

## Granny Flats

*Sue Field*

### Introduction

This chapter examines the first of a number of accommodation options discussed in this text for older persons – granny flats.<sup>1</sup> Among the issues which impact on the topic of granny flats are the changes in the demographic profile of Australian residents, including ageing parents; the reliance of many older Australians on social security; the impact of a granny flat arrangement on the age pension; the reasons why a granny flat arrangement may have an appeal to both generations involved in the arrangement; the advantages and disadvantages of the arrangement; the value of real estate in the major cities and the casualisation of the workforce leading as it does to an inability of younger family members purchasing a home, without support from the ‘Bank of Mum and Dad’<sup>2</sup> and the role of the lawyer advising on these transactions.

### Scope of this chapter

It is common knowledge that Australia has an ageing population. According to the Australian Institute of Health and Welfare (AIHW), approximately 15% of the population – or 3.7 million people – were aged 65 years or older in June 2016 and it is estimated that this figure will increase to 22% – or 8.7 million people – by 2056.<sup>3</sup>

In the context of granny flats, it is important to note that approximately 73% of Australians in the 65 to 74 age bracket are home owners (without a mortgage) and this figure increases to 80% from the age of 75 years.<sup>4</sup>

The same degree of home ownership cannot be found in the younger generations, that is, the children and/or grandchildren of the older homeowner. The cost of housing in the capital cities, in particular Sydney, has resulted in many younger people finding themselves in the position where home ownership is beyond their financial capacity. According to Hewitt, parents have lent a staggering \$65.3 billion dollars to ‘the kids’, assisting them to enter into the housing market.<sup>5</sup> Even if ‘the children’ have entered into

1 See Chapters 11-14 for some other accommodation options.

2 J Hewitt, “‘Bank of Mum and Dad’ is Now Fifth Largest Mortgage Lender”, *Financial Review*, 26 September 2017.

3 Australian Institute of Health and Welfare, *Older Australia at a Glance* (21 April 2017) <<https://www.aihw.gov.au/reports/older-people/older-australia-at-a-glance/contents/summary>>.

4 Productivity Commission, *Housing Decisions of Older Australians*, Research Paper (2015).

5 Hewitt, above n 2.

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