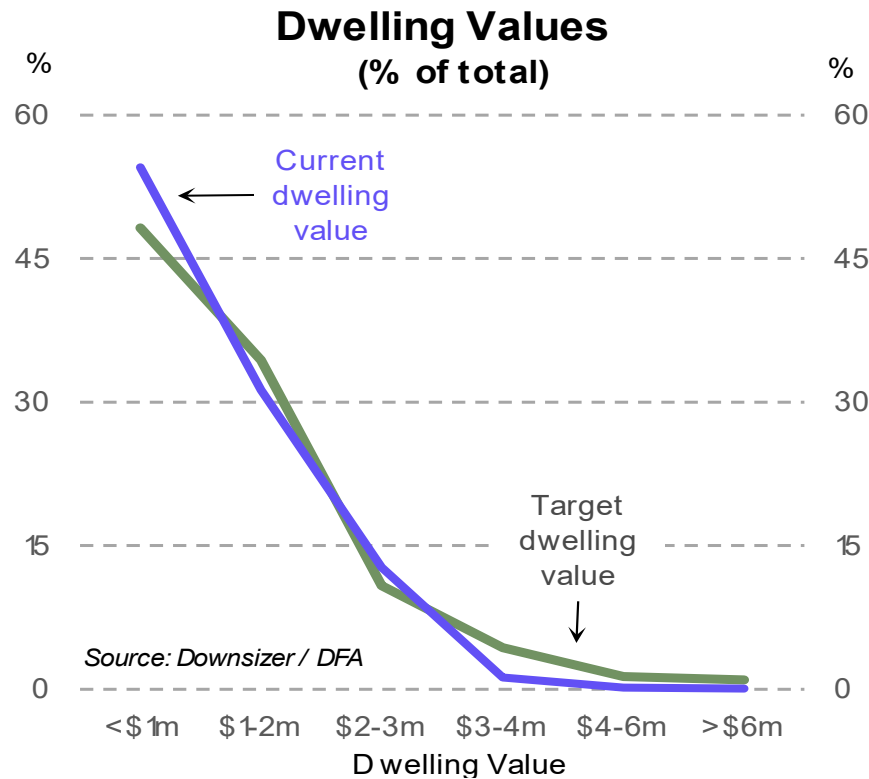
- Those who move tend to stay local - 36% relocate to somewhere in the same postcode. A further 24% stay in a 1-9km radius of their previous residence.
- The preference for nearby reflects the importance older households place on close access to services.

The Equity Release Incentive



- The typical downsizing operation involves moving from a “house” to a “unit”.
- The ratio of unit prices to house prices has fallen since 2017.
- As a result, the price gap between houses and units is at the higher end of the historical range - a powerful financial incentive to downsize.
- Governments are making downsizing more attractive:
 - A Commonwealth scheme allows downsizers to deposit \$300k of any downsizing sale proceeds (\$600k for couple households) into super funds.
 - Some states offer stamp duty concessions for downsizers.

The Potential

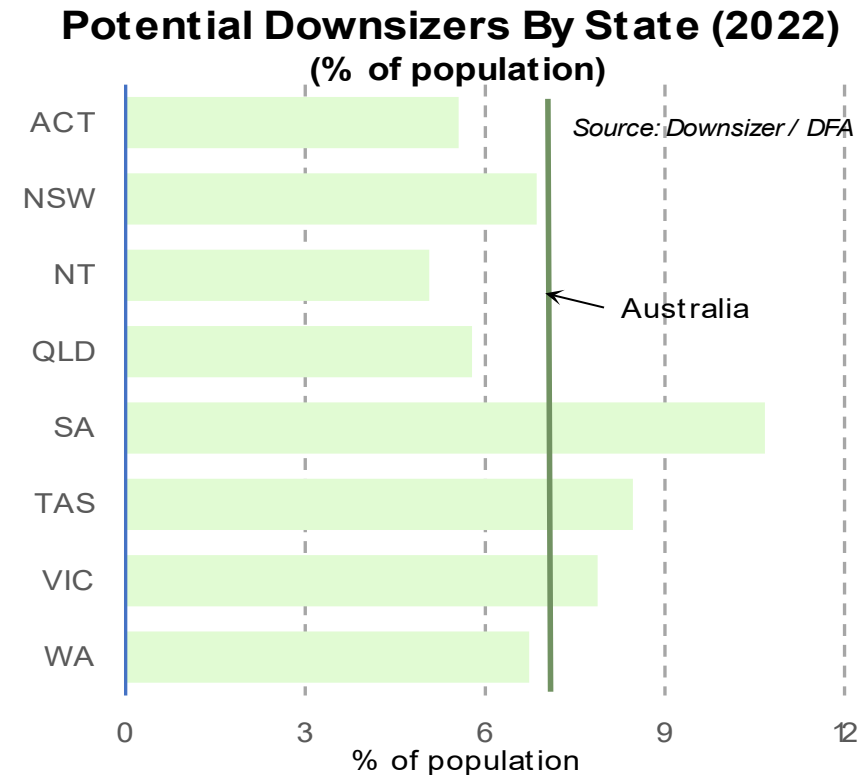
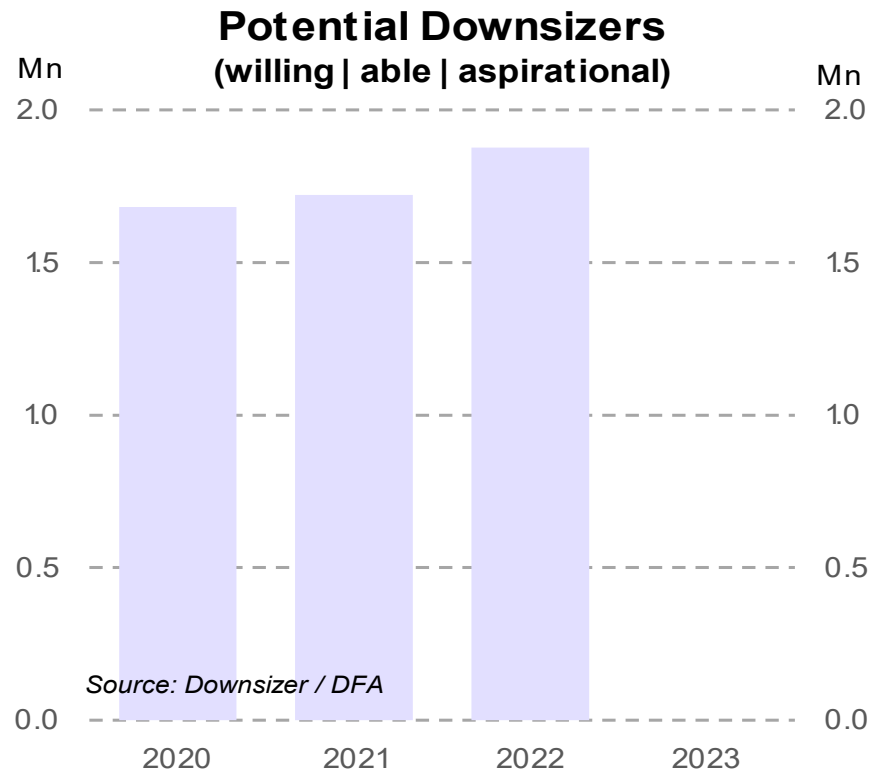


- A Downsizer/DFA survey shows the potential pool of downsizers over the next five years stands at around 1.88 million households.
- Around 46% of that group live in a dwelling worth more than \$1 million.
- And 48% are looking at downsizing to a property in the sub \$1 million price range.
- The survey implies property sales of \$2 trillion over the next five years.
- The net equity released would be nearly \$640 billion. Or \$340k per household.

The Superannuation “Secret”

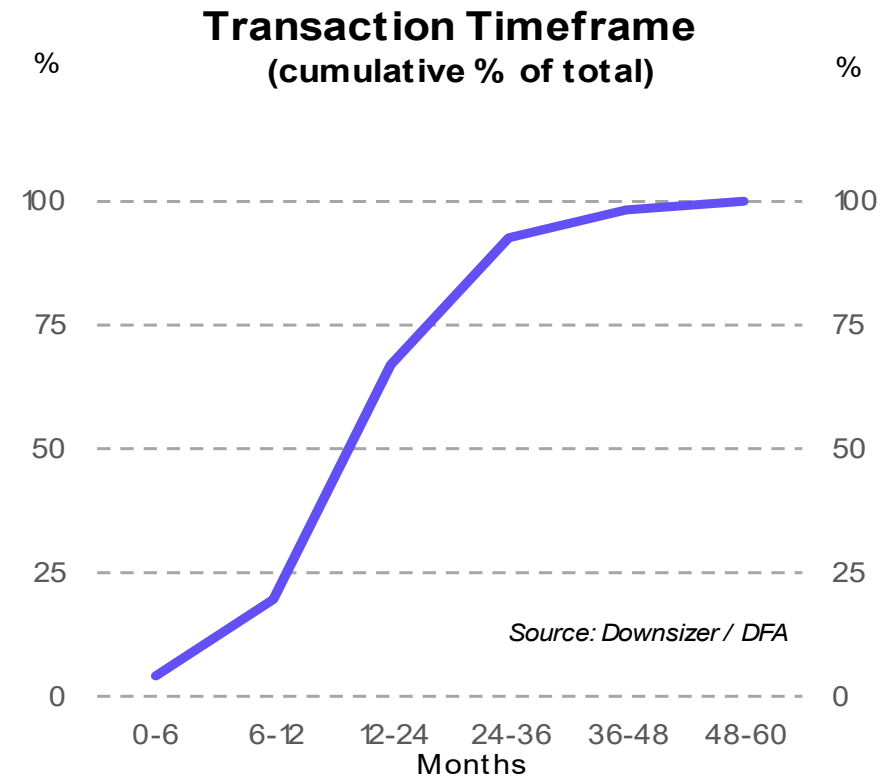
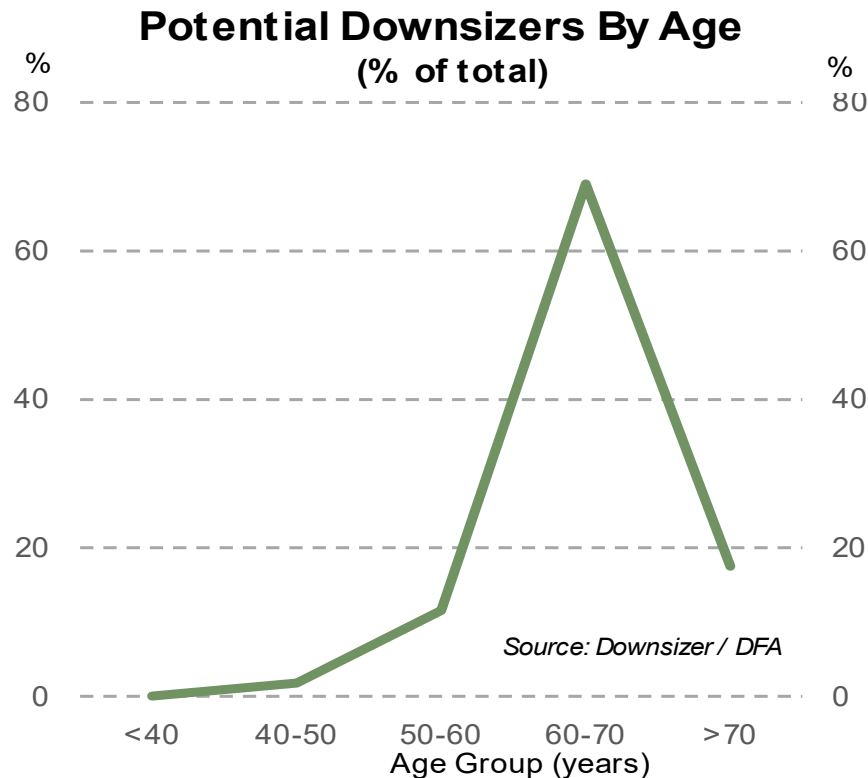
- Governments are making downsizing more attractive:
 - those aged 55+ can put \$300,000 of downsizing sale proceeds (\$600k for couples) into super.
- Eligibility does not depend on super balance, age or work status.
- As a special once-off, normal annual concessional and non-concessional contributions caps remain available.
- As an after-tax contribution, there is no contributions tax inside super plus it will be tax-free for beneficiaries after death.
- In summary, depending on individual circumstances, selling the family home and making a downsizer super contribution is an important opportunity to boost retirement savings and preserve value for the next generation in a tax efficient way.
- The average super fund return over the past decade was 6.9%. So, an extra \$300,000 of superannuation assets released by downsizing could potentially boost retirement income by \$21,000 per annum.
- This commentary is not financial advice. Consider appropriateness and suitability to your own objectives, financial situation and needs, and, if appropriate, seek professional or independent financial advice, including tax and legal advice.

Downsizers: Who Are They? Some Evidence from the Downsizer Survey



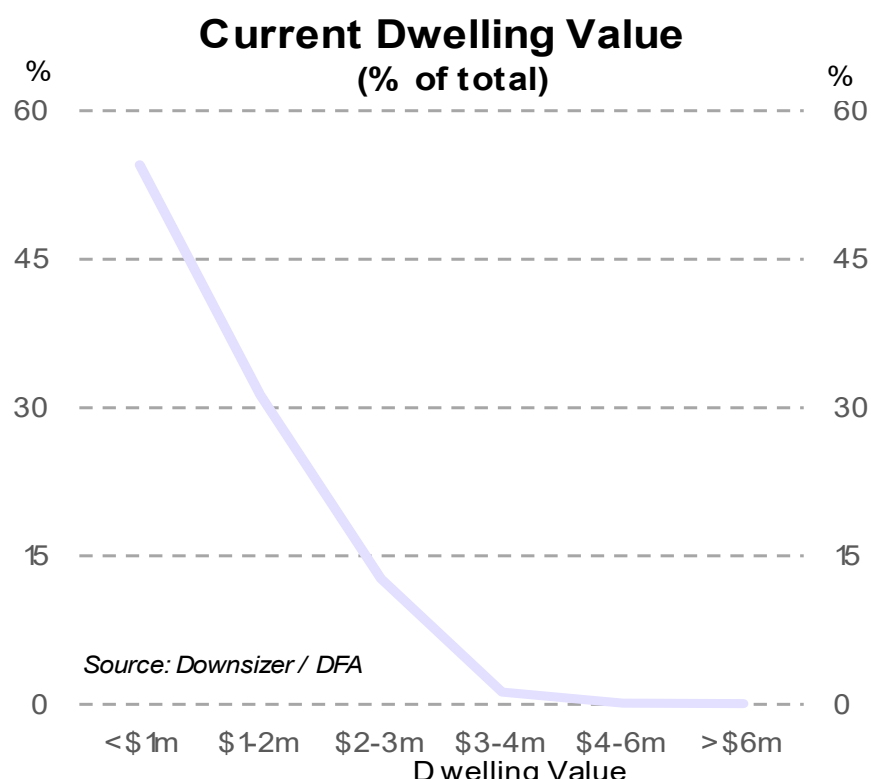
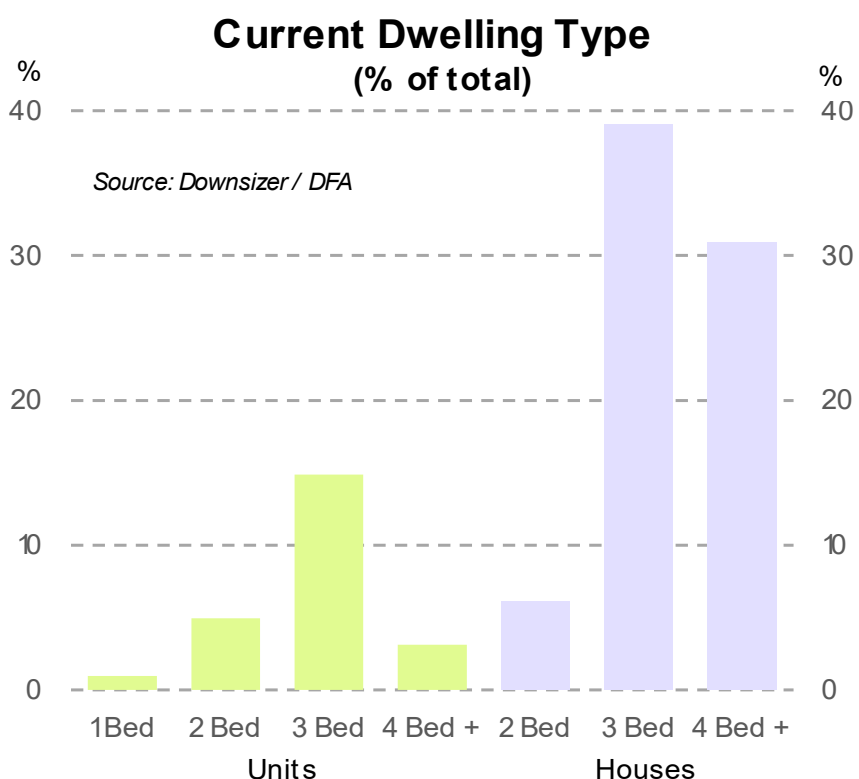
- Potential downsizers are a growing share of the population – 1.8 million in 2022.
- They are spread across the states and territories, roughly in line with population shares (underweight: NSW, QLD. overweight: Vic, SA).

Downsizers: Who Are They? Some Evidence from the Downsizer Survey



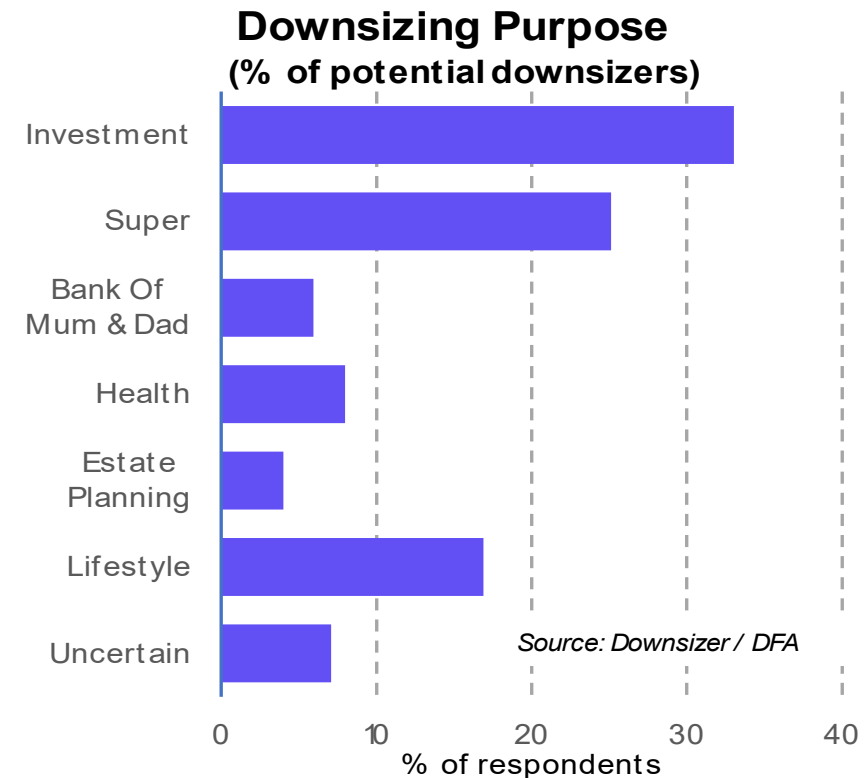
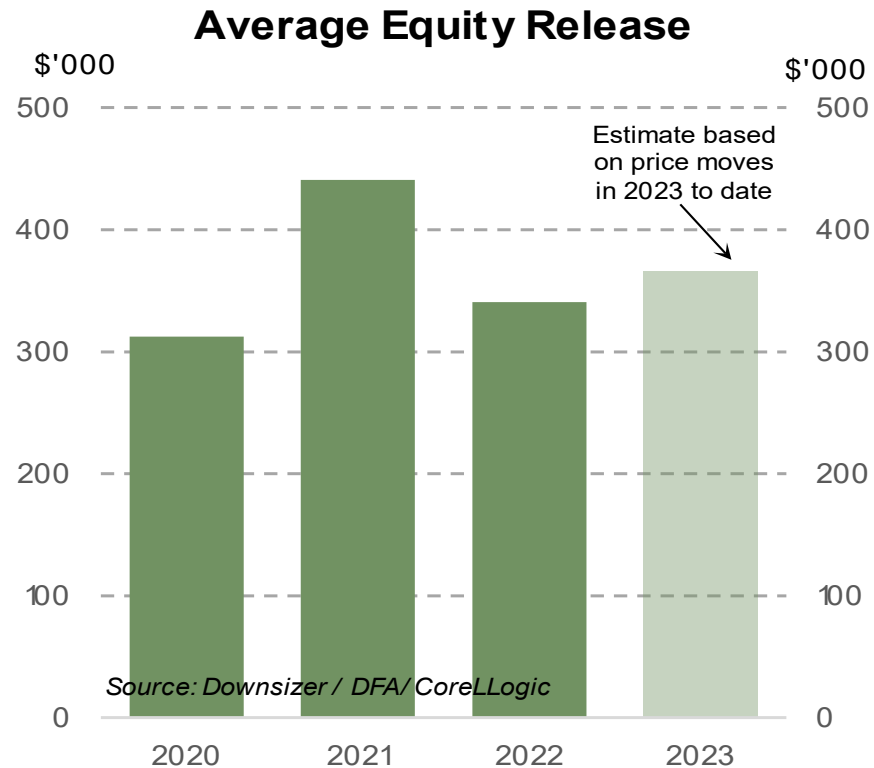
- The majority of potential Downsizers are in the 60-70 years age bracket.
- The majority intend to transact in the next two years.

Downsizers: Who Are They? Some Evidence from the Downsizer Survey



- Most potential downsizers live in large dwellings.
- Most downsizers live in dwellings with a value below \$2 million.

Downsizers: Who Are They? Some Evidence from the Downsizer Survey



- The average expected equity release was \$340,000 per household, based on the 2022 survey. Dwelling prices have risen so far in 2023, implying an increase in potential average equity release.
- Potential downsizers nominate financial incentives as the main motives for downsizing.

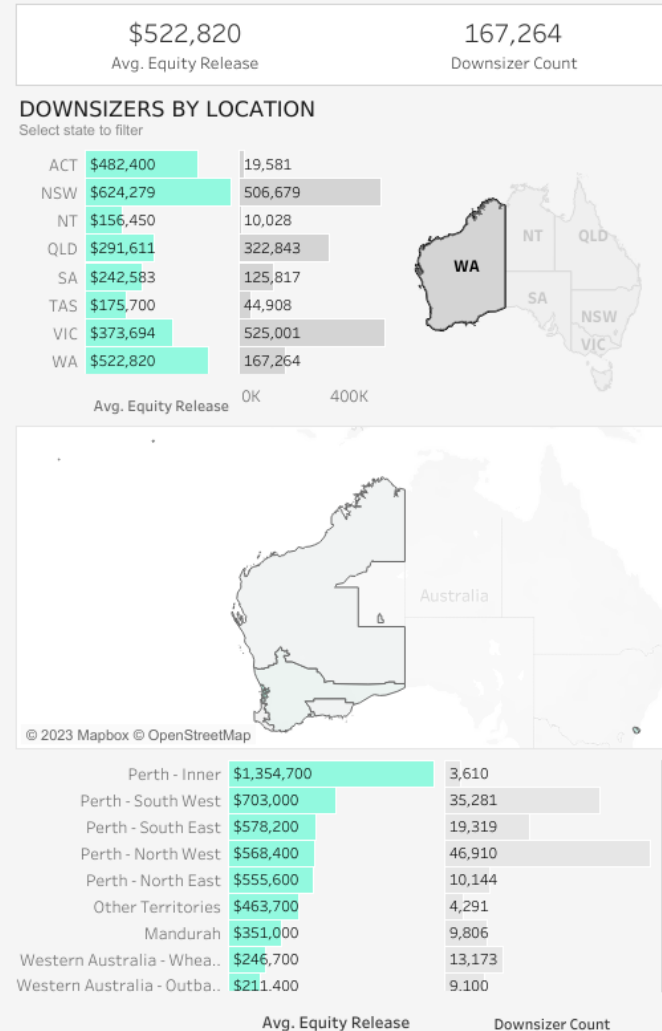
Downsizing Western Australia



Downsizer Buying Intentions –Western Australia

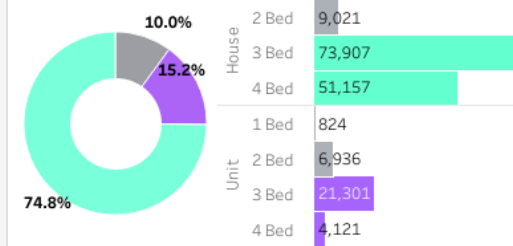
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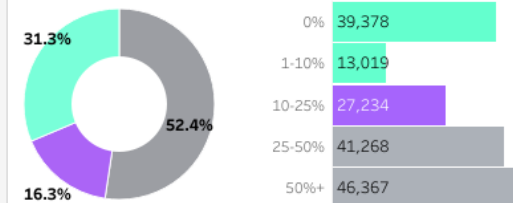


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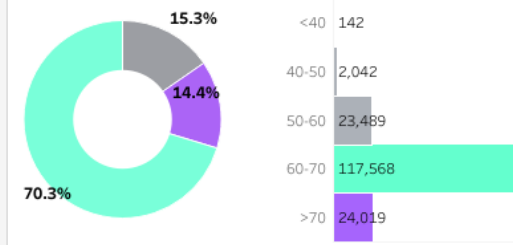
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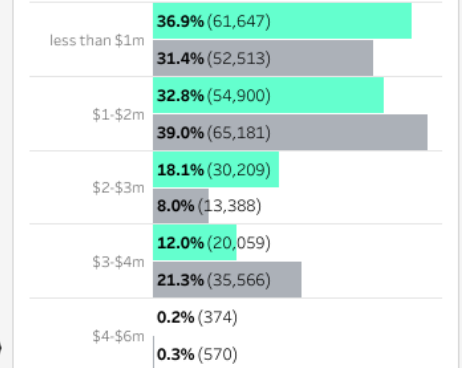


AGE OF HOMEOWNERS

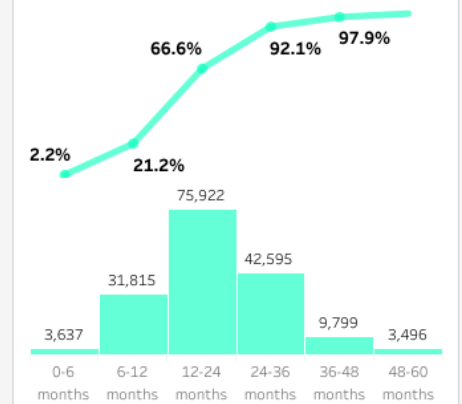


What hopeful Downsizers want from their future purchase

WHAT DO HOMEOWNERS WANT TO SPEND ON THEIR DOWNSIZED PROPERTY?
Current Home \$ vs Downsized Home \$

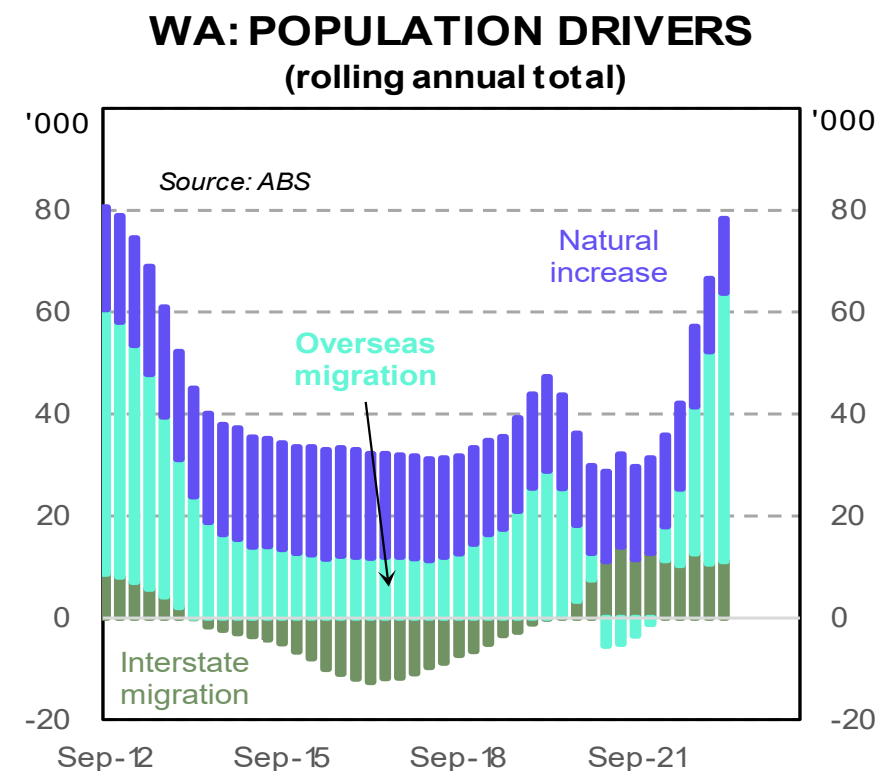
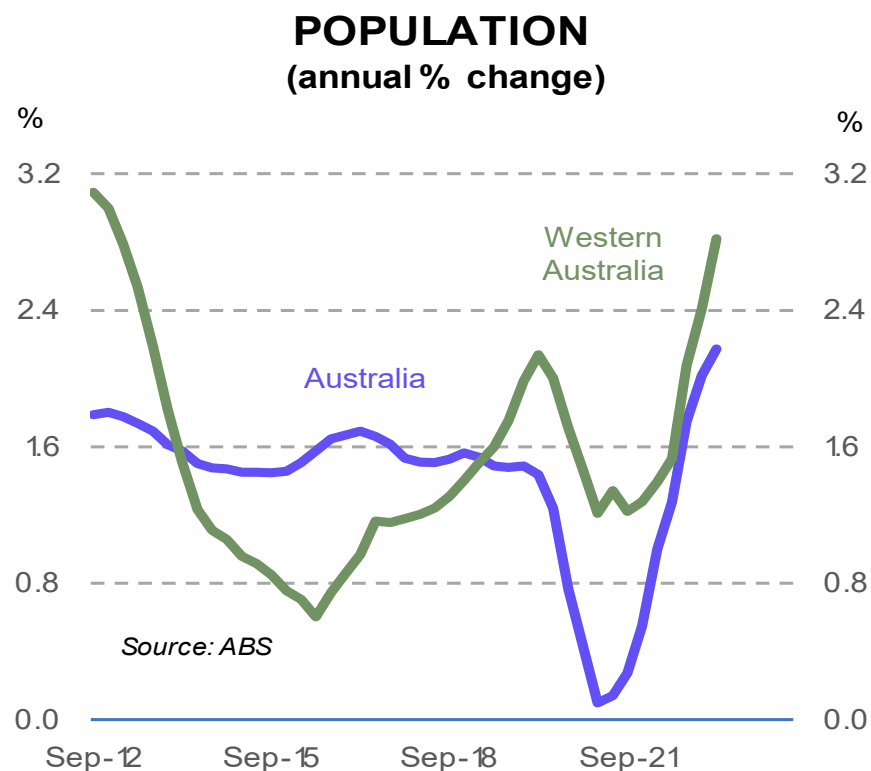


WHEN DO HOMEOWNERS WANT TO DOWNSIZE?



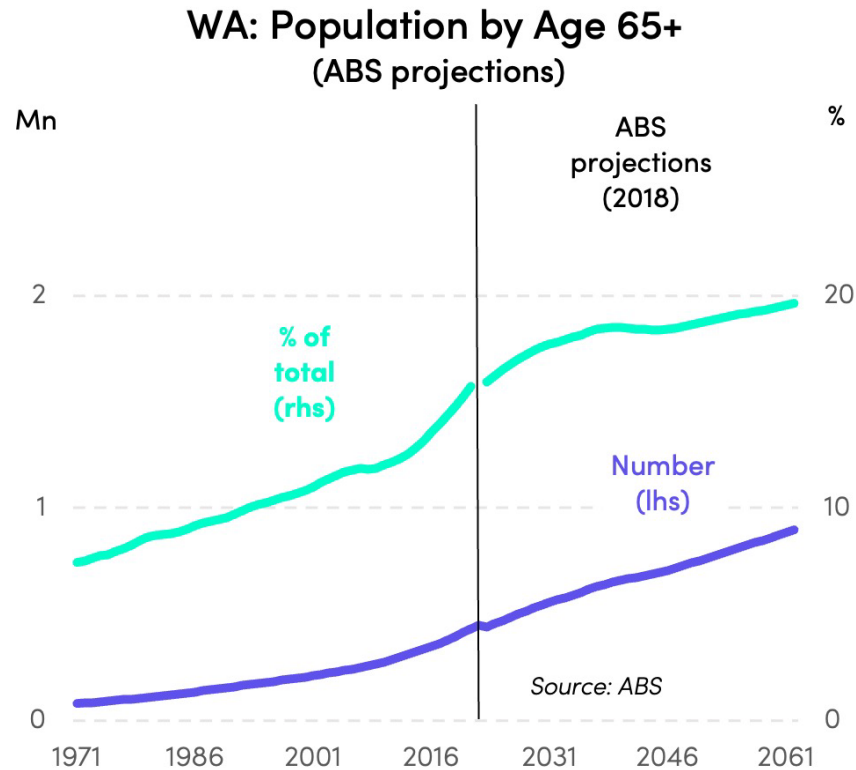
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A Closer Look at WA - Population



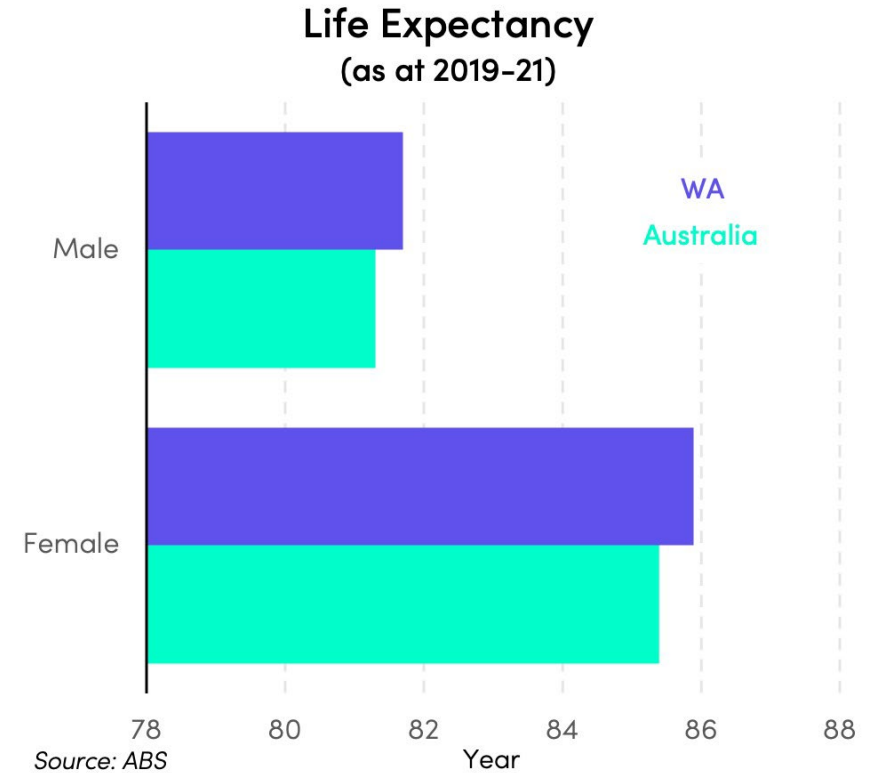
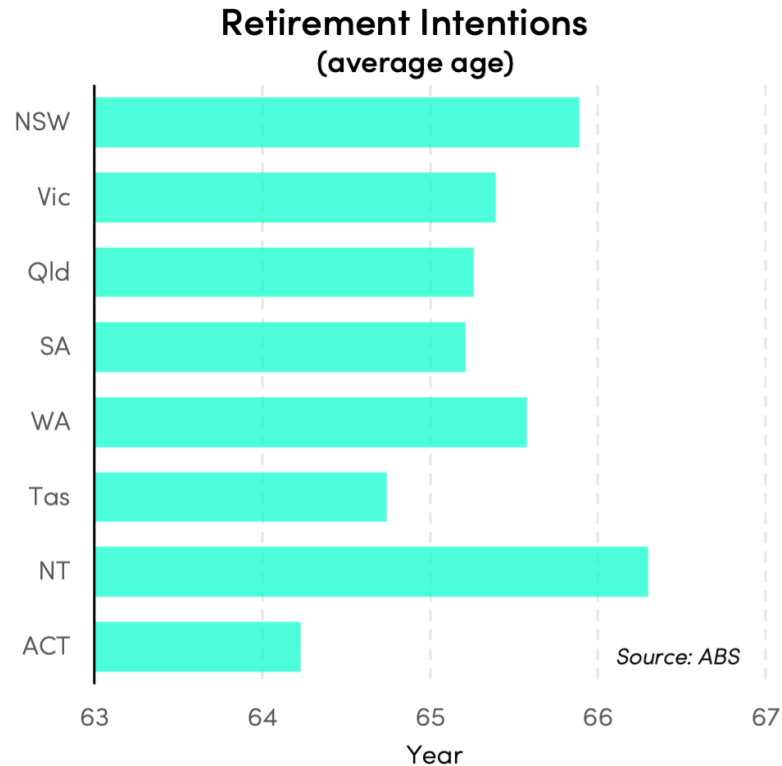
- WA population growth runs *above* the national average over the long run but has been volatile over the past decade. The COVID impact on WA was muted as the reversal of overseas migration was offset by interstate migration turning from outflow to inflow. Population growth is now accelerating as overseas migrants return.

A Closer Look at WA - Aging



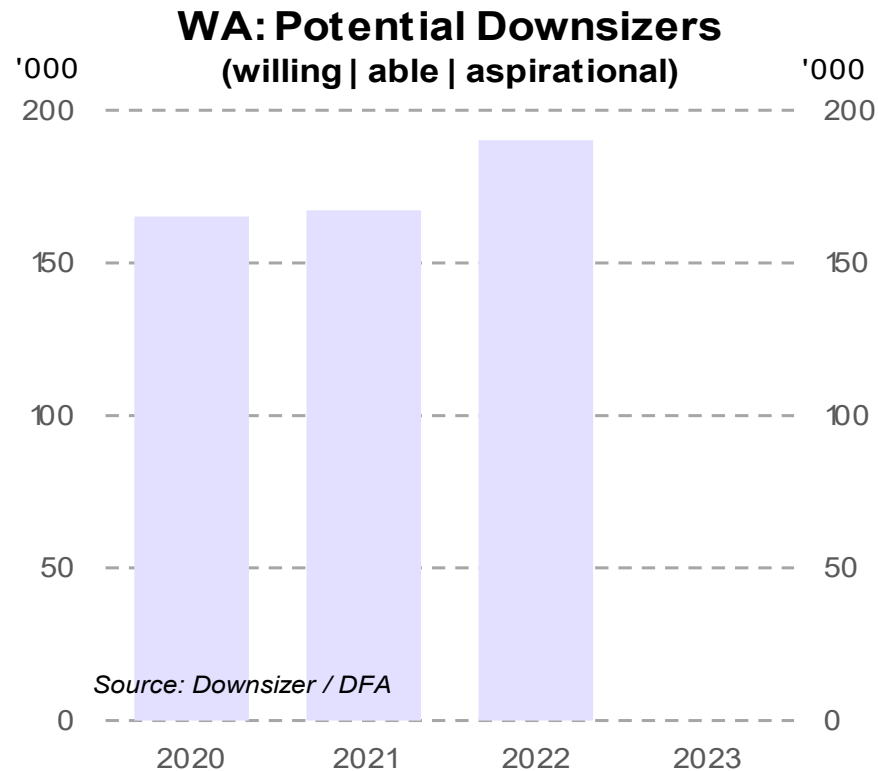
- ABS population projections show a steady rise in the number of Western Australians aged over 65:
 - to around 0.9 million people by 2061.
- The older age group will account for 19.5% of the population at that point.
- The Western Australian aged share is lower than the national average – WA demographics are impacted by a rising share of (younger) migrants. A younger age structure also means a higher birth rate relative to the national average.

A Closer Look at WA - Retirement



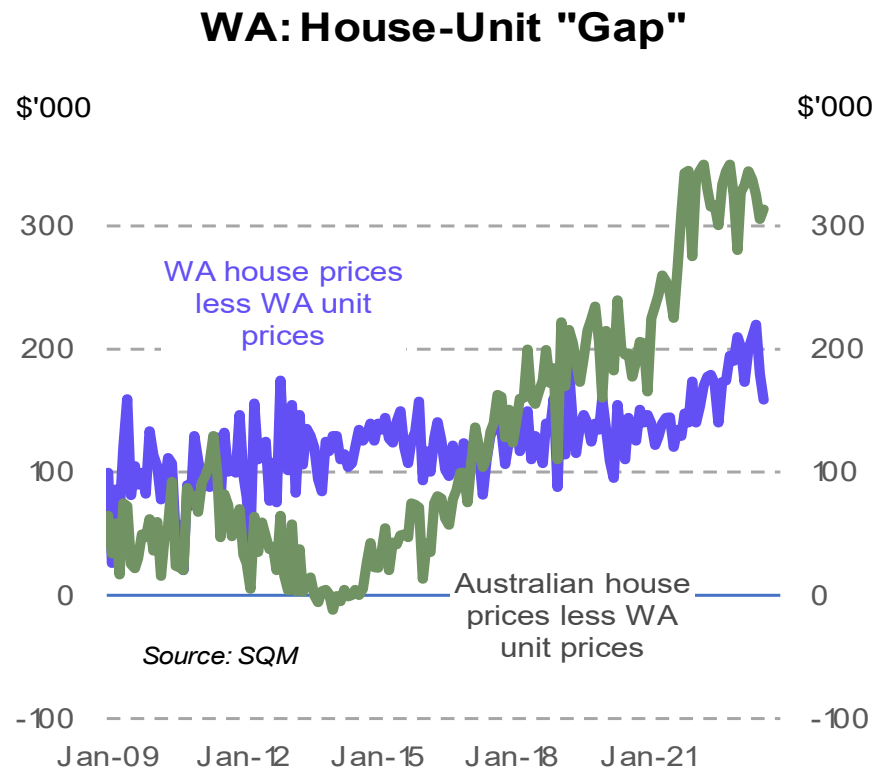
- Western Australia's intended retirement age sits at the higher end of the state range. WA's life expectancy is *above* the national average. Males need to “fund” nearly 17 years of retirement and females nearly 20 years.

A Closer Look at WA - Downsizing Demand



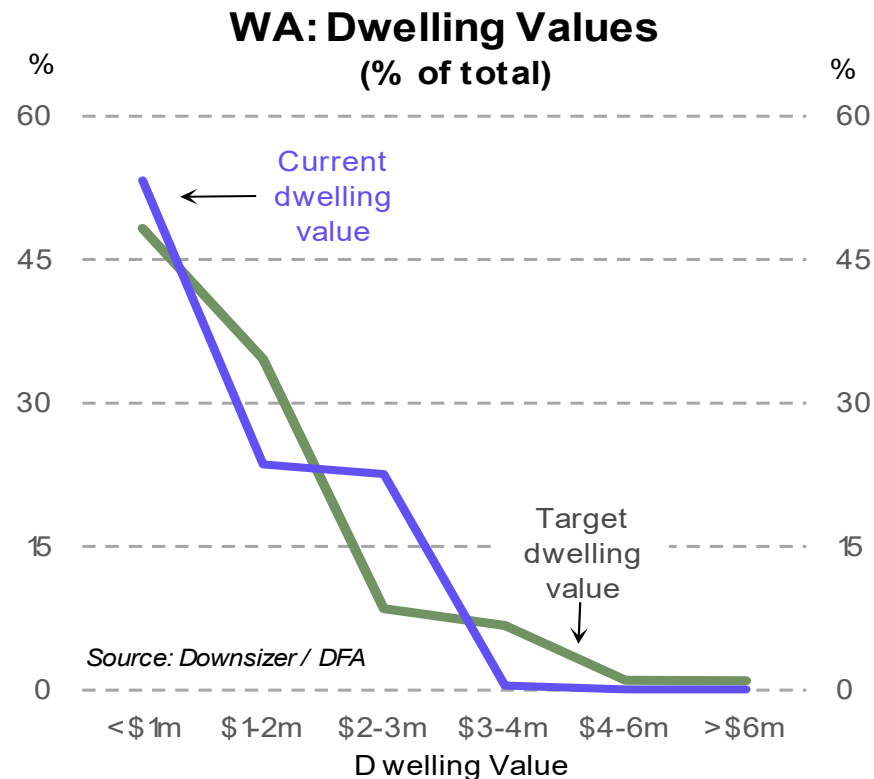
- Potential downsizers are a growing share of the WA population
- The Downsizer/DFA survey puts the number of potential downsizers at 190,000 in 2022.

A Closer Look at WA - The Downsizing Incentive



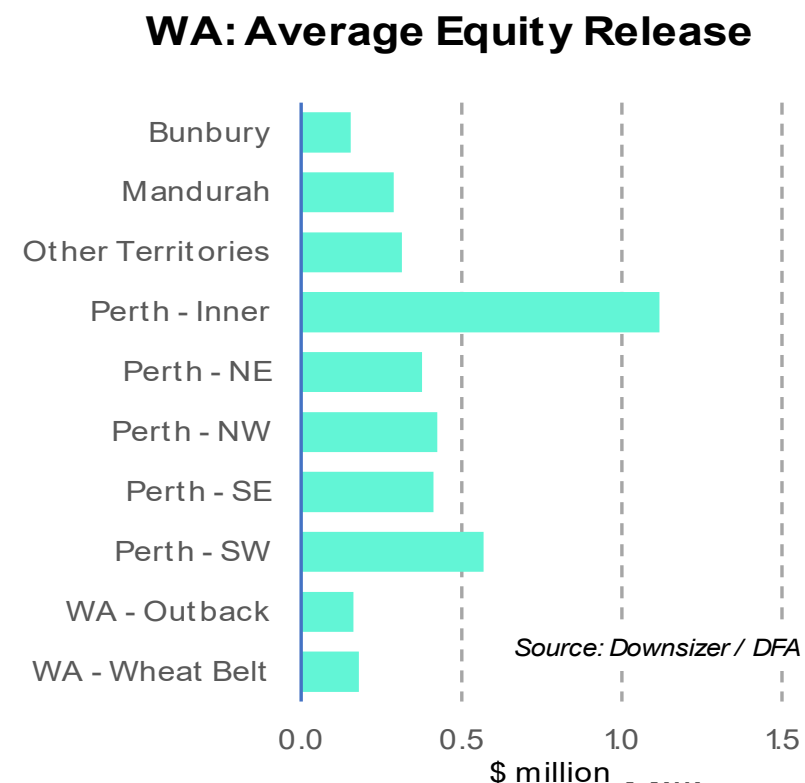
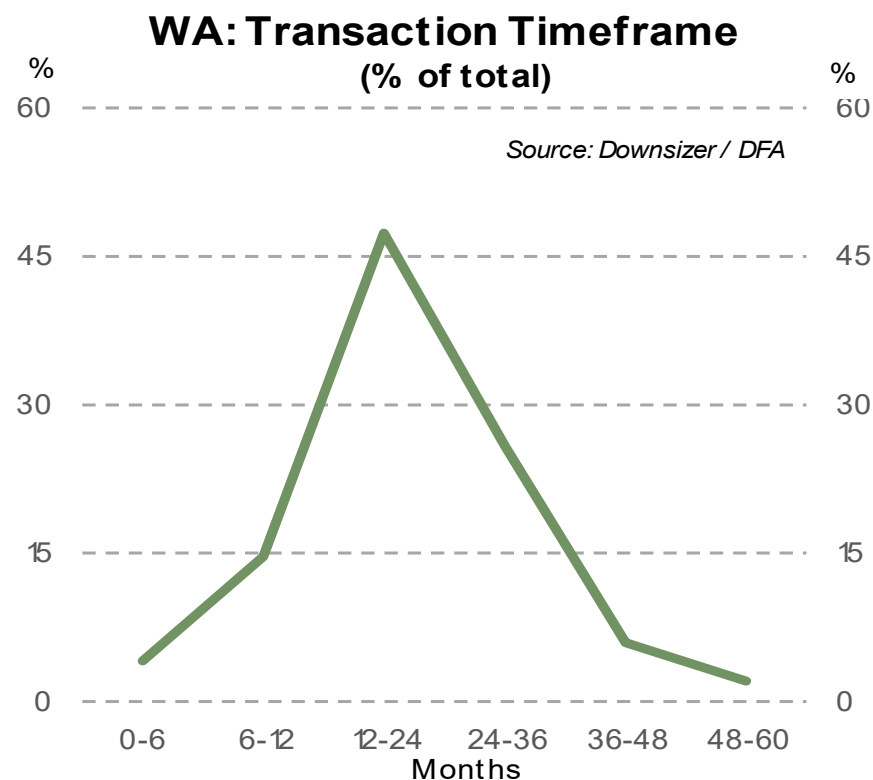
- The typical downsizing operation involves moving from a “house” to a “unit”.
- Australian capital city house prices are much higher than Perth unit prices.
- Within Perth, the price gap between houses and units is towards the top end of the historical range.
- This “gap” provides a powerful financial incentive to downsize.

A Closer Look at WA - The Downsizing Potential



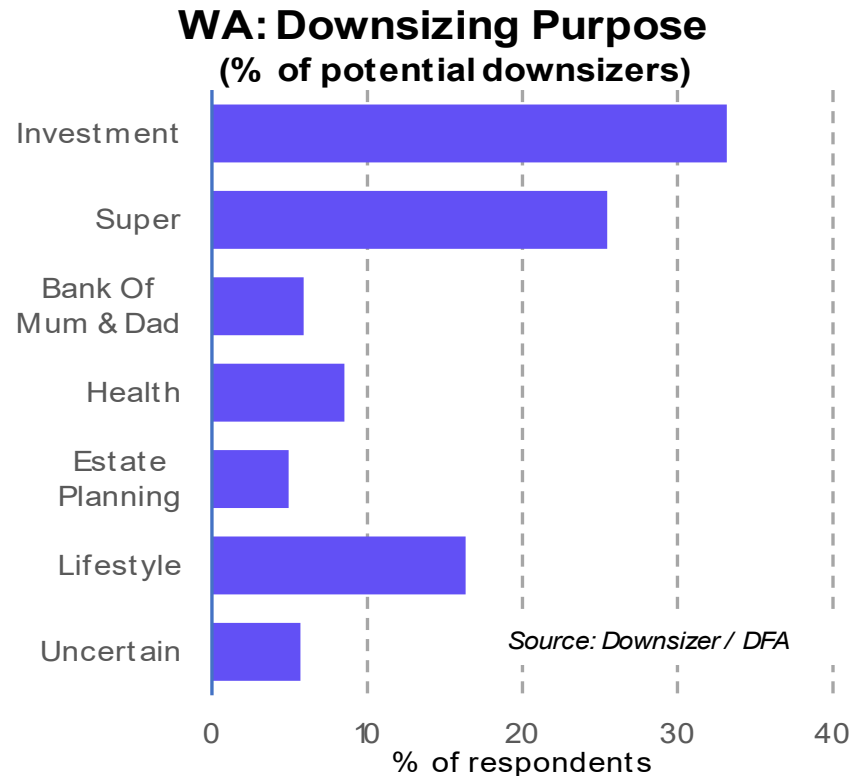
- The potential size of the downsizing market is large.
- The Downsizer/DFA survey of Perth and other areas in WA provides some useful benchmarks.
- Within those areas, nearly 70% of potential downtraders are in the 60-70 age group, the prime downsizing cohort.
- Around 47% of that group live in a dwelling worth more than \$1 million. And 48% are looking at downsizing to a property in the sub \$1 million price range.

A Closer Look at WA - The Equity Release Potential



- The Downsize/DFA survey suggests more than 66% of the potential downsizing cohort intend to downsize in the next two years. The expected average equity release ranges from \$0.15m-\$1.11m per household.

A Closer Look at WA – The Downsizing Purpose

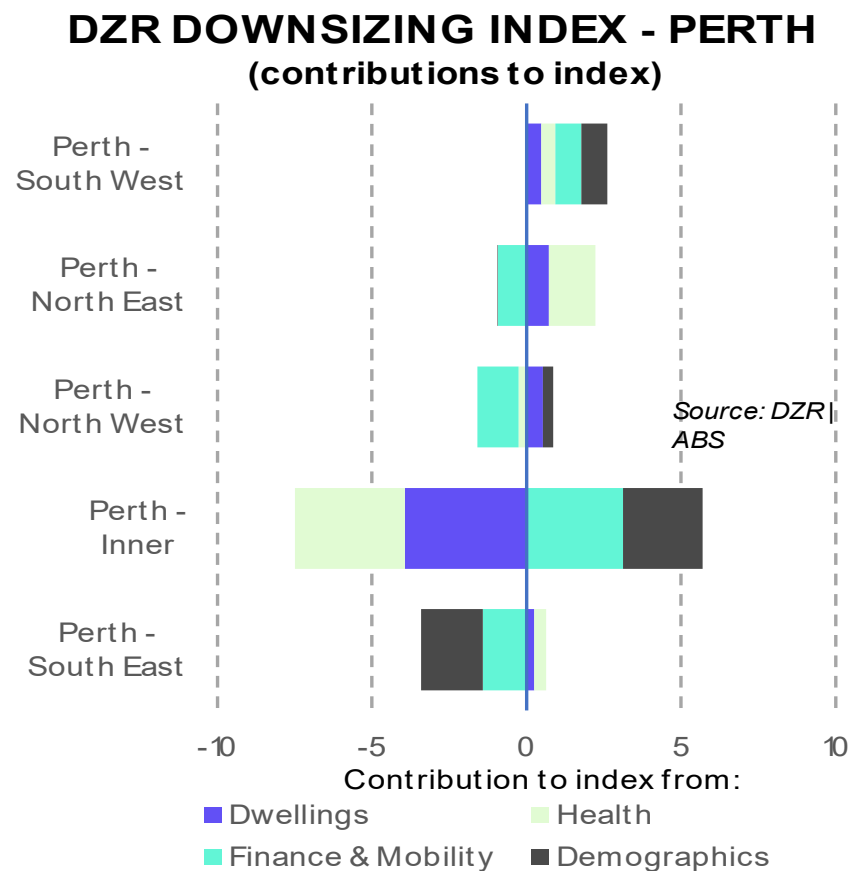
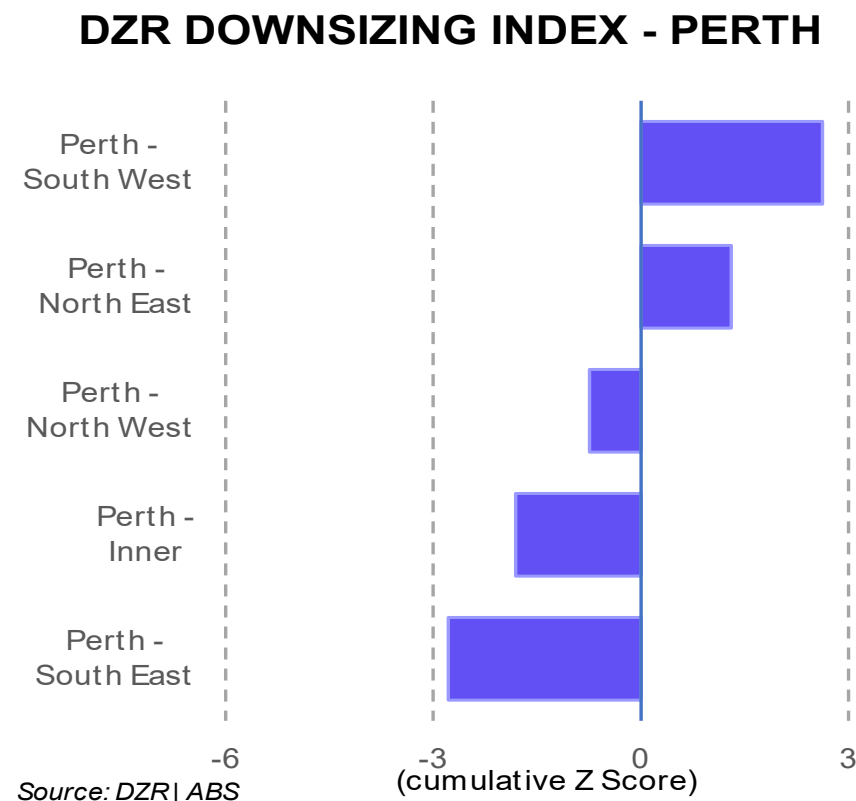


- Potential downsizers nominate financial incentives as the main motives for downsizing.
- Superannuation and other investments dominate.
- But lifestyle considerations are also important.

A Closer Look at WA – The DZR Downsizing Index

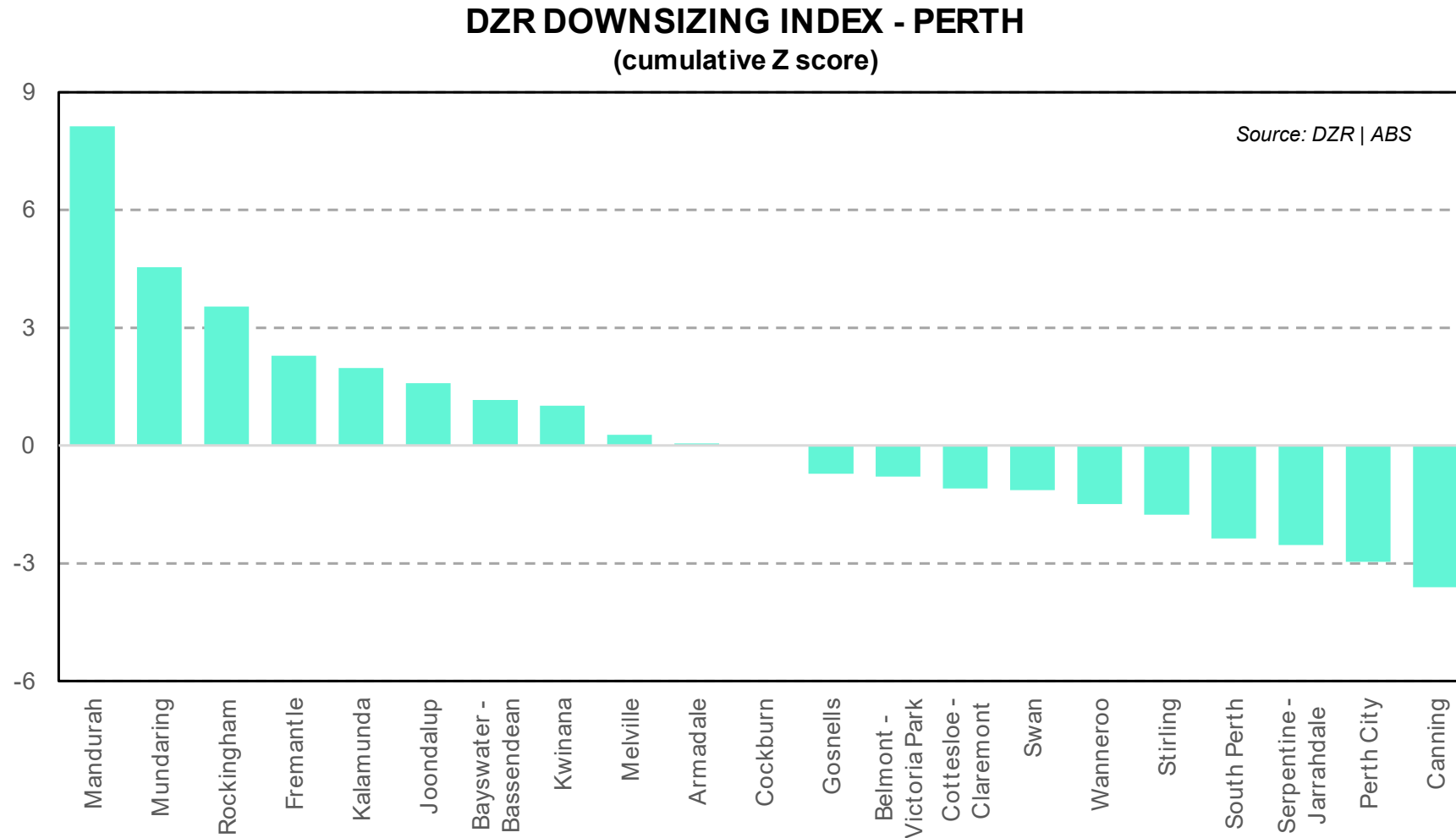
- Research by Downsizer has identified the key fundamentals that drive downsizing:
 - Demographics – the aging population
 - Housing suitability – the appropriate type of dwelling changes with age;
 - Health status – health deteriorates and the need for assistance rises with age;
 - Financial issues – 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 *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.

A Closer Look at WA – The DZR Downsizing Index for Perth

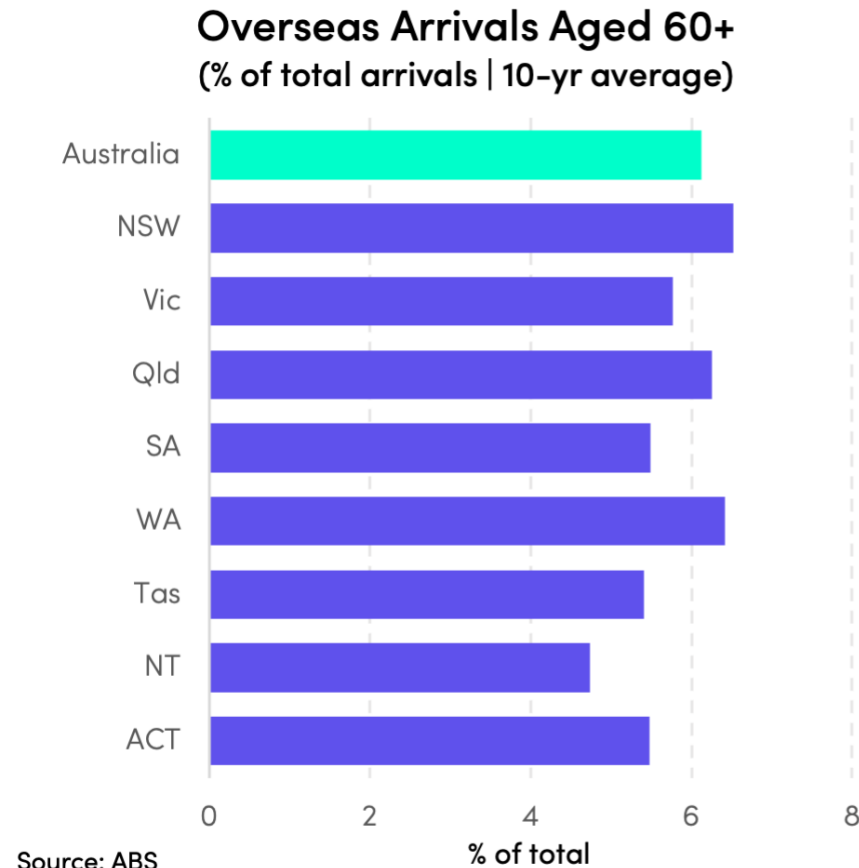


- Perth-South West ranks at the top of the DZR Index. The reading reflects an above average share of older residents in smaller households living in houses with too many bedrooms. Mobility and health indicators add to the mix.

A Closer Look at WA – The DZR Index More Detail

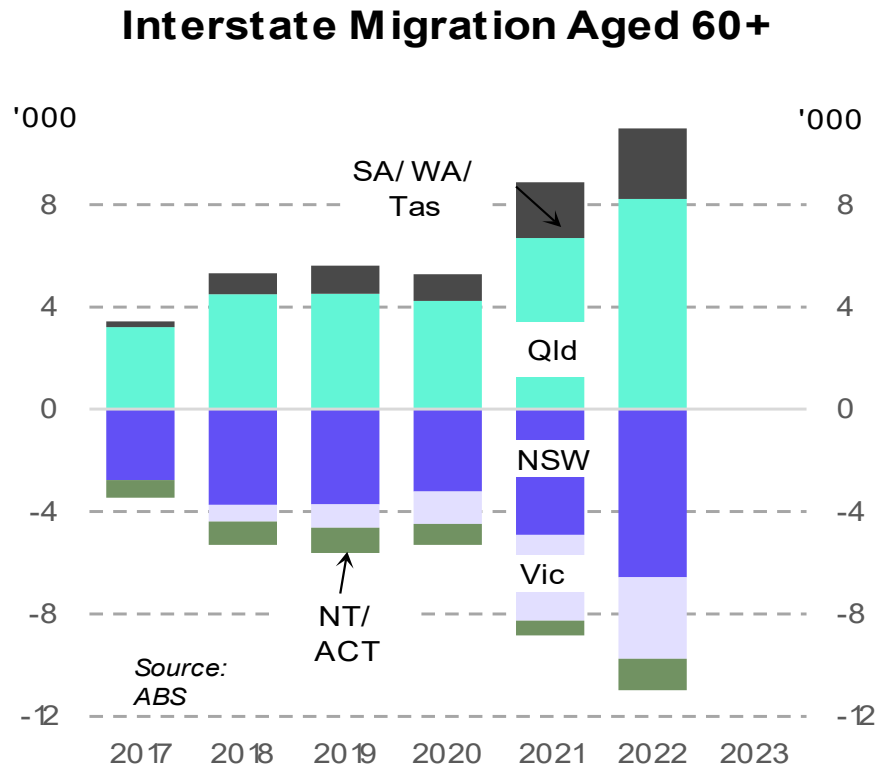


A Closer Look at WA – Downsizing & Overseas Arrivals



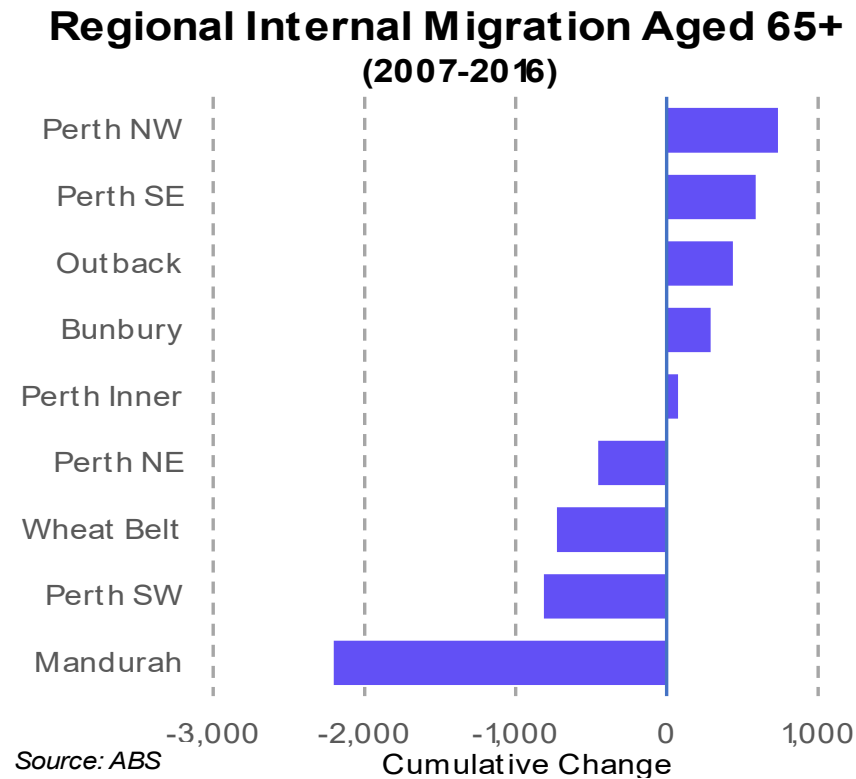
- Overseas migrant arrivals by older households are small in absolute terms.
- Western Australia's migrant arrivals by those aged 60+ run *above* the national average.
- Over the past decade those aged 60+ accounted for 6.4% of overseas migrant arrivals to Western Australia.

A Closer Look at WA – Downsizing & Interstate Movers



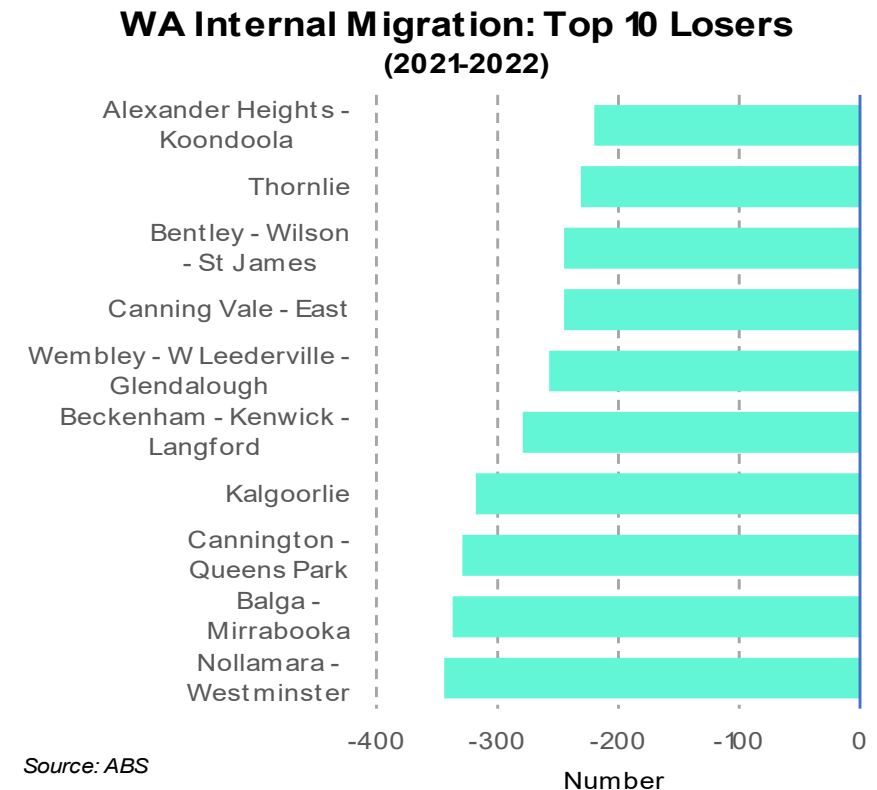
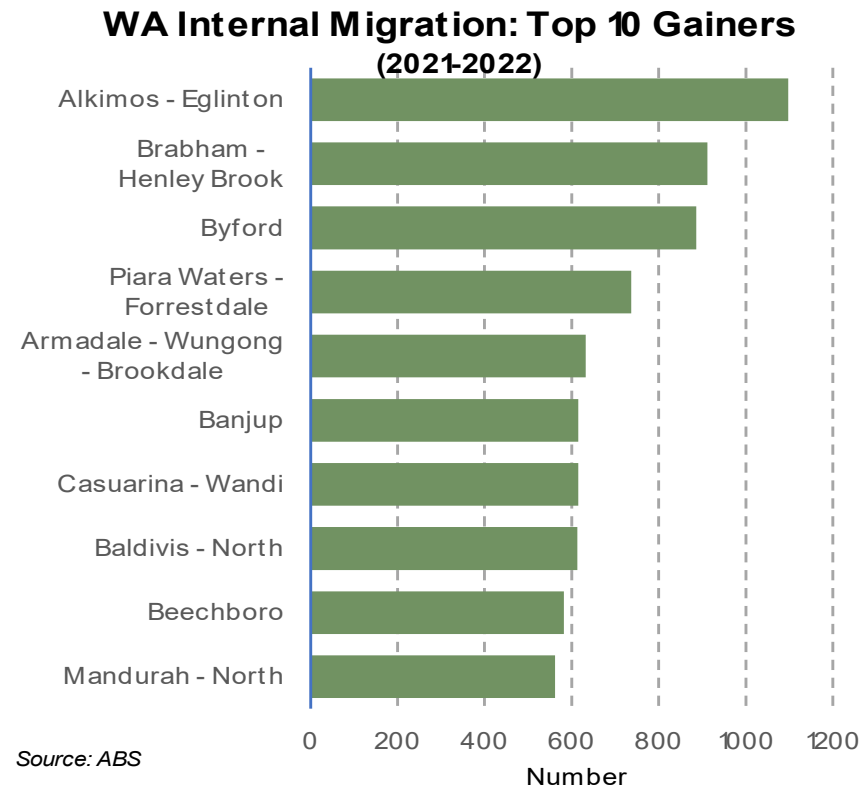
- Interstate migration flows by older households are small in absolute terms.
- WA loses people through migration to other states. But the flow at the older end of the age distribution is to WA. And that flow is increasing.
- The older age inflow partly reflects the wide real estate price differential between Western Australia and other states from a downsizing perspective.

A Closer Look at WA – Downsizing & Regional Movers



- Perth is the main beneficiary of WA internal migration of those aged 65 and over.
- The Outback region and Bunbury are also small beneficiaries outside of the capital.

A Closer Look at WA – Downsizing & SA2 Community Flows

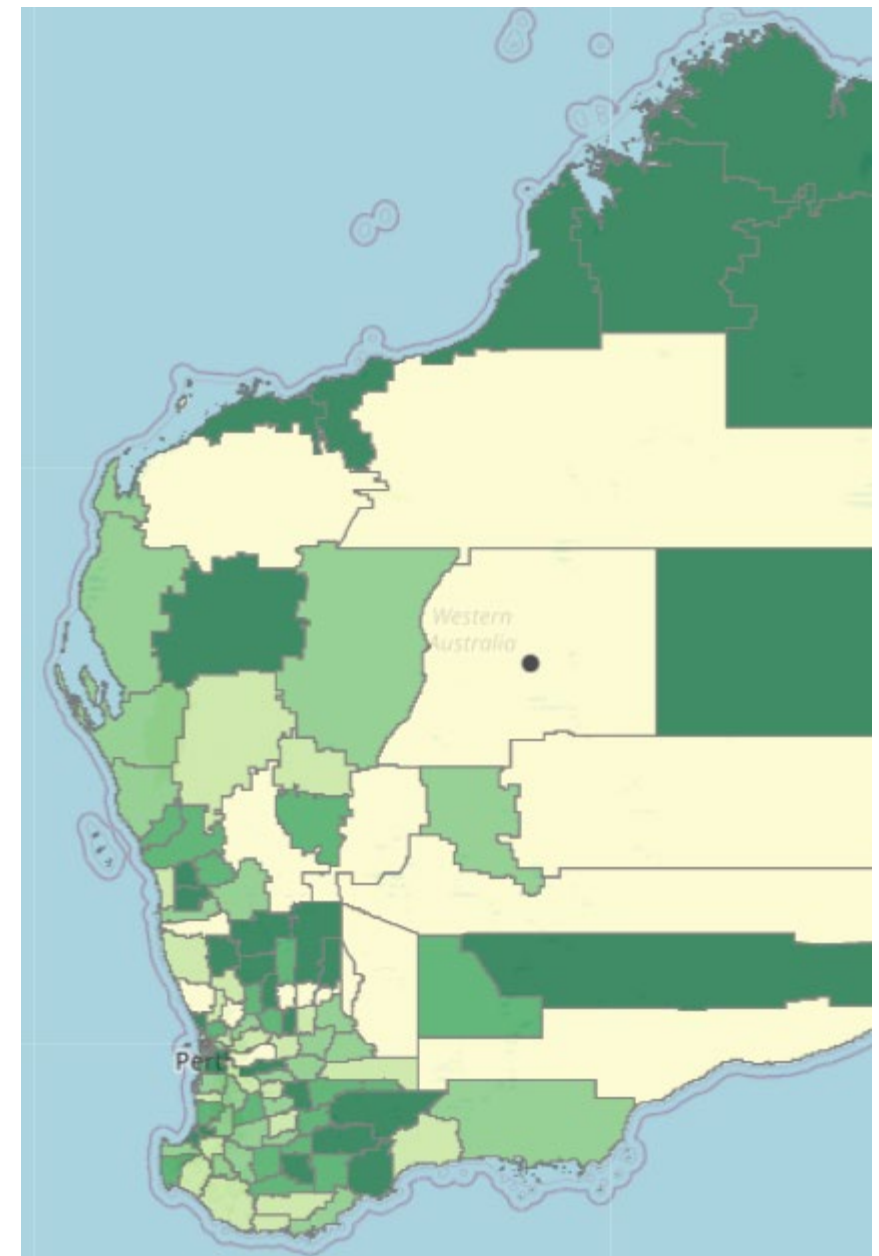
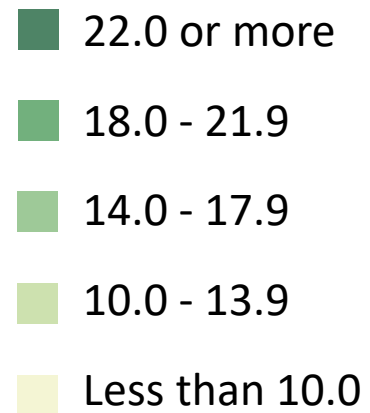


- The top and bottom Community regional internal migration flows match up with the areas identified by the Downsizer Index.

LGA Population By Age - WA

Population aged 65 years and over

Per cent (%)



Meet Downsizer

A digital home-buying experience unlike any other.

With rising inflation and increasing mortgage rates contributing to less qualified buyers in the market, we can help unlock the downsizer segment who are asset-rich, cash-poor and not dependent on a mortgage to buy.

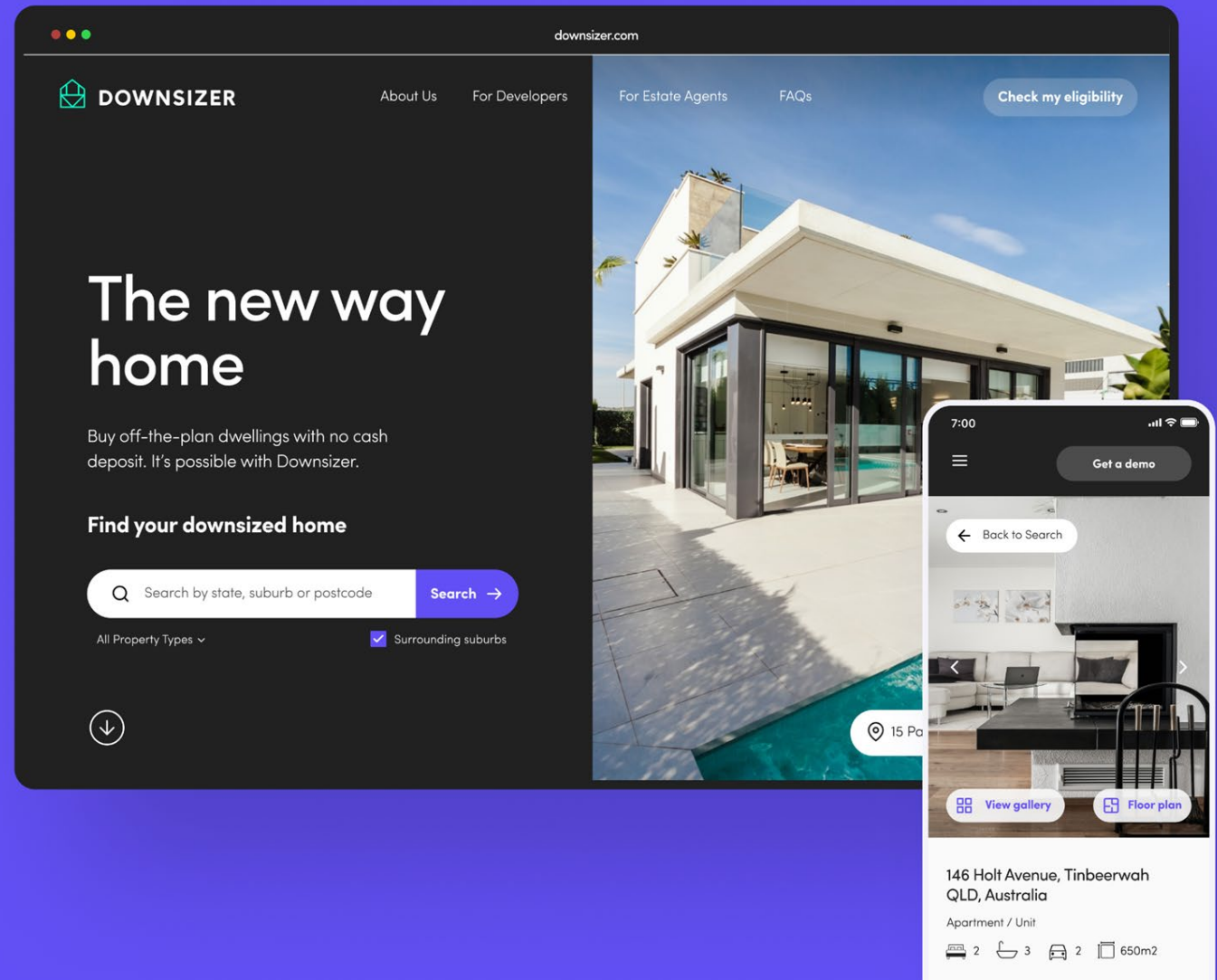
Downsizer empowers buyers to purchase the perfect home in a simple, safe and cost-effective way. It also enables developers to hit their pre-sale numbers faster and more efficiently, with reduced risk.

Platform features:

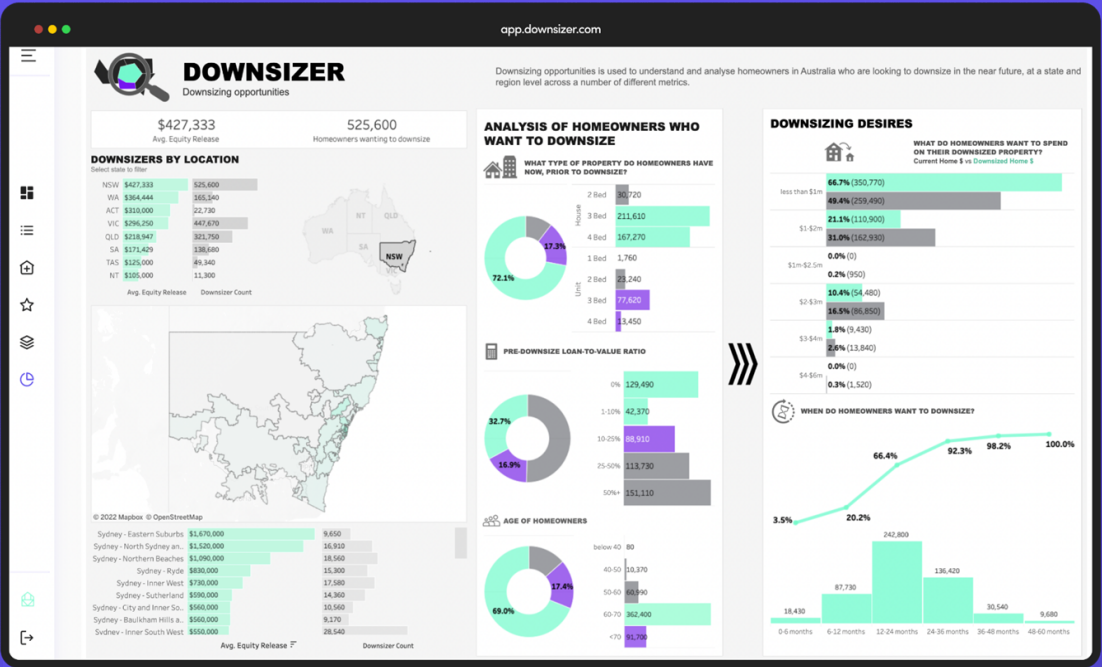
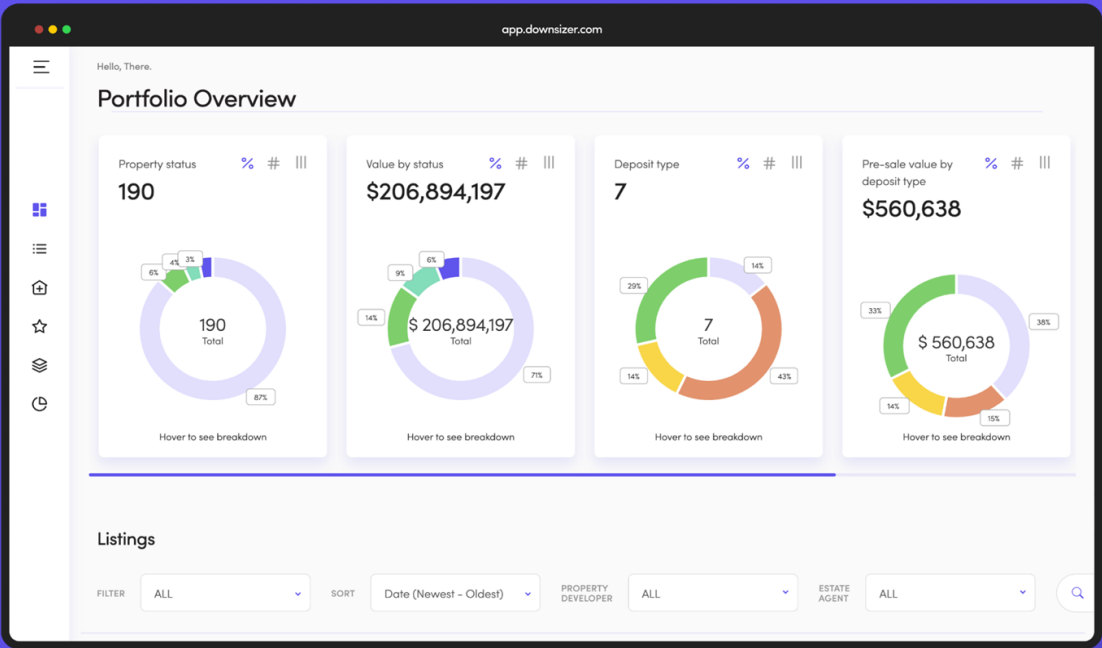
- Digital buyer qualification of net equity position
- Streamlined application process
- Access to Downsizer Data insights
- Qualified leads from lower risk buyers

Bond features:

- Flexible coverage – 6-66 Months
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How it works

1

Downsizers search our marketplace for their future off-the-plan home

2

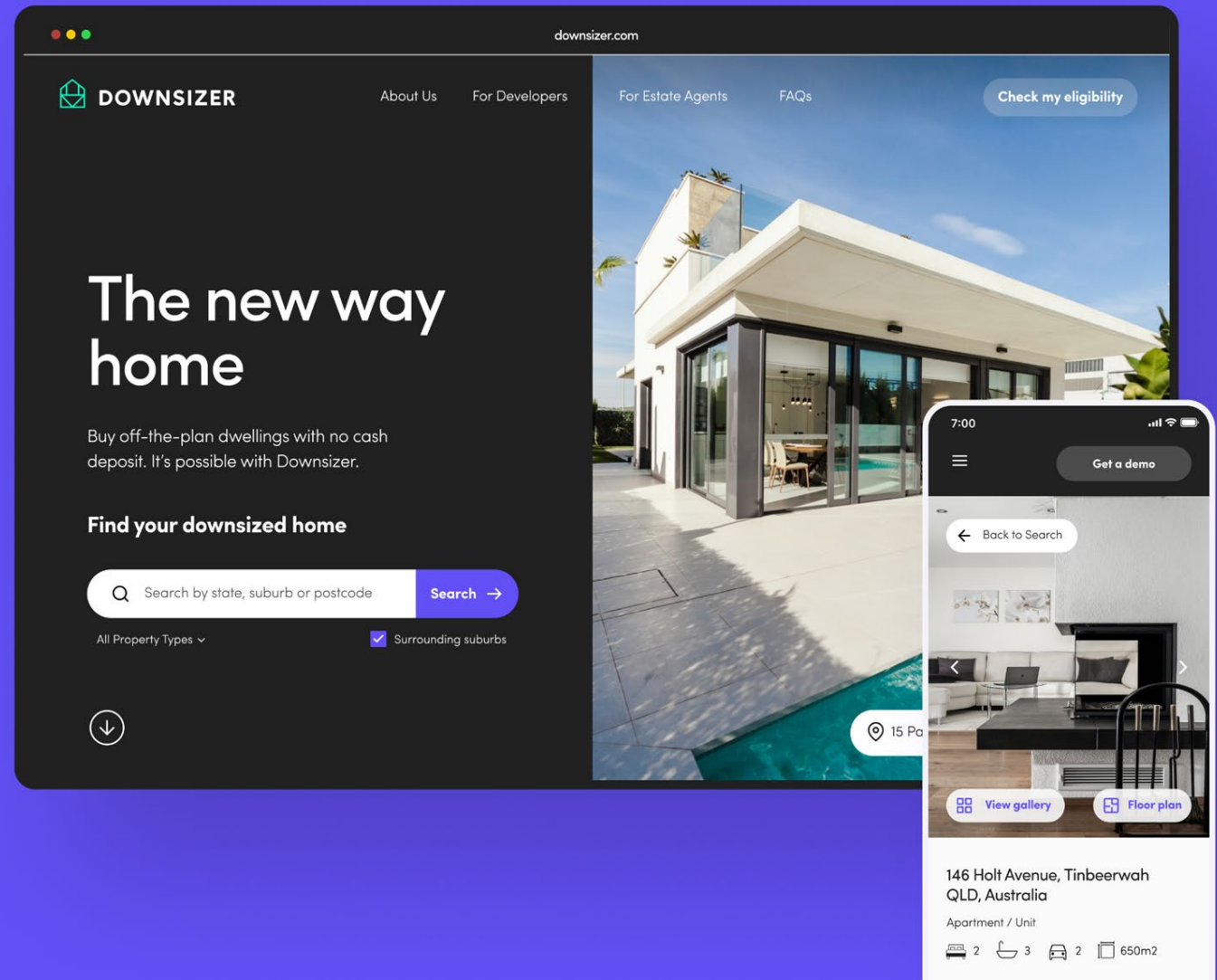
Buyers can instantly check their eligibility for the zero cash deposit

3

Qualified leads are passed to developers and/or sales agents

4

When ready to purchase, complete our streamlined Downsizer application form



About



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Chart data as at October 2023